



## Third Quarter 2022 Results

**Alexandria, 14<sup>th</sup> November 2022** – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for the Third quarter 2022.

### Highlights

#### 3Q 2022

- Lecico revenue up 26% to LE 854.6 million (59.9% from sanitary ware).
- Sanitary ware revenue up 19% to LE 511.8 million, volumes down 3% to 1.26 million pieces (75.7% exports).
- Tile revenue up 41% to LE 296.1 million, volumes up 25% to 6.2 million square meters (11.1% exports).
- Brassware revenue up 18% to LE 46.7 million, sales volume up 3% to 44,005 pieces.
- EBIT loss of LE 94.4 million compared to EBIT profit of LE 9.3 million in 3Q 2021 due to LE 124.3 million in extra charges in Lebanon
- Net loss of LE 9.4 million compared to net loss of LE 8.7 million in 3Q 2021, with extra charges in Lebanon offset by LE 153.7 million exchange variance gain in Lebanon

#### 9M 2022

- Lecico revenue up 21% to LE 2,323.4 million (61.7% from sanitary ware).
- Sanitary ware revenue up 19% to LE 1,433.3 million, volumes up 3% to 3.9 million pieces (74.7% exports).
- Tile revenue up 20% to LE 753.7million, volumes up 6% to 16.3 million square meters (12.5% exports).
- Brassware revenues up 55% to LE 136.4 million, sales volume up 53% to 137,507 pieces.
- EBIT loss of LE 100.9 million compared to EBIT profit of LE 22.7 million in 2021.
- Net loss of LE 40.9 million compared to net loss of LE 32.3 million in 2021.

Lecico Egypt Chairman, Gilbert Gargour commented, “The third quarter of 2022 has been distorted by several exceptional charges in Lebanon, with a write-off of inventory and a significant increase in provisions reducing operating profit for the quarter by LE 124.3 million. At the same time, Lecico Lebanon reported an unusually high LE 153.7 million gain in exchange variances on a sale of cash dollars to pay for various investments and settle outstanding bills in Lebanese Pounds.

“Unfortunately, the large gap between official and unofficial exchange rates in Lebanon have obscured the real achievements and margins we are making as a Company, particularly this quarter due to the adjustments made.

“Excluding the activities of Lebanon, Lecico had strong sales in the quarter. Rising costs put pressure on gross margins, but despite this, the value of gross profit and operating profit for the quarter would be above the average of the first half of 2022. Overall, operations excluding Lebanon were stable and we hope to offset the cost increases coming through in the quarter with price increases over the fourth quarter and at the start of 2023. However, we will suffer higher finance expenses in the coming quarters as higher interest rates and losses on our forward contracts on the Egyptian Pound to Dollar continue.

“As we look ahead to the close of the year and 2023, Lecico intends to continue working towards improving our operating profit in the coming quarters as we work through this volatile period for the global economy. There is great concern about demand in Europe and we are seeing some order slowdown particularly in Germany and mainland Europe. We are working to offset this with new customers and market share gains. We are also working hard to improve efficiency and increase production in sanitary ware while working to shore up demand. We are also pushing through another round of price increases in the fourth quarter and the start of 2023, hoping to stay ahead of the large increase in costs seen over the year and offset the impact of the devaluation of the Egyptian Pound on domestic profit levels. I thank you for your continued interest and support of Lecico.”

Taher Gargour, Lecico Egypt CEO, added, “This continues to be a difficult year for investors to follow our performance with exceptional charges and one-off items obscuring our core performance. In the third quarter, our expenses and exchange gains in Lebanon overshadow our core performance.

“If we strip out the exceptionals in Lebanon, our results for the quarter show gross margins slightly down on average of the first half while gross profit and per unit profits are up in value terms as price increases and changing mix cover cost inflation but are not enough to maintain margins as a percentage. Lower proportional overheads mean both operating margins and profits are improved on the first half of the year.

“Improvements at the operating line were offset as both interest rate increases and losses on our forward contracts for Egyptian Pound – Dollar saw quarterly finance expenses double. We will bear charges for our forward contracts through February 2023, and we can assume interest rates will continue to rise well into the coming year.

“However, core operations were obscured by exceptional charges in Lebanon. Considering the 70% drop in sales volumes in Lebanon following the crisis of the last two years and the fact that the black-market rate for the currency in Lebanon suggest Lebanese assets are worth a substantially less than their book value in real dollars, management took a view that we needed to account for the risks of high values. In this quarter, we booked an additional LE 46.3m in COGs for Lebanon as stock was written off and took provisions of LE 78 million in other operating expenses to cover stocks which combined reduced operating profit by 124.3 million. We also settled an LE 10 million outstanding court case with the Lebanese Electricity authority.

“We offset this in Lebanon with LE 153.7 million in exchange variance gains as we had to sell off USD 320,000 dollars in Lebanon to get additional Lebanese pounds for operations and investments.

“Although the effect of these actions on our consolidated numbers looks very significant due to the disparity between official and black-market exchange rates, these are actually relatively small adjustments in quantities compared to our group activities.

