



Full Year 2022 Results

Alexandria, 1st March 2023 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for 2022.

Highlights

4Q 2022

- Lecico revenue up 31% to LE 950.4 million (60.1% from sanitary ware).
- Sanitary ware revenue up 40% to LE 571.2 million, volumes down 0.3% to 1.24 million (67.1% exports).
- Tile revenue up 23% to LE 329.9 million, volumes up 1% to 6.2 million square meters (14.7% exports).
- Brassware revenue down 1% to LE 49.3 million, sales volume down 39% to 36,455 pieces.
- EBIT up 156% to LE 69.6 million boosted by provision reversal, margin up 3.6 percentage points to 7.3%.
- Net profit of LE 37.7 million compared to net loss of LE 4.1 million in 4Q 2021.

FY 2022

- Lecico revenue up 24% to LE 3,273.8 million (61.2% from sanitary ware).
- Sanitary ware revenue up 25% to LE 2,004.5 million, volumes up 2% to 5.1 million pieces (72.8% exports).
- Tile revenue up 21% to LE 1,083.6 million, volumes up 5% to 22.5 million square meters (13.1% exports).
- Brassware revenues up 34% to LE 185.7 million, sales volume up 16% to 173,962 pieces.
- EBIT loss of LE 31.3 million compared to EBIT profit of LE 49.9 million in 2021.
- Net loss of LE 3.2 million compared to net loss of LE 36.4 million in 2021.

Lecico Egypt Chairman, Gilbert Gargour commented, “I am pleased to report a strong fourth quarter where we benefitted from the devaluation of the Egyptian Pound and significant price increases in the local market to boost both the value of revenue and our gross margins. Lecico reported a net profit after exceptionals for the second time this year and – if we exclude the exceptional charges incurred this year – we would have had a positive bottom line for the entire year.

“This continued recovery in our financials is coming from improvement in our operations although this is obscured in consolidation by our Lebanese operations. Despite this you can see a strong improvement in gross profits and margins in the quarter coming primarily from our sanitary ware segment where exports dominate sales.

“This quarter we had a few exceptional items affecting our financials negatively with a net effect of LE 35.1 million in additional costs. Despite these net negative exceptional charges, we still reported positive bottom line for the quarter thanks to the improvement in core operations.

“As we look ahead to 2023, we have reason to be hopeful. A further 20% devaluation in January and some steady weakening since then will help support our export margins. Demand indicators from our customers and markets look positive. That said, we remain conscious of the risks to global and Egyptian demand from inflation and we do expect a further round of inflation in Egypt to affect our costs. In all cases, Lecico intends to continue improving our operating profit through price increases and improving sales mix coupled with improving efficiency and production in sanitary ware. I thank you for your continued interest and support of Lecico.”

Taher Gargour, Lecico Egypt CEO, added, “We showed a strong and significant improvement in our operations in the fourth quarter as the devaluation of the Egyptian Pound coupled with corresponding large price increases in the local market drove up our revenues and improved our margins.

“Revenue for the quarter was up 31% on last year and up 16% over the average quarterly revenue for this year. Sales volumes in the quarter were strong as local demand ran in advance of the price increases done over the quarter.

“Gross profit for the quarter was up 34% on last year and up 30% over the average quarterly revenue for this year, primarily coming from a strong improvement in our export-led sanitary ware margins.

“This continues to be a difficult year for investors to follow our performance with exceptional charges in Egypt and the accounting challenges of Lebanon obscuring our performance a bit. Lecico Lebanon is generating cash and improving operations in an extremely difficult environment, but the results of this operation are distorted by the hugely overvalued official exchange rate which reduces gross and operating profits and inflates the Finance Income line as core profits are translated into exchange variance gains.

“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. This may require us to restate group 2022 results later and may trigger a further adjustment entry on the P&L to reflect restating Lecico Lebanon’s asset values, but it will give a more accurate presentation of the numbers in our group consolidation going forward, 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.

