



## Full Year 2021 Results

**Alexandria, 1<sup>st</sup> March 2022** – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for 2021.

### Highlights

#### 4Q 2021

- Lecico revenue up 18% to LE 726.1 million (56.2% from sanitary ware).
- Sanitary ware revenue up 18% to LE 408.2 million, volumes up 4% to 1.24 million pieces (71.7% exports).
- Tile revenue up 9% to LE 268.1 million, volumes down 2% to 6.1 million square meters (25.3% exports).
- Brassware revenue up 104% to LE 49.9 million, sales volume up 121% to 59,915 pieces.
- EBIT profit of LE 27.2 million compared to EBIT loss of LE 13.9 million in 4Q 2020.
- Net loss of LE 4.1 million compared to net loss of LE 28.2 million in 4Q 2020.

#### FY 2021

- Lecico revenue up 29% to LE 2,642.2 million (60.9% from sanitary ware).
- Sanitary ware revenue up 34% to LE 1,607.8 million, volumes up 25% to 5 million pieces (74.9% exports).
- Tile revenue up 15% to LE 896.3 million, volumes up 9% to 21.5 million square meters (24% exports).
- Brassware revenues up 86% to LE 138.1 million, sales volume up 73% to 149,938 pieces.
- EBIT profit of LE 49.9 million compared to EBIT loss of LE 132.5 million in 2020.
- Net loss of LE 36.4 million compared to net loss of LE 220.6 million in 2020.

Lecico Egypt Chairman, Gilbert Gargour commented, “Lecico has made a substantial step in its recovery in 2021 with strong sales growth particularly in sanitary ware and brassware.

“The company has gone back to sanitary ware sales volumes of over 5 million pieces for the first time in over three years driving a return to operating and pre-tax profits for the group after two years of operating losses.

“That this recovery was achieved despite the significant headwinds of global inflation in 2021 and the compounded pressure of several years of currency-led inflation in the Egyptian cost base is an encouraging sign.

“Our increased profits from operations highlights how our current corporate structure is generating an unacceptably high tax rate and addressing this is one of my key tasks for our management to tackle as part of the next stage of our recovery.

“Even pending a way to restructure our tax bill, we are cautiously optimistic about continued growth in 2022 and I believe therefore that we are on the cusp of another substantial improvement in our operational performance in the year ahead.

“I thank you for your continued interest and support of Lecico.”

Taher Gargour, Lecico Egypt CEO, added, “The fourth quarter was our strongest this year and continued our recovery with our sixth consecutive quarter of improving gross and EBITDA margins. It is our third consecutive quarter of reporting both an operating (EBIT) profit and a pre-tax profit and both – in value terms - are a multiple of what was reported in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters.

“In part our results this quarter benefitted from a reversal of around LE 19.8 million in accruals accumulated over the rest of the year for year-end bonuses as several key customers failed to hit their volume targets for the year.

“Against this unexpected gain, we had headwinds in the quarter including a shift from exports towards local market sales. Primarily lower price and margin project sales replacing European sanitary ware exports. We also faced a new round of cost inflation in the quarter linked to global inflation and supply chain issues.

“Our brassware segment had another outstanding quarter booking more than double its average quarterly sales volumes as we have increased project sales and enjoyed great success from new high-margin product lines. We are expecting this new level of revenue and profitability in the segment to continue in 2022.

“We were also able to reduce our working capital significantly in the quarter and generate LE 88 million in cash reversing some of the increased debt we incurred in 2021 as we ramped up sales and production.

“We may see a bit of a dip in sales quarter-on-quarter at the start of 2022 in line with our traditional seasonality, but the outlook for strong demand in 2022 remains positive and we will continue to recruit and train staff to increase production to meet that demand.

“Lecico’s task ahead remains to ramp up production and maximize sales while working towards continuous improvement in our management of costs, working capital and cashflows. I am pleased with our overall delivery against this task in 2021. Lecico still has more to do to continue improving margins in sanitary ware and to see overheads fall as a proportion of sales as we continue to grow.

“The entire Lecico management team will continue to work towards the best possible results with this strategy in the coming year.”

## Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	4Q		%	FY		%
	2021	2020	21/20	2021	2020	21/20
Sanitary ware	408.2	345.9	118%	1,607.8	1,198.7	134%
Tiles	268.1	245.0	109%	896.3	782.3	115%
Brassware	49.9	24.4	204%	138.1	74.2	186%
<b>Sales</b>	<b>726.1</b>	<b>615.3</b>	<b>118%</b>	<b>2,642.2</b>	<b>2,055.2</b>	<b>129%</b>
Sanitary ware/sales (%)	56.2%	56.2%	0.0%	60.9%	58.3%	2.5%
Cost of sales	(579.3)	(517.9)	112%	(2,158.9)	(1,826.0)	118%
Cost of sales/sales (%)	(79.8%)	(84.2%)	(4.4%)	(81.7%)	(88.8%)	(7.1%)
<b>Gross profit</b>	<b>146.8</b>	<b>97.4</b>	<b>151%</b>	<b>483.3</b>	<b>229.2</b>	<b>211%</b>
Gross profit margin (%)	20.2%	15.8%	4.4%	18.3%	11.2%	7.1%
Distribution and administration (D&A)	(103.0)	(69.7)	148%	(377.1)	(276.6)	136%
D&A/sales (%)	(14.2%)	(11.3%)	2.9%	(14.3%)	(13.5%)	0.8%
Net other operating income/ (expense)	(16.6)	(41.6)	40%	(56.3)	(85.0)	66%
Net other operating income/ (expense) sales (%)	(2.3%)	(6.8%)	(4.5%)	(2.1%)	(4.1%)	(2.0%)
<b>EBIT</b>	<b>27.2</b>	<b>(13.9)</b>	<b>-</b>	<b>49.9</b>	<b>(132.5)</b>	<b>-</b>
EBIT margin (%)	3.8%	-	-	1.9%	-	-
<b>Net profit (loss)</b>	<b>(4.1)</b>	<b>(28.2)</b>	<b>15%</b>	<b>(36.4)</b>	<b>(220.6)</b>	<b>16%</b>
Net profit margin (%)	-	-	-	-	-	-

### 4Q 2021: Sales rebound and accruals reversal drives operating profit growth

Lecico reported a continued recovery with its strongest quarterly performance this year coming primarily from tiles and brassware segments which benefited from strong demand in projects in Egypt.

Revenues and profits in the quarter also benefitted from the reversal of a significant proportion of discounts accrued for target driven year-end bonuses in the Middle East. Accruals of LE 19.8m were reversed in the quarter as regional export customers missed their volume targets for the year.

Lecico revenues for the fourth quarter increased by 18% year-on-year to reach LE 726.1 million (4Q 2020: LE 615.3 million) with higher revenues in all segments. Local revenues were up 18% year-on-year to reach LE 334.6 million (4Q 2020: LE 283.5 million) and export revenues were up 18% year-on-year to reach LE 391.5 million (4Q 2020: LE 331.7 million).

Quarter-on-Quarter revenues increased by 7% (3Q 2021: LE 679.6 million). Local revenues increased 20% quarter-on-quarter to reach LE 334.6 million (3Q 2021: LE 278.3 million), but exports decreased 2% quarter-on-quarter to reach LE 391.5 million (3Q 2021: LE 401.3 million).

Lecico's cost of goods sold increased by 12% year-on-year to LE 579.3 million (4Q 2020: LE 517.9 million) despite virtually flat production levels as cost inflation combined with an increasingly complex sanitary ware product mix to drive up average costs.

Quarter-on-Quarter Lecico's cost of goods sold increased by 4% (3Q 2021: LE 555.1 million).

Lecico's gross profit for the fourth quarter increased 51% year-on-year to LE 146.8 million (4Q 2020: LE 97.4 million). Lecico's gross profit margin increased 4.4 percentage points to 20.2% compared to 15.8% in the same period last year. Gross profit in all segments improved.

Quarter-on-quarter gross profit increased by 18% (3Q 2021: LE 124.5 million) and Lecico's gross margin increased 1.9 percentage points (3Q 2021: 18.3%).

In absolute terms, distribution and administration (D&A) expenses increased by 48% to LE 103 million (4Q 2020: LE 69.7 million) and proportional D&A expenses were up by 2.8 percentage points to 14.2% (4Q 2020: 11.3%).

Quarter-on-quarter distribution and administration (D&A) expenses increased by 11% (3Q 2021: LE 93 million) and proportional D&A expenses were up by 0.5 percentage points (3Q 2021: 13.7%).