“Despite the disruption, I am pleased that these adjustments in Lebanon will reduce the impact on future results of any official devaluation or hyper-inflation adjustment to our financial statements. Our books are better balanced now for these future shocks.

“We are studying the possibility to change our accounting of Lebanon’s results to hyperinflationary treatment – applying IAS 21 and 29 – and I hope we can make this switch in the coming quarters. Although this may trigger a further adjustment entry on the P&L to reflect restating Lecico Lebanon’s asset values, it will give a more accurate presentation of the numbers in our group consolidation, and we would hope this would remove most of the qualifications to our financials. We will advise shareholders of this when there is some progress.

“I remain optimistic that we are in a good position to continue to build our core operating profitability in the coming periods. Our risk is on the demand side and we are working hard to absorb some cooling off in some of our markets. Egypt is also going through some challenges which are concerning for the shape of demand in the year ahead but the recent devaluation and the government commitment to help support exports should help us balance the challenges. Lecico is in the middle of a very volatile trading period and we are working hard to deliver continued growth and improvement in our financial results in the face of these challenges.”

## Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	3Q		%	9M		%
	2022	2021	22/21	2022	2021	22/21
Sanitary ware	511.8	429.5	119%	1,433.3	1,199.7	119%
Tiles	296.1	210.6	141%	753.7	628.2	120%
Brassware	46.7	39.5	118%	136.4	88.2	155%
<b>Sales</b>	<b>854.6</b>	<b>679.6</b>	<b>126%</b>	<b>2,323.4</b>	<b>1,916.1</b>	<b>121%</b>
Sanitary ware/sales (%)	59.9%	63.2%	(3.3%)	61.7%	62.6%	(0.9%)
Cost of sales	(741.3)	(555.1)	134%	(1,922.0)	(1,579.6)	122%
Cost of sales/sales (%)	(86.7%)	(81.7%)	5.1%	(82.7%)	(82.4%)	0.3%
<b>Gross profit</b>	<b>113.3</b>	<b>124.5</b>	<b>91%</b>	<b>401.4</b>	<b>336.5</b>	<b>119%</b>
Gross profit margin (%)	13.3%	18.3%	(5.1%)	17.3%	17.6%	(0.3%)
Distribution and administration (D&A)	(121.7)	(93.0)	131%	(335.5)	(274.1)	122%
D&A/sales (%)	(14.2%)	(13.7%)	0.6%	(14.4%)	(14.3%)	0.1%
Net other operating income/ (expense)	(86.0)	(22.2)	387%	(166.8)	(39.7)	421%
Net other operating income/ (expense) sales (%)	(10.1%)	(3.3%)	6.8%	(7.2%)	(2.1%)	5.1%
<b>EBIT</b>	<b>(94.4)</b>	<b>9.3</b>	<b>-</b>	<b>(100.9)</b>	<b>22.7</b>	<b>-</b>
EBIT margin (%)	-	1.4%	-	-	1.2%	-
<b>Net profit (loss)</b>	<b>(9.6)</b>	<b>(8.7)</b>	<b>111%</b>	<b>(40.9)</b>	<b>(32.2)</b>	<b>127%</b>
Net profit margin (%)	-	-	-	-	-	-

### 3Q 2022: One-off's in Lebanon distort P&L, losses on EGP/USD contracts hit bottom line

Lecico reported a loss of LE 9.6 million with one-off charges and gains in Lebanon distorting the gross and operating profit and losses of LE 18.3 million on forward contracts for selling dollars – following the recent devaluation in Egypt – largely responsible for the bottom-line loss.

Lecico revenues for the third quarter increased by 26% year-on-year to reach LE 854.6 million (3Q 2021: LE 679.6 million) with higher prices and sales volumes driving up revenues in sanitary and tiles segments and strong volumes driving the brassware segments. Local revenues were up 44% year-on-year to reach LE 402.2 million (3Q 2021: LE 278.3 million) and export revenues were up 13% year-on-year to reach LE 452.4 million (3Q 2021: LE 401.3 million).

Quarter-on-Quarter revenues increased by 18% (2Q 2022: LE 723.3 million). Local revenues increased 36% quarter-on-quarter to reach LE 402.2 million (2Q 2022: LE 296.3 million) and exports increased 6% quarter-on-quarter to reach LE 452.4 million (2Q 2022: LE 427 million).

Lecico's cost of goods sold increased by 34% year-on-year to LE 741.3 million (3Q 2021: LE 555.1 million). However, COGs for the quarter were distorted by a one-off charge of LE 46.3 million to write-down inventory in Lebanon. Excluding this charge, Lecico's cost of goods sold would have increased 25%, matching the increase in sales.

Quarter-on-Quarter Lecico's cost of goods sold increased by 26% (2Q 2022: LE 587.5 million). Excluding the one-off adjustment in Lebanon, Lecico's cost of goods sold would have increased 18% quarter-on-quarter.