“We also had two exceptional items in Egypt this quarter. Firstly, we closed our French subsidiary in this quarter – after selling the land at a loss in the second quarter – which allowed us to reverse provisions taken in that operation with an exceptional one-off gain of LE 34.5 million. This boosted our operating profit and margin. Secondly, we also incurred a one-off charge of LE 69.6 million to close out our forward selling dollar contracts that we used to hedge against the overvalued Egyptian Pound prior to the devaluation. This charge inflated our finance expense for the quarter. Taken together these two exceptional charges resulted in a net LE 35.1 million negative impact on the quarter. Despite this, we still reported positive bottom line for the quarter thanks to the improvement in core operations.

“The significant devaluation of the Egyptian Pound in the fourth quarter of 2022 and so far during the first quarter of 2023 put us in a good position to build on the strong improvement seen in this quarter for the year ahead. Our risk is on the demand side although until now indications in our export markets remain strong despite our worries and we are working hard

to line up alternatives to absorb some cooling off in some of our markets. Egypt is also going through some challenges, and we worry about the robustness of the strong demand we have benefitted from in the past year. Although we have had a significant boost from the – in my opinion – overdue devaluation of the Pound, 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 uncertainties.”

Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	4Q		%	FY		%
	2022	2021	22/21	2022	2021	22/21
Sanitary ware	571.2	408.2	140%	2,004.5	1,607.8	125%
Tiles	329.9	268.1	123%	1083.6	896.3	121%
Brassware	49.3	49.9	99%	185.7	138.1	134%
Sales	950.4	726.1	131%	3,273.8	2,642.2	124%
Sanitary ware/sales (%)	60.1%	56.2%	3.9%	61.2%	60.9%	0.4%
Cost of sales	(753.2)	(579.3)	130%	(2,675.2)	(2,158.9)	124%
Cost of sales/sales (%)	(79.3%)	(79.8%)	(0.5%)	(81.7%)	(81.7%)	0.0%
Gross profit	197.2	146.8	134%	598.6	483.3	124%
Gross profit margin (%)	20.7%	20.2%	0.5%	18.3%	18.3%	(0.0%)
Distribution and administration (D&A)	(129.8)	(103.0)	126%	(465.3)	(377.1)	123%
D&A/sales (%)	(13.7%)	(14.2%)	(0.5%)	(14.2%)	(14.3%)	(0.1%)
Net other operating income/ (expense)	2.2	(16.6)	-	(164.6)	(56.3)	293%
Net other operating income/ (expense) sales (%)	0.2%	(2.3%)	-	(5.0%)	(2.1%)	2.9%
EBIT	69.6	27.2	256%	(31.3)	49.9	-
EBIT margin (%)	7.3%	3.8%	3.6%	-	1.9%	-
Net profit (loss)	37.7	(4.1)	-	(3.2)	(36.4)	9%
Net profit margin (%)	4.0%	-	-	-	-	-

4Q 2022: Sanitary ware recovery and devaluation drives net profit of LE 37.7m

Lecico reported a net profit of LE 37.7 million for the quarter as sanitary ware results benefitted from a strong devaluation and local prices increases covered inflation. All key profit lines showed a strong improvement on core operations. Operating profit for the quarter benefitted from the reversal of LE 34.5 million in provisions resulting from Lecico closing its operations in France. Net profit was reduced by LE 69.6 million in finance expense charges in November to cancel the remaining forward selling dollar contracts.

Lecico revenues for the fourth quarter increased by 31% year-on-year to reach LE 950.4 million (4Q 2021: LE 726.1 million) with higher prices driving up revenues in sanitary and tiles segments. Local revenues were up 37% year-on-year to reach LE 460 million (4Q 2021: LE 334.6 million) and export revenues were up 25% year-on-year to reach LE 490.4 million (4Q 2021: LE 391.5 million).

Quarter-on-Quarter revenues increased by 11% (3Q 2022: LE 854.6 million). Local revenues increased 14% quarter-on-quarter to reach LE 460 million (3Q 2022: LE 402.2 million) and exports increased 8% quarter-on-quarter to reach LE 490.4 million (3Q 2022: LE 452.4 million).