Lecico reported LE 16.6 million in net other operating expense compared to net other operating expenses of LE 41.6 million in the same period last year. The high other operating expense in the quarter last year was due to provisions taken against receivables.

Quarter-on-quarter Lecico reported LE 16.6 million in net other operating expense compared to net other operating expenses of LE 22.2 million in 3Q 2021.

Lecico reported EBIT profit of LE 27.2 million compared to EBIT loss of LE 13.9 million in 4Q 2020.

Quarter-on-quarter EBIT profit increased by 194% (3Q 2021: LE 9.3 million) and Lecico's EBIT margin increased 2.4 percentage points (3Q 2021: 1.4%).

Lecico reported LE 3.9 million in net financing expense compared to net financing expense of LE 6.2 million in the same period last year due to the significant reduction in both debt levels and interest rates year-on-year.

Quarter-on-quarter Lecico reported LE 3.9 million in net financing expense compared to net financing expense of LE 3.9 million in 3Q 2021.

Lecico reported net tax charge of LE 24.2 million in the fourth quarter versus tax charge LE 6.5 million in the same period last year.

Lecico reported net loss of LE 4.1 million in the fourth quarter compared to a net loss of LE 28.2 million in the same period last year. For comparison, Lecico reported net loss of LE 8.7 million in the third quarter 2021.

### **FY 2021: Export sales-led recovery sees Lecico return to operating profit**

Lecico revenues for 2021 increased by 29% year-on-year to LE 2,642.2 million (FY 2020: LE 2,055.2 million) due to the increase in sales in all segments and particularly strong growth in sanitary ware and tile exports as well as local brassware sales.

Lecico's cost of goods sold was up 18% year-on-year to LE 2,158.9 million (FY 2020: LE 1,826 million) as a result of sanitary ware production volumes increasing 34% as well as tile production volumes increasing 13% compared to last year.

Gross profit increased by 111% to reach LE 483.3 million (FY 2020: LE 229.2 million) and the Company's gross profit margin was up 7.1 percentage points to 18.3% compared to 11.2% in last year.

In absolute terms, distribution and administration (D&A) expenses increased by 36% to LE 377.1 million (FY 2020: LE 276.6 million) and proportional D&A expenses were up by 0.8 percentage points to 14.3% of net sales compared to 13.5% in last year.

Lecico reported LE 56.3 million in net other operating expenses compared to net other operating expenses of LE 85 million in last year. The decrease is mainly due to exceptional income of LE 13.1 million from natural gas refunds and a gain from present value for long term Notes Payable.

Lecico reported an EBIT profit of LE 49.9 million for 2021 compared to an EBIT loss of LE 132.5 million in the same period last year.

Net financing expenses decreased 71% year-on-year in 2021 to reach LE 18.9 million compared to LE 65.5 million in the last year, due to the reduction in net debt and interest rates in Egypt and Lebanon and effective fx management.

Lecico reported net tax charge of LE 56.2 million versus a tax charge of LE 24.4 million in the last year. This increase comes from the significant increase in profits before tax of some group companies compared to last year

Lecico reported net loss of LE 36.4 million compared to net loss of LE 220.6 million in last year.

## **Segmental analysis**

### **Sanitary ware**

**4Q:** Sanitary ware sales volumes increased by 4% (up 52,525 pieces). Export sales volumes increased by 1% (up 12,510 pieces), local sales volumes increased by 13% (up 39,968 pieces), but Lebanon sales volumes are flat.

Quarter-on-quarter total sales volumes decreased by 4% (down 54,461 pieces). Local volumes increased 15% (up 44,020 pieces) and sales in Lebanon increased by 7% (up 750 pieces), but Sales in export decreased 10% (down 99,231 pieces).

Average sanitary ware prices increased by 13% year-on-year at LE 328.4 per piece (4Q 2020: LE 290.5). Quarter-on-quarter average prices decreased slightly by 1% (3Q 2021: LE 331.1). Part of the increase in prices in the fourth quarter came from the reversal of accruals made for year-end volume targets that our regional export customers failed to achieve.

Revenues were up 18% year-on-year at LE 408.2 million (4Q 2020: LE 345.9 million). Quarter-on-quarter revenues were down 5% (3Q 2021: LE 429.5 million).

Average cost of sales per piece increased by 11% year-on-year at LE 286.4 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 was up 1% (3Q 2021: LE 283.1 per piece).

