



## Full Year 2020 Results

Alexandria, 2<sup>nd</sup> March 2021 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for 2020.

### Highlights

#### 4Q 2020

- Lecico revenue up 18% to LE 615.3 million (56.2% from sanitary ware).
- Sanitary ware revenue up 13% to LE 345.9 million, volumes up 9% to 1.2 million pieces (73.9% exports).
- Tile revenue up 26% to LE 245 million, volumes up 26% to 6.2 million square meters (24.5% exports).
- Brassware revenue up 19% to LE 24.4 million, sales volume up 26% to 27,150 pieces.
- EBIT loss of LE 13.9 million compared to EBIT loss of LE 57 million in 4Q 2019.
- Net loss of LE 28.2 million compared to net loss of LE 95.3 million in 4Q 2019.

#### FY 2020

- Lecico revenue down 13% to LE 2,055.2 million (58.3% from sanitary ware).
- Sanitary ware revenue down 15% to LE 1,198.7 million, volumes down 15% to 4 million pieces (70.2% exports).
- Tile revenue down 9% to LE 782.3 million, volumes down 8% to 19.8 million square meters (22.4% exports).
- Brassware revenues down 4% to LE 74.2 million, sales volume up 4% to 86,523 pieces.
- EBIT loss of LE 132.5 million compared to EBIT loss of LE 88.2 million in 2019.
- Net loss of LE 220.6 million compared to net loss of LE 298.3 million in 2019.

Lecico Egypt Chairman, Gilbert Gargour commented, “2020 has been a year of significant progress at our company.

“Lecico continued operations throughout the pandemic, while implementing best practice health and safety policies to protect employees. Although we faced very limited disruption to our production due to the virus, we had a significant drop in sales in the second quarter due to the lockdown in Europe.

“In 2020 we took another major step in restructuring our Lebanon operations despite the economic and political crisis unfolding there. Lecico was able to drastically cut operating losses due to cost and capacity rationalization begun in 2019. We also were able to sell off a significant portion of our excess real estate holdings. The combined effect of this was to fully close Lecico Lebanon’s USD 17 million net debt, significantly reducing our debt as a group.

“In Egypt, the restructuring of our tile operations saw a strong improvement in contribution from that segment with the lowest tile unit cost in four years despite lower volumes.

“In all operations, our focus on cash generation, along with the sale of land in Lebanon, reduced our net debt by 43% over the course of the year to LE 644 million, our lowest debt level in over a decade.

“We are grateful for the economic support offered by various governments to industry including lower interest rates and cheaper natural gas in Egypt and wage support in the UK.

“Full year results show the effect of the second quarter slowdown. We also had to take significant additional provisions against receivables in December as changes to the Egyptian Accounting standards and IFRS starting in 2021 require a more aggressive provisioning for old balances.

“I am confident that Lecico will build on those numbers in the coming year and we will deliver a significant improvement year-on-year particularly through the operating line and in terms of cash flows from operations.”

Taher Gargour, Lecico Egypt CEO, added, “In the fourth quarter, Lecico reported our strongest results in over a year on the back of strong sales and economies of scale from increased activity. As in the third quarter, demand continued to outpace production for most of our industry globally and Lecico struggled to keep up with demand.

“Lecico continued ramping up production in the quarter accordingly with economies of scale reducing production costs accordingly and driving up the gross margin to its highest level this year and significantly improved on last year.

“At the year-end we had to take an unforeseen provision against receivables following the announced changes to the IFRS and Egyptian Accounting Standards for 2021. This resulted in an additional net LE 26.1 million in other operating expenses for the quarter. Despite these provisions, we still booked our smallest quarterly operating loss in over a year.

“We generated cash and further reduced debt over the quarter with stronger cash flows from operations and a concerted effort to extend payment terms to our suppliers.

“With significantly improved gross profits and a reduced finance expense, the net effect was our lowest quarterly net loss in over a year despite additional provisions.

“This stronger close puts us on good footing for 2021, with early indications suggesting the demand recovery seen in the second half of 2020 should continue in 2021, hopefully without any of the exceptional disruptions seen in 2020.

“We still have work to do to reduce debt further, monetize assets and restructure our tax rates to keep improving our cost structure, but hopefully we will be doing so in 2021 with the support of stronger sales and better operating margins than we have seen in the past couple of years.

“We are optimistic that in the medium-term Egypt, Lebanon and Libya – all of which are going through multiple years of recession or extremely constrained growth – will have a period of

relative stability and economic recovery which will further drive demand and allow us to accelerate sales.