Lecico's cost of goods sold increased by 30% year-on-year to LE 753.2 million (4Q 2021: LE 579.3 million).

Quarter-on-Quarter Lecico's cost of goods sold increased by 2% (3Q 2022: LE 741.3 million).

Lecico's gross profit for the fourth quarter increased 34% year-on-year to LE 197.2 million (4Q 2021: LE 146.8 million) primarily on the back of a strong improvement in sanitary ware. Lecico's gross profit margin increased 0.5 percentage points to 20.8% compared to 20.2% in the same period last year.

Quarter-on-quarter gross profit increased by 74% (3Q 2022: LE 113.3 million) and Lecico's gross margin increased 7.5 percentage points (3Q 2022: 13.3%).

In absolute terms, distribution and administration (D&A) expenses increased by 26% to LE 129.8 million (4Q 2021: LE 103 million) and proportional D&A expenses were down by 0.5 percentage points to 13.7% (4Q 2021: 14.2%).

Quarter-on-quarter distribution and administration (D&A) expenses increased by 7% (3Q 2022: LE 121.7 million), but proportional D&A expenses were down by 0.6 percentage points (3Q 2022: 14.2%).

Lecico reported LE 2.2 million in net other operating income compared to net other operating expenses of LE 16.6 million in the same period last year. The increase of net other operating income in the fourth quarter of 2022 due to LE 34.5 million of cancelled provisions due to the closure of one of Lecico group's companies in France. Lecico closed the French subsidiary in December after selling its remaining assets in 2Q 2022 for a net loss of LE 24.0 million. The LE 34.5 million provision was reversed in December after the subsidiary was formally closed and all tax and other potential liabilities accounted for.

Quarter-on-quarter Lecico reported LE 2.2 million in net other operating income compared to net other operating expenses of LE 86 million in 3Q 2022.

Lecico EBIT profit of LE 69.6 million compared to EBIT profit of LE 27.2 million in 4Q 2021. If we exclude cancelled provisions due to the closure of Lecico's French subsidiary, EBIT would have been a profit of LE 35.1 million (up 37% on 4Q 2021).

Quarter-on-quarter Lecico reported EBIT profit of LE 69.6 million compared to EBIT loss of LE 94.4 million in 3Q 2022.

Lecico reported LE 14.1 million in net financing expenses compared to net financing expense of LE 3.8 million in the same period last year. Gross finance expenses were LE 114.2 million for the quarter (4Q 2021: LE 10.3 million), due to additional finance charges of LE 80.5 million due to the losses on our forward selling contracts of Dollars to Egyptian Pounds following the devaluation of the Pound including LE 69.6 million paid in November to close out remaining contracts for December and 1Q 2023 which were done before the devaluations seen at the end of November.

These losses were largely offset by gross finance income of LE 100.5 million (4Q 2021: LE 6.4 million). This was due to an LE 72 million exchange variance gain in Lebanon resulting from the operational gains due to the widening gap between official and functional exchange rates in Lebanon. The rest of the group also recorded exchange variance gains of LE 26.8 million in the quarter as a result of the devaluation of the Egyptian Pound.

Quarter-on-quarter Lecico reported LE 14.1 million in net financing expense compared to net financing income of LE 102.5 million in 3Q 2022. 3Q 2022 results were distorted by exceptional exchange variance gains in Lebanon also as explained in the 3Q 2022 newsletter.

Lecico reported net tax charge of LE 13 million in the fourth quarter versus tax charge LE 24.2 million in the same period last year.

Lecico reported net profit of LE 37.7 million in the fourth quarter compared to a net loss of LE 4.1 million in the same period last year.

FY 2022:

Lecico revenues for 2022 increased by 24% year-on-year to LE 3,273.8 million (2021: LE 2,642.2 million) due to the increase in sales in all segments.

Lecico's cost of goods sold was up 24% year-on-year to LE 2,675.2 million (2021: LE 2,158.9 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 22%.