Gross profit increased 30% to LE 52.2 million (4Q 2020: LE 40.1 million) and the margin up 1.2 percentage points to 12.8% (4Q 2020: 11.6%).

Quarter-on-quarter gross profit decreased by 16% (3Q 2021: LE 62.2 million) and the gross margin decreased by 1.7 percentage points (3Q 2021: 14.5%) as exports to Europe were replaced primarily by lower-margin project sales in Egypt.

Sanitary ware segmental analysis	4Q		%	FY		%
	2021	2020	21/20	2021	2020	21/20
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	339	300	113%	1,224	1,113	110%
Lebanon (000 pcs)	12	12	100%	34	83	41%
Export (000 pcs)	892	879	101%	3,752	2,815	133%
<b>Total sanitary ware volumes (000 pcs)</b>	<b>1,243</b>	<b>1,191</b>	<b>104%</b>	<b>5,010</b>	<b>4,010</b>	<b>125%</b>
Exports/total sales volume (%)	71.7%	73.9%	(2.1%)	74.9%	70.2%	4.7%
<b>Sanitary ware revenue (LE m)</b>	<b>408.2</b>	<b>345.9</b>	<b>118%</b>	<b>1607.8</b>	<b>1198.7</b>	<b>134%</b>
Average selling price (LE/pc)	328.4	290.5	113%	320.9	298.9	107%
Average cost per piece (LE/pc)	286.4	256.9	111%	275.8	279.0	99%
Sanitary ware cost of sales	(356.0)	(305.8)	116%	(1381.5)	(1118.7)	123%
Sanitary ware gross profit	52.2	40.1	130%	226.3	80.0	283%
Sanitary ware gross profit margin (%)	12.8%	11.6%	1.2%	14.1%	6.7%	7.4%

**FY:** Sanitary ware sales volume increased by 25% to 5 million pieces (up 999,689 pieces). Egyptian volumes increased 10% (up 111,206 pieces) and export volumes increased 33% (up 937,236 pieces) but sales in Lebanon decreased by 59% (down 48,753 pieces).

Average sanitary ware prices were up 7% year-on-year to LE 320.9 per piece (FY 2020: LE 298.9) as a shift towards lower-priced project sales in Egypt was offset by local price increases and an increased proportion of export sales.

Revenues were up 34% year-on-year at LE 1,607.8 million (FY 2020: LE 1,198.7 million).

Average cost of sales decreased slightly by 1% to reach LE 275.8 per piece (FY 2020: LE 279.0 per piece) as cost inflation and a more challenging product mix were offset by economies of scale as production increased 34% over the previous year.

Gross profit increased 183% to LE 226.3 million (FY 2020: LE 80 million) and the margin up 7.4 percentage points to 14.1% (FY 2020: 6.7%).

## Tiles

**4Q:** Tile sales volumes decreased 2% year-on-year (down 96,379 square meters) to reach 6 million square meters. Local sales volumes decreased 1% (down 68,230 square meters) and Lebanon sales decreased 60% (down 50,441 square meters), but export sales volumes increased 1% (up 22,292 square meters).

Quarter-on-quarter sales volumes increased 22% (up 1.1 million square meters). Local volumes increased 15% (up 587,000 square meters) and export volumes increased 53% (up 536,000 square meters), but Lebanon volumes decreased 24% (down 11,000 square meters).

Average net prices per square meter increased by 11% year-on-year at LE 44 per meter (4Q 2020: LE 39.6). Quarter-on-quarter average prices were up 4% (3Q 2021: LE 42.2). Part of the increase in prices in the fourth quarter came from the reversal of accruals made for year-end volume targets that our regional export customers failed to achieve.

Tiles revenues were up 9% year-on-year at LE 268.1 million (4Q 2020: LE 245 million). Quarter-on-quarter revenues were up 27% (3Q 2021: LE 210.6 million).

Average costs of sales increased by 1% year-on-year to reach LE 32.2 per square meter (4Q 2020: LE 31.8 per square meter). Tile production decreased by 1% compared to the same period last year. Cost reduction was supported by cost cutting measures in Egypt in the face of inflation across the supply chain. Quarter-on-quarter average costs were down 3% (3Q 2021: LE 33).