“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. A lot of our success in this is dependent on external factors, but rest assured that the entire Lecico management team will continue to work towards the best possible results in these focus areas in any situation.”

## Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	4Q		%	FY		%
	2020	2019	20/19	2020	2019	20/19
Sanitary ware	345.9	306.9	113%	1,198.7	1,416.1	85%
Tiles	245.0	194.9	126%	782.3	856.4	91%
Brassware	24.4	20.5	119%	74.2	77.2	96%
<b>Sales</b>	<b>615.3</b>	<b>522.3</b>	<b>118%</b>	<b>2,055.2</b>	<b>2,349.8</b>	<b>87%</b>
Sanitary ware/sales (%)	56.2%	58.8%	(2.6%)	58.3%	60.3%	(1.9%)
Cost of sales	(517.9)	(507.4)	102%	(1,826.0)	(2,098.1)	87%
Cost of sales/sales (%)	(84.2%)	(97.1%)	(13.0%)	(88.8%)	(89.3%)	(0.4%)
<b>Gross profit</b>	<b>97.4</b>	<b>15.0</b>	<b>650%</b>	<b>229.2</b>	<b>251.7</b>	<b>91%</b>
Gross profit margin (%)	15.8%	2.9%	13.0%	11.2%	10.7%	0.4%
Distribution and administration (D&A)	(69.7)	(79.5)	88%	(276.6)	(325.9)	85%
D&A/sales (%)	(11.3%)	(15.2%)	(3.9%)	(13.5%)	(13.9%)	(0.4%)
Net other operating income/ (expense)	(41.6)	7.5	-	(85.0)	(14.0)	606%
Net other operating income/ (expense) sales (%)	(6.8%)	1.4%	-	(4.1%)	(0.6%)	3.5%
<b>EBIT</b>	<b>(13.9)</b>	<b>(57.0)</b>	<b>24%</b>	<b>(132.5)</b>	<b>(88.2)</b>	<b>150%</b>
EBIT margin (%)	-	-	-	-	-	-
<b>Net profit (loss)</b>	<b>(28.2)</b>	<b>(95.3)</b>	<b>30%</b>	<b>(220.6)</b>	<b>(298.3)</b>	<b>74%</b>
Net profit margin (%)	-	-	-	-	-	-

### 4Q 2020: Sales rebound drives significant reduction in losses

Lecico reported a continued recovery in sales quarter-on-quarter as onboarding of new customers and new designs helped build demand and Lecico continued to ramp up its sanitary ware capacity with new staff brought in over the previous quarter.

Lecico revenues for the fourth quarter increased by 18% year-on-year to reach LE 615.3 million (4Q 2019: LE 522.3 million) with higher revenues in all segments. Local revenues were up 34% year-on-year to reach LE 283.5 million (4Q 2019: LE 212 million) and export revenues were up 7% year-on-year to reach LE 331.7 million (4Q 2019: LE 310.3 million).

Quarter-on-Quarter revenues increased by 10% (3Q 2020: LE 561.4 million). Local revenues increased 8% quarter-on-quarter to reach LE 283.5 million (3Q 2020: LE 263.5 million) and export increased 11% quarter-on-quarter to reach LE 331.7 million (3Q 2020: LE 297.9 million).

Lecico's cost of goods sold rose slightly by 2% year-on-year to LE 517.9 million (4Q 2019: LE 507.4 million) as a result of the increase in production volumes by 37% compared to the same period last year.

Quarter-on-Quarter the cost of goods sold rose 4% (3Q 2020: LE 498.1 million) as a result of the increase in production volumes by 23%.

Average unit costs of production however benefitted from economies of scale on increased production and reached their lowest levels in over a year.

Lecico's gross profit for the fourth quarter increased 550% year-on-year to LE 97.4 million (4Q 2019: LE 15 million). Lecico's gross profit margin increased 13 percentage points to 15.8% compared to 2.9% in the same period last year. Gross profit in all segments improved as economies of scale increased as a result of higher production.

Quarter-on-quarter gross profit increased by 54% (3Q 2020: LE 63.3 million) and Lecico's gross margin increased 4.6 percentage points (3Q 2020: 11.3%).

In absolute terms, distribution and administration (D&A) expenses decreased by 12% to LE 69.7 million (4Q 2019: LE 79.5million), and proportional D&A expenses were down by 3.9 percentage points to 11.3% (4Q 2019: 15.2%).