Gross profit increased by 24% to reach LE 598.6 million (2021: LE 483.3 million) and the Company's gross profit margin was flat at 18.3% compared to 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 23% to LE 465.3 million (2021: LE 377.1 million), but proportional D&A expenses were down 0.1 percentage points to 14.2% compared to 14.3% in the same period last year.

Lecico reported LE 164.6 million in net other operating expenses compared to net other operating expenses of LE 56.3 million in the same period last year. The higher other operating expense in 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 31.3 million for 2022 compared to an EBIT profit of LE 49.9 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 133.3 million, a significant improvement on the EBIT of last year.

Lecico reported LE 107.7 million in net financing income compared to net financing expense of LE 18.9 million in last year. However, this gain in net financing was due to significant exchange variance gains in Lebanon, gains from the group due to the Egyptian Pound devaluation partially offset the exceptional LE 69.6 million expense incurred in 4Q in Egypt to close out forward selling contracts.

Lecico reported net tax charge of LE 63.7 million versus a tax charge of LE 56.2 million in last year.

Lecico reported net loss of LE 3.2 million compared to net loss of LE 36.4 million in last year.

Segmental analysis

Sanitary ware

4Q: Sanitary ware sales volumes decreased by 0.3% (down 3,375 pieces). Local sales volumes increased by 19% (up 62,935 pieces), but export sales volumes decreased by 7% (down 60,172 pieces) and Lebanon sales volumes decreased by 53% (down 6,138 pieces).

Quarter-on-quarter total sales volumes decreased by 2% (down 23,747 pieces). Local volumes increased 33% (up 100,679 pieces), but export sales decreased by 13% (down 124,234 pieces) and sales in Lebanon decreased 3% (down 191 pieces).

Average sanitary ware prices increased by 40% year-on-year at LE 460.8 per piece (4Q 2021: LE 328.4) following a series of price increases over the course of the year plus the impact of the significant devaluation on export prices in 4Q 2022. Quarter-on-quarter average prices increased by 14% (3Q 2022: LE 405.1).

Revenues were up 40% year-on-year at LE 571.2 million (4Q 2021: LE 408.2 million). Quarter-on-quarter revenues were up 12% (3Q 2022: LE 511.8 million).

Average cost of sales per piece increased by 34% year-on-year at LE 383.1 per piece due to significant inflation in the supply chain combined with some of the impact of the devaluation in 4Q 2022.

Quarter-on-quarter, the average cost of sales slightly decreased by 0.5% (3Q 2022: LE 384.9 per piece) with production up 7%.

Gross profit increased 84% to LE 96.3 million (4Q 2021: LE 52.2 million) and the margin was up 4.1 percentage points to 16.9% (4Q 2021: 12.8%).

Quarter-on-quarter gross profit increased by 278% (3Q 2022: LE 25.5 million) and the gross margin increased by 11.9 percentage points (3Q 2022: 5%). 3Q 2022 numbers were affected by LE 46.3 million extra charges due to write-down inventory in Lebanon.

Sanitary ware segmental analysis	4Q		%	FY		%
	2022	2021		2022	2021	
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	402	339	119%	1,356	1,224	111%
Lebanon (000 pcs)	6	12	47%	30	34	90%
Export (000 pcs)	832	892	93%	3,717	3,752	99%
Total sanitary ware volumes (000 pcs)	1,240	1,243	100%	5,104	5,010	102%
Exports/total sales volume (%)	67.1%	71.7%	(4.7%)	72.8%	74.9%	(2.1%)
Sanitary ware revenue (LE m)	571.2	408.2	140%	2004.5	1607.8	125%
Average selling price (LE/pc)	460.8	328.4	140%	392.8	320.9	122%
Average cost per piece (LE/pc)	383.1	286.4	134%	343.0	275.8	124%
Sanitary ware cost of sales	(474.9)	(356.0)	133%	(1750.8)	(1381.5)	127%
Sanitary ware gross profit	96.3	52.2	184%	253.7	226.3	112%
Sanitary ware gross profit margin (%)	16.9%	12.8%	4.1%	12.7%	14.1%	(1.4%)

FY 2022: Sanitary ware sales volume increased by 2% to 5.1 million pieces (up 93,760 pieces). Egyptian volumes increased 11% (up 131,979 pieces), export volumes decreased 1% (down 34,838 pieces) and sales in Lebanon decreased by 10% (down 3,380 pieces).