Gross profit for the quarter reached LE 71.7 million compared to gross profit LE 47.9 million in the same period last year. Gross margin increased 7.2 percentage points (4Q 2020: 19.5%).

Quarter-on-quarter gross profit increased by 57% (3Q 2021: LE 45.8 million) and the gross margin increased 5 percentage points (3Q 2021: 21.8%).

Tile segmental analysis	4Q		%	FY		%
	2021	2020		2021	2020	
			21/20			21/20
Tile volumes (000 sqm)						
Egypt (000 sqm)	4,523	4,591	99%	16,136	14,993	108%
Lebanon (000 sqm)	34	84	40%	186	366	51%
Export (000 sqm)	1,541	1,519	101%	5,151	4,422	116%
<b>Total tile volumes (000 sqm)</b>	<b>6,098</b>	<b>6,194</b>	<b>98%</b>	<b>21,472</b>	<b>19,781</b>	<b>109%</b>
Exports/total sales volume (%)	25.3%	24.5%	0.8%	24.0%	22.4%	1.6%
<b>Tile revenue (LE m)</b>	<b>268.1</b>	<b>245.0</b>	<b>109%</b>	<b>896.3</b>	<b>782.3</b>	<b>115%</b>
Average selling price (LE/sqm)	44.0	39.6	111%	41.7	39.5	106%
Average cost per sqm (LE/sqm)	32.2	31.8	101%	32.3	33.1	98%
Tile cost of sales	(196.4)	(197.1)	100%	(693.6)	(655.1)	106%
Tile gross profit	71.7	47.9	150%	202.7	127.1	159%
Tile gross profit margin (%)	26.7%	19.5%	7.2%	22.6%	16.3%	6.4%

**FY:** Tile sales volumes increased by 9% year-on-year (up 1.7 million square meters) to reach 21.5 million square meters. Sales in Egypt increased 8% (up 1.1 million square meters), sales in Export increased by 16% (up 729,126 square meters), but sales in Lebanon decreased by 49% (down 180,562 square meters).

Average net prices rose 6% to LE 41.7 per square meter compared to LE 39.5 in the same period last year with an increased proportion of lower-priced project sales being offset by multiple price increases during the year.

Tiles revenues increased 15% year-on-year at LE 896.3 million in 2021 (FY 2020: LE 782.3 million).

Average costs decreased 2% year-on-year to reach LE 32.3 per square meter despite inflation across the supply chain. Costs fell due to cost cutting measures in Egypt, the impact of a strengthening currency on fx-based costs as well as economies of scale as production volume was 13% higher than 2020.

Gross profit increased 59% to reach LE 202.7 million (FY 2020: LE 127.1 million) and the margin increased by 6.4 percentage points to 22.6% (FY 2020: 16.3%).

## Brassware

**4Q:** Sales volumes for the fourth quarter 2021 increased by 121% to reach 59,915 pieces (4Q 2020: 27,150 pieces). Quarter-on-quarter sales volumes increased by 40% (3Q 2021: 42,725 pieces). Lecico's brassware business has grown substantially in 2021 as new product ranges and sales in a number of large projects have added significantly to revenue.

Average net prices decreased 7% to LE 832.5 compared to LE 898.5 in the same period last year. Quarter-on-quarter average prices were down 9% (3Q 2020: LE 924.2) due to product mix.

Revenue for the quarter increased 104% year-on-year to reach LE 49.9 million (4Q 2020: LE 24.4 million). Brassware accounted for 6.9% of the quarter's revenues, compared to 4% in the same period last year. Quarter-on-quarter revenues increased by 26% (3Q 2021: LE 39.5 million).

Average cost per piece decreased 18% to LE 449.9 per piece (4Q 2020: LE 551.2 per piece) reflecting changing mix. Quarter-on-quarter average cost per piece decreased 16% (3Q 2021: LE 537.7 per piece).

Gross profit for the quarter increased by 143% year-on-year to reach LE 22.9 million (4Q 2020: LE 9.4 million) and the gross margin increased 7.3 percentage points to 46% (4Q 2020: 38.7%).

Brassware accounted for 15.6% of the quarter's gross profits compared to 9.7% in the same period last year.

Quarter-on-quarter gross profit increased by 39% (3Q 2021: LE 16.5 million), and the gross margin increased 4.1 percentage points (3Q 2021: 41.8%). Brassware accounted for 13.3% of gross profits in 3Q 2021.