Lecico's gross profit for the third quarter decreased 9% year-on-year to LE 113.3 million (3Q 2021: LE 124.5 million). Lecico's gross profit margin decreased 5.1 percentage points to 13.3% compared to 18.3% in the same period last year. As mentioned above, this drop in gross profit is due to the one-off charge in Lebanon, if we exclude this adjustment, Lecico's gross profit for the third quarter would be up 28%.

Quarter-on-quarter gross profit decreased by 17% (2Q 2022: LE 135.7 million) and Lecico's gross margin decreased 5.5 percentage points (2Q 2022: 18.8%). If we exclude the LE 46.3m charge in Lebanon, Lecico's gross profit would be up 18% quarter-on-quarter.

In absolute terms, distribution and administration (D&A) expenses increased by 31% to LE 121.7 million (3Q 2021: LE 93 million) and proportional D&A expenses were up by 0.6 percentage points to 14.2% (3Q 2021: 13.7%).

Quarter-on-quarter distribution and administration (D&A) expenses increased by 4% (2Q 2022: LE 116.5 million), but proportional D&A expenses were down by 1.9 percentage points (2Q 2022: 16.1%).

Lecico reported LE 86 million in net other operating expense compared to net other operating expenses of LE 22.2 million in the same period last year. The higher other operating expense in the third quarter of 2022 is primarily due to LE 78 million of exceptional provisions in Lebanon against inventory.

Quarter-on-quarter Lecico reported LE 86 million in net other operating expense compared to net other operating expenses of LE 56.3 million in 2Q 2022.

Lecico EBIT loss of LE 94.4 million compared to EBIT profit of LE 9.3 million in 3Q 2021. If we exclude the exceptional provisions in Lecico Lebanon and the one-off adjustment to COGs, EBIT would have been a profit of LE 29.9 million.

Quarter-on-quarter Lecico reported EBIT loss of LE 94.4 million compared to EBIT loss of LE 37.1 million in 2Q 2022.

Lecico reported LE 102.5 million in net financing income compared to net financing expense of LE 3.9 million in the same period last year. However, this gain was due to an LE 153.7 million exchange gain in Lebanon as we had to sell an exceptional amount of USD 320,000 to cover investments, charges and the legal settlement in Lebanon.

Excluding the unusual gains of Lebanon, Lecico had a finance expense of LE 51.2 million with exchange variance losses in the rest of the group and around LE 18.3 million in additional finance charges due to the losses on our forward selling contracts of Dollars to Egyptian Pounds following the devaluation of the Pound. These additional losses are expected to continue in 4Q 2022 and 1Q 2023 until the maturity of the contracts in February 2023.

Quarter-on-quarter Lecico reported LE 102.5 million in net financing income compared to net financing expense of LE 2.6 million in 2Q 2022.

Lecico reported net tax charge of LE 13.4 million in the third quarter versus tax charge LE 10.3 million in the same period last year.

Lecico reported net loss of LE 9.6 million in the third quarter compared to a net loss of LE 8.7 million in the same period last year.

### **9M 2022: Exceptional charges offset the improvement in core operating profit**

Lecico revenues for the first nine months increased by 21% year-on-year to LE 2,323.4 million (9M 2021: LE 1,916.1 million) due to the increase in sales in all segments.

Lecico's cost of goods sold was up 22% year-on-year to LE 1,922 million (9M 2021: LE 1,579.6 million). If we exclude the LE 46.3 million one-off charge to COGs from Lebanon in 3Q 2022, Lecico's cost of goods sold would be up 19%.

Gross profit increased by 19% to reach LE 401.4 million (9M 2021: LE 336.5 million) and the Company's gross profit margin was down 0.3 percentage points to 17.3% compared to 17.6% in the same period last year. If we exclude the LE 46.3 million one-off charge from Lebanon in 3Q 2022, Lecico's gross profit would be up 33%.

In absolute terms, distribution and administration (D&A) expenses increased by 22% to LE 335.5 million (9M 2021: LE 274.1 million) and proportional D&A expenses were up 0.1 percentage points to 14.4% compared to 14.3% in the same period last year.

Lecico reported LE 166.8 million in net other operating expenses compared to net other operating expenses of LE 39.7 million in the same period last year. The higher other operating expense in the first nine months of 2022 is primarily due to LE 102 million in exceptional other operating expenses incurred in the second and third quarter.

Lecico reported an EBIT loss of LE 100.9 million for the first nine months compared to an EBIT profit of LE 22.7 million in the same period last year. If we remove the exceptional charges in the second and third quarter to compare the results of core operations, Lecico would have an adjusted EBIT profit of LE 47.4 million, a significant improvement on the EBIT of the same period last year.

Lecico reported LE 121.9 million in net financing income compared to net financing expense of LE 15.1 million in the same period last year. However, this gain was due to an LE 153.7 million gain in exchange variance in Lebanon in the third quarter.

Lecico reported net tax charge of LE 50.7 million versus a tax charge of LE 32 million in the same period last year.

Lecico reported net loss of LE 40.9 million compared to net loss of LE 32.2 million in the same period last year. If we remove the exceptional charges and exchange variance gains in the second and third quarter to compare the results of core operations, Lecico would have an adjusted net loss of LE 35.5 million.