Average sanitary ware prices were up 22% year-on-year to LE 392.8 per piece (2021: LE 320.9).

Revenues were up 25% year-on-year at LE 2,004.5 million (2021: LE 1,607.8 million).

Average cost of sales increased 24% at LE 343 per piece. Sanitary ware production was 1% lower than in 2021.

Gross profit increased 12% to LE 253.7 million (2021: LE 226.3 million), but the margin fell 1.4 percentage points to 12.7% (2021: 14.1%).

Tiles

4Q: Tile sales volumes increased 1% year-on-year (up 56,996 square meters) to reach 6.2 million square meters. Local sales volumes increased 15% (up 685,743 square meters) and Lebanon sales increased 19% (up 6,611 square meters), but export sales volumes decreased 41% (down 635,358 square meters).

Quarter-on-quarter sales volumes decreased 1% (down 59,000 square meters). Local volumes decreased 4% (down 195,000 square meters), Lebanon volumes decreased 67% (down 82,000 square meters), but export volumes increased 32% (up 218,000 square meters).

Average net prices per square meter increased by 22% year-on-year at LE 53.6 per meter (4Q 2021: LE 44) as a result of a series of price hikes done over the course of the year plus the impact of the devaluation of the Egyptian Pound on export prices in 4Q 2022. Quarter-on-quarter average prices increased by 12% (3Q 2022: LE 47.6).

Tiles revenues were up 23% year-on-year at LE 329.9 million (4Q 2021: LE 268.1 million). Quarter-on-quarter revenues were up 11% (3Q 2022: LE 296.1 million).

Average costs of sales increased by 28% year-on-year to reach LE 41.1 per square meter (4Q 2021: LE 32.2 per square meter). Tile production decreased by 7% compared to the same period last year.

Quarter-on-quarter average costs increased by 11% (3Q 2022: LE 37). Tile production decreased by 4% quarter-on-quarter.

Gross profit for the quarter increased 7% to reach LE 76.8 million compared to gross profit LE 71.7 million in the same period last year. Gross margin decreased 3.5 percentage points to 23.3% (4Q 2021: 26.7%).

Quarter-on-quarter gross profit increased by 16% (3Q 2022: LE 66 million) and the gross margin increased 1 percentage point (3Q 2022: 22.3%).

Tile segmental analysis	4Q		%	FY		%
	2022	2021		2022	2021	
			22/21			22/21
Tile volumes (000 sqm)						
Egypt (000 sqm)	5,209	4,523	115%	19,253	16,136	119%
Lebanon (000 sqm)	41	34	119%	288	186	155%
Export (000 sqm)	906	1,541	59%	2,952	5,151	57%
Total tile volumes (000 sqm)	6,156	6,099	101%	22,494	21,472	105%
Exports/total sales volume (%)	14.7%	25.3%	(10.6%)	13.1%	24.0%	(10.9%)
Tile revenue (LE m)	329.9	268.1	123%	1083.6	896.3	121%
Average selling price (LE/sqm)	53.6	44.0	122%	48.2	41.7	115%
Average cost per sqm (LE/sqm)	41.1	32.2	128%	36.5	32.3	113%
Tile cost of sales	(253.0)	(196.4)	129%	(821.5)	(693.6)	118%
Tile gross profit	76.8	71.7	107%	262.0	202.7	129%
Tile gross profit margin (%)	23.3%	26.7%	(3.5%)	24.2%	22.6%	1.6%

FY 2022: Tile sales volumes increased by 5% year-on-year (up 1,021,654 square meters) to reach 22.5 million square meters. Sales in Egypt increased 19% (up 3.1 million square meters) and Lebanon sales increased by 55% (up 102,545 square meters), but export sales decreased by 43% (down 2.2 million square meters).