Brassware segmental analysis						
	4Q		%	FY		%
	2021	2020	21/20	2021	2020	21/20
Brassware volumes ( pcs)						
Egypt ( pcs)	59,915	27,150	221%	149,593	86,523	173%
Export ( pcs)	-	0	0%	345.00	0	-
<b>Total brassware volumes ( pcs)</b>	<b>59,915</b>	<b>27,150</b>	<b>221%</b>	<b>149,938</b>	<b>86,523</b>	<b>173%</b>
Exports/total sales volume (%)	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%
<b>Brassware revenue (LE m)</b>	<b>49.9</b>	<b>24.4</b>	<b>204%</b>	<b>138.1</b>	<b>74.2</b>	<b>186%</b>
Average selling price (LE/pc)	832.5	898.5	93%	921.1	857.6	107%
Average cost per piece (LE/pc)	449.9	551.2	82%	559.1	602.9	93%
Brassware cost of sales	(27.0)	(15.0)	180%	(83.8)	(52.2)	161%
Brassware ware gross profit	22.9	9.4	243%	54.3	22.0	246%
Brassware gross profit margin (%)	46.0%	38.7%	7.3%	39.3%	29.7%	9.6%

**FY:** Sales volumes for 2021 increased by 73% year-on-year (up 63,415 pieces) primarily in the second half of the year as new projects and new products drove growth.

Average net prices increased 7% to reach LE 921.1 per piece due to product mix.

Revenues increased 86% year-on-year to reach LE 138.1 million (FY 2020: LE 74.2 million).

Brassware's percentage of consolidated revenues 5.2%, while the percentage for last year was 3.6% of sales.

Average cost per piece down 7% to LE 559.1 per piece (FY 2020: LE 602.9 per piece) reflecting changing mix.

Gross profit increased 146% to LE 54.3 million (FY 2020: LE 22 million) and the margin increased 9.6 percentage points to 39.3% (FY 2020: 29.7%).

Brassware's percentage of consolidated gross profits increased to 11.2% of Lecico gross profits (FY 2020: 9.6%).

## **Financial Position**

The value of Lecico's non-current assets decreased by 4% at the end of December 31, 2021 to reach LE 1,603 million (2020: LE 1,669.1 million).

The value of Lecico's current assets increased by 15% at the end of December 31, 2021 to reach LE 1,822 million (2020: LE 1,583.8 million) primarily as a result of the increase in cash, inventory and receivables during 2021.

Total liabilities increased by 12% to reach LE 1,881.9 million (2020: LE 1,686.8 million) primarily as a result of the increase in bank overdrafts and other payables.

Gross debt increased 12% or LE 93.5 million to reach LE 863.1 million compared to LE 769.6 million at the end of 2020.

Net debt increased 6% or LE 36 million to reach LE 686 million compared to LE 650.2 million at the end of 2020.

Net debt to equity at the end of December 2021 reached 0.45x compared to 0.42x at the end of 2020.

Working capital increased 36% or LE 244.8 million to reach LE 918.4 million compared to LE 673.5 million at the end of 2020 primarily due to the increase in inventory and receivables.

## Recent developments and outlook

**Outlook 2022:** After a surprisingly strong fourth quarter, 2022 is seeing a drop in sales quarter-on-quarter as supply chain disruption compounds the normal seasonal slowdown.

Despite this slow start, Lecico is still expecting to see growth in 2022, coming from sanitary ware exports and increased brassware sales in Egypt.

The Company has seen continued pressure on costs coming from supply chain disruption and increased inflation globally, particularly in energy-related items, with another round of cost inflation in shipping, raw materials, complementary and packing materials starting in 4Q 2021 with some threat to supply of inputs for Lecico.

Lecico will try to offset this with larger than normal price increases in export markets in early 2022 and will continue to monitor to see if additional exceptional increases will be needed over and above this as we see performance over the first half of 2022.

Lecico will also be looking to offset cost pressure by ramping up production in sanitary ware and brassware over 2022 to unlock economies of scale while also continuing to look at sourcing and raw material changes to keep cutting like-for-like costs.

Following the improvements so far in 2021, management is cautiously optimistic – despite the many risks and unknown variables around inflation, supply chain disruption and unusually strong demand - that the improvement will continue in the year ahead with management expecting the average quarterly results for 2022 to show an improvement on 2021.