## Segmental analysis

### Sanitary ware

**3Q:** Sanitary ware sales volumes decreased by 3% (down 34,089 pieces). Local sales volumes increased by 2% (up 6,277 pieces), but export sales volumes decreased by 4% (down 35,169 pieces) and Lebanon sales volumes decreased by 48% (down 5,197 pieces).

Quarter-on-quarter total sales volumes decreased by 3% (down 41,030 pieces). Local volumes increased 9% (up 25,079 pieces), but export sales decreased by 6% (down 63,462 pieces) and sales in Lebanon decreased 32% (down 2,646 pieces).

Average sanitary ware prices increased by 22% year-on-year at LE 405.1 per piece (3Q 2021: LE 331.1) following a series of increases in the local market over 4Q 2021 and 1H 2022 plus the impact of a significant devaluation and increased average prices for export customers in 1Q 2022. Quarter-on-quarter average prices increased by 8% (2Q 2022: LE 376.4).

Revenues were up 19% year-on-year at LE 511.8 million (3Q 2021: LE 429.5 million). Quarter-on-quarter revenues were up 4% (2Q 2022: LE 490.9 million).

Average cost of sales per piece increased by 36% year-on-year at LE 384.9 per piece due to significant inflation in the supply chain combined with a more challenging mix of production.

Quarter-on-quarter, the average cost of sales increased by 19% (2Q 2022: LE 322.4 per piece) with production up 11%. However, this number was inflated by an exceptional charge of LE 46.3 million in Lebanon.

Gross profit decreased 59% to LE 25.5 million (3Q 2021: LE 62.2 million) and the margin was down 9.5 percentage points to 5% (3Q 2021: 14.5%). Excluding the exceptional charge in Lebanon gross profit would be LE 71.8 million, up 15% year-on-year.

Quarter-on-quarter gross profit decreased by 64% (2Q 2022: LE 70.4 million) and the gross margin decreased by 9.4 percentage points (2Q 2022: 14.3%). Excluding the exceptional charge in Lebanon gross profit would up 2% year-on-year.

Sanitary ware segmental analysis	3Q		%	9M		%
	2022	2021	22/21	2022	2021	22/21
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	302	295	102%	953	884	108%
Lebanon (000 pcs)	6	11	52%	25	22	112%
Export (000 pcs)	956	991	96%	2,886	2,860	101%
<b>Total sanitary ware volumes (000 pcs)</b>	<b>1,263</b>	<b>1,298</b>	<b>97%</b>	<b>3,864</b>	<b>3,767</b>	<b>103%</b>
Exports/total sales volume (%)	75.7%	76.4%	(0.7%)	74.7%	75.9%	(1.3%)
<b>Sanitary ware revenue (LE m)</b>	<b>511.8</b>	<b>429.5</b>	<b>119%</b>	<b>1433.3</b>	<b>1199.7</b>	<b>119%</b>
Average selling price (LE/pc)	405.1	331.1	122%	370.9	318.5	116%
Average cost per piece (LE/pc)	384.9	283.1	136%	330.2	272.3	121%
Sanitary ware cost of sales	(486.3)	(367.4)	132%	(1275.9)	(1025.5)	124%
Sanitary ware gross profit	25.5	62.2	41%	157.4	174.1	90%
Sanitary ware gross profit margin (%)	5.0%	14.5%	(9.5%)	11.0%	14.5%	(3.5%)

**9M:** Sanitary ware sales volume increased by 3% to 3.9 million pieces (up 97,135 pieces). Egyptian volumes increased 8% (up 69,044 pieces), export volumes increased 1% (up 25,333 pieces) and sales in Lebanon increased by 12% (up 2,758 pieces).

Average sanitary ware prices were up 16% year-on-year to LE 370.9 per piece (9M 2021: LE 318.5) as a result of price increases in Egypt, a devaluation of the Egyptian Pound and an increased proportion of export sales.

Revenues were up 19% year-on-year at LE 1,433.3 million (9M 2021: LE 1,199.7 million).

Average cost of sales increased 21% at LE 330.2 per piece. Sanitary ware production was 4% lower than in the first nine months of 2021.

Gross profit decreased 10% to LE 157.4 million (9M 2021: LE 174.1 million) and the margin fell 3.5 percentage points to 11% (9M 2021: 14.5%). Excluding the exceptional charge in Lebanon in the third quarter, gross profit would be LE 203.7 million, up 17% year-on-year.

## Tiles

**3Q:** Tile sales volumes increased 25% year-on-year (up 1.2 million square meters) to reach 6.2 million square meters. Local sales volumes increased 37% (up 1.5 million square meters) and Lebanon sales increased 173% (up 77,893 square meters), but export sales volumes decreased 32% (down 316,893 square meters).

Quarter-on-quarter sales volumes increased 48% (up 2 million square meters). Local volumes increased 45% (up 1.7 square meters), export volumes increased 73% (up 291,000 square meters) and Lebanon volumes increased 92% (up 59,000 square meters).