Tiles revenues increased 21% year-on-year at LE 1,083.6 million in 2022 (2021: LE 896.3 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 13% year-on-year to reach LE 36.5 per square meter due to cost cutting measures in Egypt offsetting significant cost inflation throughout the year. Production volume was 3% lower than 2021.

Gross profit increased 29% to reach LE 262 million (2021: LE 202.7 million) and the margin increased by 1.6 percentage points to 24.2% (2021: 22.6%).

Brassware

4Q: Sales volumes for the fourth quarter 2022 decreased by 39% to reach 36,455 pieces (4Q 2021: 59,915 pieces). Quarter-on-quarter sales volumes decreased by 17% (3Q 2022: 44,005 pieces).

Average net prices increased 62% to LE 1,352.6 compared to LE 832.5 in the same period last year. Quarter-on-quarter average prices were up by 27% (3Q 2022: LE 1,062.3) due to product mix.

Revenue for the quarter decreased 1% year-on-year to reach LE 49.3 million (4Q 2021: LE 49.9 million). Brassware accounted for 5.2% of the quarter's revenues, compared to 6.9% in the same period last year. Quarter-on-quarter revenues increased by 5% (3Q 2022: LE 46.7 million).

Average cost per piece increased 54% to LE 691.2 per piece (4Q 2021: LE 449.9 per piece) reflecting changing mix. Quarter-on-quarter average cost per piece increased 22% (3Q 2022: LE 566.7 per piece).

Gross profit for the quarter increased by 5% year-on-year to reach LE 24.1 million (4Q 2021: LE 22.9 million) and the gross margin increased 2.9 percentage points to 48.9% (4Q 2021: 46%). Brassware accounted for 12.2% of the quarter's gross profits compared to 15.6% in the same period last year.

Quarter-on-quarter gross profit increased by 11% (3Q 2022: LE 21.8 million) and the gross margin increased 2.2 percentage points (3Q 2022: 46.7%). Brassware accounted for 19.2% of gross profits in 3Q 2022.

Brassware segmental analysis	4Q		%	FY		%
	2022	2021		2022	2021	
Brassware volumes (pcs)						
Egypt (pcs)	36,455	59,915	61%	173,962	149,593	116%
Export (pcs)	-	0	0%	-	345	0%
Total brassware volumes (pcs)	36,455	59,915	61%	173,962	149,938	116%
Exports/total sales volume (%)	0.0%	0.0%	0.0%	0.0%	0.2%	(0.2%)
Brassware revenue (LE m)	49.3	49.9	99%	185.7	138.1	134%
Average selling price (LE/pc)	1352.6	832.5	162%	1067.7	921.1	116%
Average cost per piece (LE/pc)	691.2	449.9	154%	591.3	559.1	106%
Brassware cost of sales	(25.2)	(27.0)	93%	(102.9)	(83.8)	123%
Brassware ware gross profit	24.1	22.9	105%	82.9	54.3	153%
Brassware gross profit margin (%)	48.9%	46.0%	2.9%	44.6%	39.3%	5.3%

FY 2022: Sales volumes for 2022 increased by 16% year-on-year (up 24,024 pieces)

Average net prices increased 16% to reach LE 1,067.7 per piece and revenues increased 34% year-on-year to reach LE 185.7 million (2021: LE 138.1 million).

Brassware's percentage of consolidated revenues 5.7%, while the percentage for last year was 5.2% of sales.

Average cost per piece increased 6% to LE 591.3 per piece (FY 2021: LE 559.1 per piece) reflecting changing mix.

Gross profit increased 53% to LE 82.9 million (FY 2021: LE 54.3 million) and the margin increased 5.3 percentage points to 44.6% (FY 2021: 39.3%).

Brassware's percentage of consolidated gross profits increased to 13.8% of Lecico gross profits (FY 2021: 11.2%).

Financial Position

The value of Lecico's non-current assets increased by 25% at the end of December 31, 2022, to reach LE 2,009.1 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 22% at the end of December 31, 2022, to reach LE 1,843.1 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 47% at the end of December 31, 2022, to reach LE 2,686.4 million (2021: LE 1,822 million) due to the increase in cash, inventory and receivables during 2022. However, the increase in cash is distorted by the large Lebanese Pound balances we are holding which we are required to translate at the official exchange rate.