Quarter-on-quarter distribution and administration (D&A) expenses decreased by 7% (3Q 2020: LE 74.8 million) and proportional D&A expenses were down by 2 percentage points (3Q 2020: 13.3%).

Lecico reported LE 41.6 million in net other operating expenses compared to net other operating income of LE 7.5 million in the same period last year. The increase is mainly coming from additional provisions for local and export customers.

Quarter-on-quarter net other operating expenses increased by 203% (3Q 2020: LE 13.8 million).

Lecico's EBIT loss decreased 76% year-on-year to LE 13.9 million for the quarter (4Q 2020: LE 57 million loss).

Quarter-on-quarter Lecico's EBIT loss decreased 45% (3Q 2020: LE 25.3 million EBIT loss).

Net financing expenses were down 85% year-on-year to reach LE 6.2 million (4Q 2019: LE 41.2 million) primarily as a result of a lower finance expense due to the significant reduction in both debt levels and interest rates year-on-year, as well as the gain from exchange variance (LE 10.3 million exchange variance gain compared to an exchange variance loss of LE 2.4 million in 4Q 2019).

Quarter-on-quarter net financing expenses decreased 55% (3Q 2020: LE 13.6 million).

Lecico reported net tax charge of LE 6.5 million in the fourth quarter versus no tax charge in the same period last year.

Lecico reported net loss of LE 28.2 million in the fourth quarter compared to a net loss of LE 95.3 million in the same period last year. Quarter-on-quarter, Lecico's net loss decreased 38% (3Q 2020: LE 45.3 million net loss).

**FY 2020: Strong improvement in finance costs reduces losses**

Lecico revenues for 2020 decreased by 13% year-on-year to LE 2,055.2 million (FY 2019: LE 2,349.8 million) due to the drop in local and export sales in sanitary and tile segments largely as a result of the impact of the coronavirus in the 2<sup>nd</sup> quarter.

Lecico's cost of goods sold was down 13% year-on-year to LE 1,826 million (FY 2019: LE 2,098.1 million).

Gross profit decreased by 9% to reach LE 229.2 million (FY 2019: LE 251.7 million) but the Company's gross profit margin rose 0.4 percentage points to 11.2% compared to 10.7% in the last year as a result of the restructuring of Lecico tile operations which offset diseconomies of scale on lower production in all segments. Production for 2020 was about 11% below the same period last year.

In absolute terms, distribution and administration (D&A) expenses decreased by 15% to LE 276.6 million (FY 2019: LE 325.9 million) and proportional D&A expenses were down by 0.4 percentage points to 13.5% of net sales compared to 13.9% in the previous year.

Lecico reported LE 85 million in net other operating expenses compared to net other operating expenses of LE 14 million in last year. The increase is mainly coming from accrued employee profit share and provided provision for receivables outstanding over a year.

Lecico reported an EBIT loss of LE 132.5 million for 2020 compared to an EBIT loss of LE 88.2 million in the previous year.

Net financing expenses decreased 66% year-on-year during 2020 to reach LE 65.5 million compared to LE 195 in 2019.

Approximately 10% of this reduction in net finance expenses is due to a one-off debt forgiveness in Lecico Lebanon of LE 13.1 million resulting from refund by creditor banks due to repayment of our debt as well as the gain from exchange variance (LE 27.1 million exchange variance gain compared to an exchange variance loss of LE 15.6 million in 2019).

The other 90% of the reduction in net financing expenses comes from the reduction in net debt and interest rates in Egypt and Lebanon.

Lecico's net debt was reduced by 43% over 2020 to reach LE 644 million (4Q 2019: LE 1,129 million) and Lecico's blended cost of borrowing fell by over 3 percentage points during 2020 due to lower interest rates in Egypt and Lebanon.

Lecico reported net tax charge of LE 24.4 million versus a tax charge of LE 22.6 million in 2019.

Lecico reported net loss of LE 220.6 million compared to net loss of LE 298.3 million in 2019.

## Segmental analysis

### Sanitary ware

**4Q:** Sanitary ware sales volumes increased by 9% (up 101,461 pieces). Local volumes increased by 10% (up 27,233 pieces), export sales volumes increased by 9% (up 72,037 pieces) and sales volumes in Lebanon increased by 23% (up 2,190 pieces).

Quarter-on-quarter total sales volumes increased by 8% (up 85,541 pieces). Sales in Egypt decreased 1% (down 1,523 pieces), export volumes increased 12% (up 94,515 pieces) and sales in Lebanon decreased by 39% (down 7,451 pieces).