Average net prices per square meter increased by 13% year-on-year at LE 47.6 per meter (3Q 2021: LE 42.2) as a result of price hikes done over 2021 and in 1H 2022. Quarter-on-quarter average prices increased by 2% (2Q 2022: LE 46.7).

Tiles revenues were up 41% year-on-year at LE 296.1 million (3Q 2021: LE 210.6 million). Quarter-on-quarter revenues were up 51% (2Q 2022: LE 195.6 million).

Average costs of sales increased by 12% year-on-year to reach LE 37 per square meter (3Q 2021: LE 33 per square meter). Tile production increased by 4% compared to the same period last year.

Quarter-on-quarter average costs increased by 5% (2Q 2022: LE 35.1). Tile production increased by 13% quarter-on-quarter.

Gross profit for the quarter increased 44% to reach LE 66 million compared to gross profit LE 45.8 million in the same period last year. Gross margin increased 0.5 percentage points to 22.3% (3Q 2021: 21.8%).

Quarter-on-quarter gross profit increased by 36% (2Q 2022: LE 48.4 million) and the gross margin decreased 2.5 percentage points (2Q 2022: 24.7%).

Tile segmental analysis	3Q		%	9M		%
	2022	2021		2022	2021	
			22/21			22/21
Tile volumes (000 sqm)						
Egypt (000 sqm)	5,404	3,936	137%	14,044	11,613	121%
Lebanon (000 sqm)	123	45	273%	247	151	163%
Export (000 sqm)	688	1,005	68%	2,046	3,609	57%
<b>Total tile volumes (000 sqm)</b>	<b>6,215</b>	<b>4,986</b>	<b>125%</b>	<b>16,338</b>	<b>15,373</b>	<b>106%</b>
Exports/total sales volume (%)	11.1%	20.2%	(9.1%)	12.5%	23.5%	(11.0%)
<b>Tile revenue (LE m)</b>	<b>296.1</b>	<b>210.6</b>	<b>141%</b>	<b>753.7</b>	<b>628.2</b>	<b>120%</b>
Average selling price (LE/sqm)	47.6	42.2	113%	46.1	40.9	113%
Average cost per sqm (LE/sqm)	37.0	33.0	112%	34.8	32.3	108%
Tile cost of sales	(230.1)	(164.7)	140%	(568.5)	(497.2)	114%
Tile gross profit	66.0	45.8	144%	185.2	131.0	141%
Tile gross profit margin (%)	22.3%	21.8%	0.5%	24.6%	20.8%	3.7%

**9M:** Tile sales volumes increased by 6% year-on-year (up 964,225 square meters) to reach 16.3 million square meters. Sales in Egypt increased 21% (up 2.4 million square meters) and Lebanon sales increased by 63% (up 95,968 square meters), but export sales decreased by 43% (down 1.6 million square meters).

Tiles revenues increased 20% year-on-year at LE 753.7 million in the first nine months of 2022 (9M 2021: LE 628.2 million).

Average net prices rose 13% to LE 46.1 per square meter compared to LE 40.9 in the same period last year.

Average costs increased 8% year-on-year to reach LE 34.8 per square meter due to cost cutting measures in Egypt, the impact of a strengthening currency on fx-based costs. Production volume was 2% lower than the same period in 2021.

Gross profit increased 41% to reach LE 185.2 million (9M 2021: LE 131 million) and the margin increased by 3.7 percentage points to 24.6% (9M 2021: 20.8%).

## Brassware

**3Q:** Sales volumes for the third quarter 2022 increased by 3% to reach 44,005 pieces (3Q 2021: 42,725 pieces). Quarter-on-quarter sales volumes increased by 49% (2Q 2022: 29,580 pieces).

Average net prices increased 15% to LE 1,062.3 compared to LE 924.2 in the same period last year. Quarter-on-quarter average prices were down by 15% (2Q 2022: LE 1,243.9) due to product mix.

Revenue for the quarter increased 18% year-on-year to reach LE 46.7 million (3Q 2021: LE 39.5 million). Brassware accounted for 5.5% of the quarter's revenues, compared to 5.8% in the same period last year. Quarter-on-quarter revenues increased by 27% (2Q 2022: LE 36.8 million).

Average cost per piece increased 5% to LE 566.7 per piece (3Q 2021: LE 537.7 per piece) reflecting changing mix. Quarter-on-quarter average cost per piece decreased 16% (2Q 2022: LE 671.7 per piece).

Gross profit for the quarter increased by 32% year-on-year to reach LE 21.8 million (3Q 2021: LE 16.5 million) and the gross margin increased 4.8 percentage points to 46.7% (3Q 2021: 41.8%). Brassware accounted for 19.2% of the quarter's gross profits compared to 13.3% in the same period last year.

Quarter-on-quarter gross profit increased by 29% (2Q 2022: LE 16.9 million) and the gross margin increased 0.7 percentage points (2Q 2022: 46%). Brassware accounted for 12.5% of gross profits in 2Q 2022.