Total liabilities increased by 49% to reach LE 2,795.1 million (2021: LE 1,881.9 million) because of the increase in bank overdrafts and other payables.

Gross debt increased 49% or LE 422.7 million to reach LE 1,285.9 million compared to LE 863.1 million at the end of 2021.

Net debt increased 15% or LE 101.9 million to reach LE 787.9 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 December 2022 reached 0.43x compared to 0.45x at the end of 2021. Net debt to equity is closer to 0.49x if we exclude the extra cash held in Lebanon.

Working capital increased 31% or LE 296.7 million to reach LE 1,255 million compared to LE 958.3 million at the end of 2021 due to the increase in inventory and receivables both of which are driven by inflation both in original currencies and as a result of the devaluation of the Egyptian Pound.

Recent developments and outlook

Outlook 2023: The unprecedented inflation and economic volatility we are seeing across the world makes any attempt to judge Lecico's outlook challenging, however the further devaluation of the Egyptian Pound in January is a strong support to Lecico's operations which already saw material improvement in 4Q 2022 as a result of the first devaluation in late October.

Overall, the Egyptian Pound has weakened 55% against the dollar since October 2022 and the market is expecting further devaluations. Lecico has largely passed on all currency related costs in Egypt and is benefitting from the devaluation in Exports.

This puts the Company in a strong position to deliver improved results on 4Q 2022 in early 2023 before local inflation will begin to erode the gains made in Export markets.

The Company has already pushed through another round of local price increases in 1Q 2023 to offset the January inflation.

Our main risks now lie in either the demand side or disruption of our supply chain due to currency constraints in Egypt. 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.

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.

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.

If demand across Europe is more or less stable and there are no major disruptions to supply chain into Egypt, Lecico should be well positioned to show an improvement in recurring core operations compared to the previous year as was seen in 4Q 2022.

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.

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, 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.

AGM Announcement

Lecico's Annual General Meeting will be held electronically with voting over five days before the assembly meeting on Thursday, March 30, 2023, 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.

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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		%
	2022	2021	22/21	2022	2021	22/21
Sales	950.4	726.1	131%	3,273.8	2,642.2	124%
Cost of sales	(753.2)	(579.3)	130%	(2,675.2)	(2,158.9)	124%
Gross profit	197.2	146.8	134%	598.6	483.3	124%
Gross margin (%)	20.7%	20.2%	0.5%	18.3%	18.3%	(0.0%)
Distribution expenses	(55.0)	(48.7)	113%	(221.2)	(186.1)	119%
Administrative expenses	(74.8)	(54.2)	138%	(244.0)	(191.0)	128%
Other Operating income	43.2	11.8	365%	92.3	57.8	160%
Other Operating expenses	(41.0)	(28.4)	144%	(256.9)	(114.1)	225%
Operating profit (EBIT)	69.6	27.2	256%	(31.3)	49.9	-
Operating (EBIT) margin (%)	7.3%	3.8%	3.6%	-	1.9%	-
Investment revenues	0.0	0.8	-	0.0	1.9	0%
Finance income	100.0	6.4	1556%	316.5	29.1	1087%
Finance expense	(114.2)	(10.3)	1113%	(208.8)	(48.0)	435%
Profit before tax and minority (PBTM)	55.5	24.2	230%	76.4	32.9	232%
PBTM margin (%)	5.8%	3.3%	2.5%	2.3%	1.2%	1.1%
Income tax	(8.4)	(22.7)	37%	(63.1)	(57.7)	109%
Deferred tax	(4.5)	(1.5)	302%	(0.6)	1.5	-
Net profit (loss) after tax (NPAT)	42.5	(0.1)	-	12.7	(23.3)	-
NPAT margin (%)	4.5%	-	-	0.4%	-	-
Minority interest	(4.8)	(4.0)	118%	(15.9)	(13.0)	122%
Net profit (loss)	37.7	(4.1)	-	(3.2)	(36.4)	9%
Net profit margin (%)	4.0%	-	-	-	-	-