**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.

Shortages and inflation continue to squeeze the consumer and we imagine very little scope for improvement in the short term until a solution to the closed economy is found. 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 for 2022 remains extremely uncertain. In absence of better visibility, Lecico is expected to trade at levels close to 2021 in the year ahead; with similar losses but positive cash flow.

As the situation stabilizes Lecico Lebanon may need to change its business restructuring plan to adjust to any new market realities. Lecico Lebanon will do its best to be flexible and adaptive to the current environment to avoid as much as possible the risks these changes raise and to get the best benefit out of the opportunities it presents.

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.

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

## **AGM Announcement**

Lecico's Annual General Meeting will be held electronically with voting over five days before the assembly on Thursday, March 31, 2022 at exactly 8:30 AM.

The Board of Directors recommends to shareholders not to distribute any dividend due to net losses, with the matter being presented to the AGM of the shareholders of the company.

## **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.

## **For additional information, please contact:**

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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)	4Q		%	FY		%
	2021	2020	21/20	2021	2020	21/20
<b>Sales</b>	<b>726.1</b>	<b>615.3</b>	<b>118%</b>	<b>2,642.2</b>	<b>2,055.2</b>	<b>129%</b>
Cost of sales	(579.3)	(517.9)	112%	(2,158.9)	(1,826.0)	118%
<b>Gross profit</b>	<b>146.8</b>	<b>97.4</b>	<b>151%</b>	<b>483.3</b>	<b>229.2</b>	<b>211%</b>
Gross margin (%)	20.2%	15.8%	4.4%	18.3%	11.2%	7.1%
Distribution expenses	(48.7)	(34.9)	140%	(186.1)	(126.4)	147%
Administrative expenses	(54.2)	(34.7)	156%	(191.0)	(150.2)	127%
Other Operating income	11.8	2.0	577%	57.8	11.5	502%
Other Operating expenses	(28.4)	(43.7)	65%	(114.1)	(96.5)	118%
<b>Operating profit (EBIT)</b>	<b>27.2</b>	<b>(13.9)</b>	<b>-</b>	<b>49.9</b>	<b>(132.5)</b>	<b>-</b>
Operating (EBIT) margin (%)	3.8%	-	-	1.9%	-	-
Investment revenues	0.8	0.0	-	1.9	0.0	-
Finance income	6.4	10.9	59%	29.1	29.9	97%
Finance expense	(10.3)	(17.1)	60%	(48.0)	(95.4)	50%
<b>Profit (Loss) before tax and minority (PBTM)</b>	<b>24.2</b>	<b>(20.1)</b>	<b>-</b>	<b>32.9</b>	<b>(198.0)</b>	<b>-</b>
PBTM margin (%)	3.3%	-	-	1.2%	-	-
Income tax	(22.7)	(13.9)	163%	(57.7)	(32.3)	179%
Deferred tax	(1.5)	7.4	-	1.5	7.9	19%
<b>Net Loss after tax (NPAT)</b>	<b>(0.1)</b>	<b>(26.6)</b>	<b>0%</b>	<b>(23.3)</b>	<b>(222.4)</b>	<b>10%</b>
NPAT margin (%)	-	-	-	-	-	-
Minority interest	(4.0)	(1.6)	252%	(13.0)	1.8	-
<b>Net Loss</b>	<b>(4.1)</b>	<b>(28.2)</b>	<b>15%</b>	<b>(36.4)</b>	<b>(220.6)</b>	<b>16%</b>
Net profit margin (%)	-	-	-	-	-	-

## Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Dec-21	31-Dec-20	21/20 (%)
Cash	177.1	119.4	148%
Inventory	976.5	833.7	117%
Receivables	667.0	626.8	106%
Related parties -debit balances	1.3	4.0	33%
<b>Total current assets</b>	<b>1,822.0</b>	<b>1,583.8</b>	<b>115%</b>
Net fixed assets	1,580.4	1,628.8	97%
Intangible assets	6.7	20.2	33%
Projects in progress	4.0	5.4	74%
Available for sale investments	5.9	5.9	100%
Long-term notes receivable	6.1	8.8	69%
<b>Total non-current assets</b>	<b>1,603.0</b>	<b>1,669.1</b>	<b>96%</b>
<b>Total assets</b>	<b>3,424.9</b>	<b>3,252.9</b>	<b>105%</b>
Banks overdraft	823.9	717.2	115%
Current portion of long-term liabilities	24.5	20.3	120%
Trade and notes payable	321.7	410.2	78%
Other current payable	403.5	376.7	107%
Related parties -credit balances	0.0	0.8	0%
Provisions	28.1	37.03	76%
<b>Total current liabilities</b>	<b>1,601.7</b>	<b>1,562.3</b>	<b>103%</b>
Long-term loans	25.0	34.9	72%
Other long-term liabilities	56.1	68.1	82%
Provisions	8.4	6.7	124%
Deferred tax	13.4	14.9	90%
Long Term Notes Payables	177.4	-	0%
<b>Total non-current liabilities</b>	<b>280.2</b>	<b>124.6</b>	<b>225%</b>
<b>Total liabilities</b>	<b>1,881.9</b>	<b>1,686.8</b>	<b>112%</b>
<b>Minority interest</b>	<b>35.2</b>	<b>30.0</b>	<b>118%</b>
Issued capital	400.0	400.0	100%
Reserves	1,442.1	1,433.9	101%
Retained earnings	(297.8)	(77.2)	386%
Net Loss for the year	(36.4)	(220.6)	16%
<b>Total equity</b>	<b>1,507.9</b>	<b>1,536.1</b>	<b>98%</b>
<b>Total equity, minorities and liabilities</b>	<b>3,424.9</b>	<b>3,252.9</b>	<b>105%</b>

## Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	FY		%
	2021	2020	21/20
<b>Cash Flow from operating activities</b>			
Net Profit (Loss) for the year before tax	32.9	(220.6)	-
Fixed assets depreciation	115.2	102.6	112%
Intangible assets amortization	1.0	1.0	95%
Capital gains (loss)	(0.11)	(0.22)	50%
Gain (Loss) of selling other investment	0.0	1.1	0%
Impairment of intangible assets	15.0	9.3	161%
Formed provisions	8.7	67.4	13%
Income tax	0.0	32.3	
Deferred tax	0.0	(8.1)	
Impairment of Receivables	24.9	-	-
Impairment of Inventory	5.2	(0.03)	-
Difference result from discounting of long term notes receivables	(0.6)	(3.9)	15%
Difference result from discounting of long term notes payable	0.0	-	-
Reversal of expired provision	(5.87)	-	-
Employee share in profit	0.0	60.7	0%
Increase (Decrease) in minority interest	0.0	0.0	-
Increase (Decrease) in translation reserve	0.3	7.2	4%
<b>Gain from operating</b>	<b>196.7</b>	<b>48.8</b>	
(Increase) Decrease in Inventory	(148.1)	111.6	-
(Increase) Decrease in Receivables	(62.5)	27.4	-
Increase (Decrease) in Payables	157.4	229.5	69%
Income tax paid	(57.8)	(25.4)	227%
Utilized Provisions	(10.2)	(39.2)	26%
Dividends Paid	(42.5)	(37.7)	113%
<b>Net cash from operating activities</b>	<b>33.0</b>	<b>315.0</b>	-
<b>Cash flow from investing activities</b>			
Additions to fixed assets and projects	(65.3)	(58.0)	113%
Intangible assets	(2.5)	(1.1)	-
Proceeds from sale of other investments	0.0	4.9	0%
Proceeds from sales of fixed assets	0.1	214.8	0%
Increase (Decrease) in long-term notes receivable	3.3	16.5	20%
<b>Net cash (used) from investing activities</b>	<b>(64.4)</b>	<b>177.2</b>	-
<b>Cash flow from financing activities</b>			
Payments for loans & borrowing	(6.7)	(18.0)	37%
Payment for leased assets	(11.0)	2.3	-
Change in Non-controlling interests	0.0	(17.0)	
Bank credit facilities	106.8	(469.0)	
<b>Net cash from (used) financing activities</b>	<b>89.0</b>	<b>(501.7)</b>	-
<b>Net change in cash &amp; cash equivalent during the period</b>	<b>57.7</b>	<b>(9.5)</b>	-
Restricted time deposit	(45.0)	0.0	-
Cash and cash equivalent at beginning of the year	119.4	129.0	93%
<b>Cash and cash equivalent at the end of the period</b>	<b>132.1</b>	<b>119.4</b>	<b>111%</b>