Brassware segmental analysis	3Q		%	9M		%
	2022	2021		22/21	2022	
Brassware volumes ( pcs)						
Egypt ( pcs)	44,005	42,380	104%	137,507	89,678	153%
Export ( pcs)	-	345	0%	-	345	0%
<b>Total brassware volumes ( pcs)</b>	<b>44,005</b>	<b>42,725</b>	<b>103%</b>	<b>137,507</b>	<b>90,023</b>	<b>153%</b>
Exports/total sales volume (%)	0.0%	0.8%	(0.8%)	0.0%	0.4%	(0.4%)
<b>Brassware revenue (LE m)</b>	<b>46.7</b>	<b>39.5</b>	<b>118%</b>	<b>136.4</b>	<b>88.2</b>	<b>155%</b>
Average selling price (LE/pc)	1062.3	924.2	115%	992.1	980.0	101%
Average cost per piece (LE/pc)	566.7	537.7	105%	564.9	631.8	89%
Brassware cost of sales	(24.9)	(23.0)	109%	(77.7)	(56.9)	137%
Brassware ware gross profit	21.8	16.5	132%	58.8	31.4	187%
Brassware gross profit margin (%)	46.7%	41.8%	4.8%	43.1%	35.5%	7.5%

**9M:** Sales volumes for first nine months of 2022 increased by 53% year-on-year (up 47,484 pieces)

Average net prices increased 1% to reach LE 992.1 per piece and revenues increased 55% year-on-year to reach LE 136.4 million (9M 2021: LE 88.2 million).

Brassware's percentage of consolidated revenues 5.9%, while the percentage for last year was 4.6% of sales.

Average cost per piece decreased 11% to LE 564.9 per piece (9M 2021: LE 631.8 per piece) reflecting changing mix.

Gross profit increased 87% to LE 58.8 million (9M 2021: LE 31.4 million) and the margin increased 7.5 percentage points to 43.1% (9M 2021: 35.5%).

Brassware's percentage of consolidated gross profits increased to 14.6% of Lecico gross profits (9M 2021: 9.3%).

### **Financial Position**

The value of Lecico's non-current assets increased by 16% at the end of September 30, 2022, to reach LE 1,859.2 million (2021: LE 1,603 million). following a revaluation of fixed assets following the devaluation of the Egyptian Pound and despite the sale of land in France.

Total Equity increased 19% at the end of September 30, 2022, to reach LE 1,798.1 million (2021: LE 1,507.9 million) as Reserves increased to reflect the increase in non-current assets.

The value of Lecico's current assets increased by 32% at the end of September 30, 2022, to reach LE 2,401.9 million (2021: LE 1,822 million) primarily as a result of the increase in cash, inventory and receivables during the first nine months of 2022.

Total liabilities increased by 29% to reach LE 2,418.8 million (2021: LE 1,881.9 million) primarily because of the increase in bank overdrafts and other payables.

Gross debt increased 33% or LE 280.6 million to reach LE 1,143.7 million compared to LE 863.1 million at the end of 2021.

Net debt increased 1% or LE 5.3 million to reach LE 691.3 million compared to LE 686 million at the end of 2021. However, this net debt number is distorted by the large Lebanese Pound balances we are holding which we are required to translate at the official exchange rate.

Net debt to equity at the end of September 2022 reached 0.38x compared to 0.45x at the end of 2021. Net debt to equity is closer to 0.45x if we exclude the extra cash held in Lebanon.

Working capital increased 13% or LE 119.9 million to reach LE 1,038.2 million compared to LE 918.4 million at the end of 2021 primarily due to the increase in inventory and receivables.

## Recent developments and outlook

**Outlook for 4Q and 2023:** The unprecedented inflation and economic volatility we are seeing across the world makes any attempt to judge Lecico's outlook challenging. With economic growth forecasts, energy supply and many other drivers uncertain in most markets the Company is active in, we cannot rule out the risk of further unexpected developments.

The recent devaluation of the Egyptian Pound is triggering another round of inflation and price increases in Egypt and will likely be positive for our export business.

There is a concern about demand in Europe in the coming year and Lecico is seeing a reduction in orders from some central European markets. Management hopes to offset this with market share gains in the UK and new customers and product launches in Europe.

As cost pressures continue to mount, the Company is also planning another round of price increases both in local and export markets over the fourth quarter of 2022 and the first quarter of 2023.

Regional exports look likely to remain depressed with political issues in Libya and Lebanon and weak sales reported in our other Middle Eastern markets. This part of the business is not expected to show any improvement in the coming quarters.

The Egyptian market continues to be driven by government-led projects as small contractors and refurbishment remain squeezed between tighter government restrictions on private building work and the squeeze on the consumer of high inflation for most of the past five years. Management believes that it is well positioned in the projects sector and is hopeful that demand remain stable in 2023 despite a squeeze on sources of funding for Egypt.

**Lecico Lebanon restructuring update:** The crisis in Lebanon continues to make the market extremely unpredictable and limits activity. Trading in Lebanon remains limited and strictly on a cash basis with fluctuations based on political sentiment and uncertainty over exchange rates. Since this crisis is now over a year old, year-on-year figures do not show the extent of the drop.