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Dec-22	31-Dec-21	22/21 (%)
Cash	498.0	177.1	281%
Inventory	1,238.2	976.5	127%
Receivables	950.0	667.0	142%
Related parties -debit balances	0.3	1.3	25%
Total current assets	2,686.4	1,822.0	147%
Net fixed assets	1,985.5	1,580.4	126%
Intangible assets	10.9	6.7	163%
Projects in progress	12.1	4.0	305%
Available for sale investments	0.0	5.9	0%
Long-term notes receivable	0.5	6.1	9%
Total non-current assets	2,009.1	1,603.0	125%
Total assets	4,695.5	3,424.9	137%
Banks overdraft	1,247.3	823.9	151%
Current portion of long-term liabilities	46.8	24.5	191%
Trade and notes payable	505.7	321.7	157%
Other current payable	427.4	363.5	118%
Related parties -credit balances	0.0	0.0	-
Provisions	48.9	28.06	174%
Income Tax payable	41.4	39.95	104%
Total current liabilities	2,317.5	1,601.7	145%
Long-term loans	8.2	25.0	33%
Other long-term liabilities	71.5	56.1	128%
Provisions	21.3	8.4	255%
Deferred tax	110.9	13.4	830%
Long Term Notes Payables	265.6	177.4	150%
Total non-current liabilities	477.6	280.2	170%
Total liabilities	2,795.1	1,881.9	149%
Minority interest	57.3	35.2	163%
Issued capital	400.0	400.0	100%
Reserves	1,813.9	1,475.2	123%
Retained earnings	(367.6)	(331.0)	111%
Net Loss for the year	(3.2)	(36.4)	9%
Total equity	1,843.1	1,507.9	122%
Total equity, minorities and liabilities	4,695.5	3,424.9	137%

Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	FY		%
	2022	2021	22/21
Cash Flow from operating activities			
Net Profit for the year before tax	76.4	32.9	232%
Fixed assets depreciation	109.5	115.2	95%
Intangible assets amortization	1.2	1.0	120%
Interest Income	(5.0)	(3.8)	130%
Finance Expenses	101.9	76.8	133%
Loss/(Gains) result from hedge contracts	104.2	(30.4)	-
Capital gains (loss)	27.1	(0.1)	-
Impairment of intangible assets	-	15.0	0%
Finance interest of Leases	3.2	1.7	190%
Impairment of Investments	6.9	-	-
Increase (Decrease) in translation reserve	123.4	(2.3)	-
Gain from operating	548.8	205.9	267%
(Increase) Decrease in Inventory	(297.8)	(142.9)	208%
(Increase) Decrease in Receivables	(286.9)	(34.2)	838%
Increase (Decrease) in Payables	333.9	158.4	211%
Utilized Provisions	29.7	(7.3)	-
Dividends paid	(46.8)	(42.5)	110%
	280.8	137.3	204%
Proceeds intersets	5.0	3.8	130%
Intersets Paid	(105.1)	(78.4)	134%
Income tax paid	(55.3)	(57.8)	96%
Net cash from operating activities	125.4	5.0	-
Cash flow from investing activities			
Additions to fixed assets and projects	(103.8)	(65.3)	159%
Intangible assets	(2.5)	(2.5)	-
Proceeds from sales of fixed assets	19.2	0.1	17147%
Net cash (used) from investing activities	(87.1)	(67.7)	129%
Cash flow from financing activities			
Payments for loans & borrowing	(21.4)	(6.7)	319%
(Payments) from lease obligations	(15.1)	(10.1)	150%
Bank credit facilities	423.3	106.8	396%
(Payments)/Proceeds from hedge contracts	(104.2)	30.4	-
Net cash from financing activities	282.6	120.4	235%
Net change in cash & cash equivalent during the year	320.8	57.7	556%
Cash and cash equivalent at beginning of the year	132.1	119.4	111%
Restricted time deposit	15.0	(45.0)	-
Cash and cash equivalent at the end of the year	468.0	132.1	354%