Lecico Lebanon is continuing to survive these challenges with limited sales being enough to keep the company cash flow positive and operational as we wait for the economic situation to improve.

Lebanon's macroeconomic and political outlook remains extremely uncertain. In absence of better visibility, Lecico is expected to trade at current levels in the year ahead; with similar losses but positive cash flow.

As Lecico Lebanon's functional currency is that of a hyperinflationary economy and in view of the ongoing financial crisis in Lebanon and the significant variance between official and unofficial exchange rates there is a need to restate the financial statements of the subsidiary so that the financial information provided is more meaningful. This matter will lead to some new qualifications in our audited consolidated financials.

Considering this constrained trading environment and the significant difference between official and unofficial exchange rates, Lecico Lebanon took the decision to significantly provide against stock in this quarter, reassessing our stock provisions in light of the current trading levels and writing off stock as well.

This led to significant other operating costs and cost of goods sold charges affecting the group numbers as mentioned in the earlier parts of this newsletter.

Management has also taken the decision to sell USD 320,000 of the cash it held for various investments and charges in Lebanese Pounds including investing in solar panels for the factory in Lebanon and settling an outstanding court case with the Electricity Authority in Lebanon.

In order to properly reflect the Lebanese business going forward and remove most of the qualifications in Lecico Egypt's consolidated financials, management is reviewing the possibility of reporting Lebanon results with adjustments for hyperinflation (IAS 21 and 29). Management hopes to switch to this reporting treatment in the coming year and there may be further adjustment entries on the consolidated financials to reflect the restatement of Lebanon's accounts.

Management intends to continue to update investors on the progress of restructuring on a quarterly basis in the Results Newsletter.

## **About Lecico**

Lecico (Stock symbols: LCSW.CA; LECI EY) is a leading producer of export-quality sanitary ware in the Middle East and one of the largest tile producers in Egypt, with over 50 years of experience in the industry and decades of experience as an exporter to developed markets.

Lecico benefits from significant cost advantages in labour, energy and investment costs resulting from its economies of scale and manufacturing base in Egypt. Lecico's marketing strategy is to use its cost advantages to target the mass market with high quality pieces at competitive prices.

Lecico exports over half its sanitary ware production and has a significant presence in the United Kingdom and other European markets. Most of the Company's exports are done under the Lecico brand, although it also produces for a number of leading European brands.

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## **Forward-looking statements**

This release may contain certain "forward-looking statements", relating to the Company's business, which can be identified by the use of forward-looking terminology such as "will", "planned", "expectations", "forecast" or similar expressions, or by discussions of strategy, plans or intentions. Such statements may include descriptions of investments planned or currently under development by the Company and the anticipated impact of these investments. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results that may be expressed or implied by such forward-looking statements.

## Lecico Egypt consolidated income statement

Income statement (LE m)	3Q		%	9M		%
	2022	2021	22/21	2022	2021	22/21
<b>Sales</b>	<b>854.6</b>	<b>679.6</b>	<b>126%</b>	<b>2,323.4</b>	<b>1,916.1</b>	<b>121%</b>
Cost of sales	(741.3)	(555.1)	134%	(1,922.0)	(1,579.6)	122%
<b>Gross profit</b>	<b>113.3</b>	<b>124.5</b>	<b>91%</b>	<b>401.4</b>	<b>336.5</b>	<b>119%</b>
Gross margin (%)	13.3%	18.3%	(5.1%)	17.3%	17.6%	(0.3%)
Distribution expenses	(61.4)	(44.1)	139%	(166.2)	(137.3)	121%
Administrative expenses	(60.3)	(48.9)	123%	(169.3)	(136.8)	124%
Other Operating income	18.1	14.2	127%	49.1	46.0	107%
Other Operating expenses	(104.0)	(36.4)	286%	(215.9)	(85.7)	252%
<b>Operating profit (EBIT)</b>	<b>(94.4)</b>	<b>9.3</b>	<b>-</b>	<b>(100.9)</b>	<b>22.7</b>	<b>-</b>
Operating (EBIT) margin (%)	-	1.4%	-	-	1.2%	-
Investment revenues	0.0	(0.0)	-	0.0	1.1	0%
Finance income	149.7	8.8	1695%	216.5	22.7	955%
Finance expense	(47.2)	(12.7)	372%	(94.6)	(37.8)	251%
<b>Profit before tax and minority (PBTM)</b>	<b>8.1</b>	<b>5.4</b>	<b>150%</b>	<b>20.9</b>	<b>8.7</b>	<b>239%</b>
PBTM margin (%)	1.0%	0.8%	0.2%	0.9%	0.5%	0.4%
Income tax	(15.0)	(11.6)	130%	(54.6)	(35.0)	156%
Deferred tax	1.6	1.3	125%	4.0	3.0	132%
<b>Net Loss after tax (NPAT)</b>	<b>(5.3)</b>	<b>(4.9)</b>	<b>108%</b>	<b>(29.8)</b>	<b>(23.3)</b>	<b>128%</b>
NPAT margin (%)	-	-	-	-	-	-
Minority interest	(4.3)	(3.8)	115%	(11.1)	(9.0)	124%
<b>Net Loss</b>	<b>(9.6)</b>	<b>(8.7)</b>	<b>111%</b>	<b>(40.9)</b>	<b>(32.2)</b>	<b>127%</b>

## Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	30-Sep-22	31-Dec-21	22/21 (%)
Cash	452.4	177.1	255%
Inventory	1057.3	976.5	108%
Receivables	892.0	667.0	134%
Related parties -debit balances	0.3	1.3	21%
<b>Total current assets</b>	<b>2,401.9</b>	<b>1,822.0</b>	<b>132%</b>
Net fixed assets	1,798.3	1,580.4	114%
Intangible assets	6.3	6.7	94%
Projects in progress	46.2	4.0	1168%
Available for sale investments	7.3	5.9	124%
Long-term notes receivable	1.1	6.1	18%
<b>Total non-current assets</b>	<b>1,859.2</b>	<b>1,603.0</b>	<b>116%</b>
<b>Total assets</b>	<b>4,261.2</b>	<b>3,424.9</b>	<b>124%</b>
Banks overdraft	1,107.3	823.9	134%
Current portion of long-term liabilities	35.6	24.5	145%
Trade and notes payable	444.4	321.7	138%
Other current payable	466.7	403.5	116%
Related parties -credit balances	0.0	0.0	-
Provisions	38.5	28.06	137%
<b>Total current liabilities</b>	<b>2,092.5</b>	<b>1,601.7</b>	<b>131%</b>
Long-term loans	12.4	25.0	50%
Other long-term liabilities	52.6	56.1	94%
Provisions	13.1	8.4	156%
Deferred tax	9.4	13.4	70%
Long Term Notes Payables	238.8	177.4	135%
<b>Total non-current liabilities</b>	<b>326.3</b>	<b>280.2</b>	<b>116%</b>
<b>Total liabilities</b>	<b>2,418.8</b>	<b>1,881.9</b>	<b>129%</b>
<b>Minority interest</b>	<b>44.3</b>	<b>35.2</b>	<b>126%</b>
Issued capital	400.0	400.0	100%
Reserves	1,772.9	1,442.1	123%
Retained earnings	(333.9)	(297.8)	112%
Net Loss for the period/year	(40.9)	(36.4)	113%
<b>Total equity</b>	<b>1,798.1</b>	<b>1,507.9</b>	<b>119%</b>
<b>Total equity, minorities and liabilities</b>	<b>4,261.2</b>	<b>3,424.9</b>	<b>124%</b>

## Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	9M		%
	2022	2021	22/21
<b>Cash Flow from operating activities</b>			
Net Profit (Loss) for the period before tax	20.9	8.7	239%
Fixed assets depreciation	81.8	89.1	92%
Intangible assets amortization	0.4	0.7	56%
Difference result from discounting of long term notes receivables	(0.7)	(0.6)	115%
Difference result from discounting of long term notes payable	(20.1)	(56.3)	36%
Increase (Decrease) in translation reserve	52.4	(1.2)	-
Capital gains (loss)	26.5	(0.1)	-
Impairment of intangible assets	-	11.3	0%
Adjustments	(10.1)	0.0	
<b>Gain from operating</b>	<b>151.2</b>	<b>51.6</b>	
(Increase) Decrease in Inventory	(92.6)	(163.2)	57%
(Increase) Decrease in Receivables	(233.9)	(116.6)	201%
Increase (Decrease) in Payables	258.0	184.5	140%
Utilized Provisions	10.1	(2.5)	-
	<b>92.7</b>	<b>(46.1)</b>	-
Income tax paid	(45.2)	(35.1)	128%
<b>Net cash from operating activities</b>	<b>47.6</b>	<b>(81.2)</b>	-
<b>Cash flow from investing activities</b>			
Additions to fixed assets and projects	(60.4)	(44.6)	136%
Intangible assets	0.0	(1.2)	-
Proceeds from sales of fixed assets	18.2	0.1	26016%
<b>Net cash (used) from investing activities</b>	<b>(42.2)</b>	<b>(45.7)</b>	<b>92%</b>
<b>Cash flow from financing activities</b>			
Payments for loans & borrowing	(11.4)	(2.0)	581%
Bank credit facilities	283.4	164.6	172%
(Payments) from lease obligations	(2.2)	(9.8)	
<b>Net cash from (used) financing activities</b>	<b>269.9</b>	<b>152.8</b>	<b>177%</b>
<b>Net change in cash &amp; cash equivalent during the period</b>	<b>275.2</b>	<b>25.9</b>	<b>1063%</b>
Cash and cash equivalent at beginning of the period	132.1	119.4	111%
Restricted time deposit	(27.0)	(30.0)	90%
<b>Cash and cash equivalent at the end of the period</b>	<b>380.4</b>	<b>115.3</b>	<b>330%</b>