Average sanitary ware prices increased by 3% year-on-year at LE 290.5 per piece (4Q 2019: LE 281.8). Quarter-on-quarter average prices were down 4% (3Q 2020: LE 302.5).

Revenues were up 13% year-on-year at LE 345.9 million (4Q 2019: LE 306.9 million). Quarter-on-quarter revenues were up 3% (3Q 2020: LE 334.3 million).

Average cost of sales per piece was down 7% year-on-year at LE 256.9 per piece primarily as a result of the increase in production. Production was up 39% year-on-year. Quarter-on-quarter, the average cost of sales was down 11% (3Q 2020: LE 288.7 per piece) and production was up 32%.

Gross profit increased 580% year-on-year to reach LE 40.1 million compared to gross profit LE 5.9 million in the same period last year. Gross margin increased 10 percentage points to reach 12% (4Q 2019: 2%).

Quarter-on-quarter gross profit increased by 162% (3Q 2020: LE 15.3 million) and the gross margin increased by 7.0 percentage points (3Q 2020: 5%).

Sanitary ware segmental analysis	4Q		%	FY		%
	2020	2019		2020	2019	
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	300	272	110%	1,113	1,389	80%
Lebanon (000 pcs)	12	9	123%	83	108	76%
Export (000 pcs)	879	807	109%	2,815	3,202	88%
<b>Total sanitary ware volumes (000 pcs)</b>	<b>1,191</b>	<b>1,089</b>	<b>109%</b>	<b>4,010</b>	<b>4,699</b>	<b>85%</b>
Exports/total sales volume (%)	73.9%	74.1%	(0.3%)	70.2%	68.1%	2.1%
<b>Sanitary ware revenue (LE m)</b>	<b>345.9</b>	<b>306.9</b>	<b>113%</b>	<b>1198.7</b>	<b>1416.1</b>	<b>85%</b>
Average selling price (LE/pc)	290.5	281.8	103%	298.9	301.4	99%
Average cost per piece (LE/pc)	256.9	276.4	93%	279.0	263.6	106%
Sanitary ware cost of sales	(305.8)	(301.0)	102%	(1118.7)	(1238.6)	90%
Sanitary ware gross profit	40.1	5.9	679%	80.0	177.6	45%
Sanitary ware gross profit margin (%)	11.6%	1.9%	9.7%	6.7%	12.5%	(5.9%)

**FY:** Sanitary ware sales volume decreased by 15% to 4 million pieces (down 688,920 pieces). Egyptian volumes fell 20% (down 275,998 pieces), export volumes decreased 12% (down 387,057 pieces) and sales in Lebanon decreased by 24% (down 25,865 pieces).

Average sanitary ware prices were down 1% year-on-year to LE 298.9 per piece (FY 2019: LE 301.4) as a result of a shift in export mix to Middle Eastern markets and as a result of the stronger Egyptian pound.

Revenues were down 15% year-on-year at LE 1,198.7 million (FY 2019: LE 1,416.1 million).

Average cost of sales rose 6% at LE 279 per piece due to lower production. Sanitary ware production was 13% lower than the last year.

Gross profit decreased 55% to LE 80 million (FY 2019: LE 177.6 million) and the margin fell 5.9 percentage points to 6.7% (FY 2019: 12.5%).

## **Tiles**

**4Q:** Tile sales volumes increased 26% year-on-year (up 1.3 square meters) to reach 6.2 million square meters. Local volumes increased 54% (up 1.6 square meters), but Lebanon sales decreased 52% (down 90,428 square meters) and export sales volumes decreased 14% (down 242,483 square meters).

Quarter-on-quarter sales volumes increased 20% (up 1 million square meters). Local volumes increased 18% (up 703,000 square meters) and export volumes increased 32% (up 368,000 square meters), but Lebanon volumes decreased 26% (down 30,000 square meters),

Average net prices per square meter are the same prices in the same period last year at LE 39.6. Quarter-on-quarter average prices were down 1% (3Q 2020: LE 39.8).

Tiles revenues were up 26% year-on-year at LE 245 million (4Q 2019: LE 194.9 million). Quarter-on-quarter revenues were up 19% (3Q 2020: LE 205.1 million).

Average costs of sales decreased by 18% year-on-year to reach LE 31.8 per square meter (4Q 2019: LE 38.8 per square meter). Lecico restructured its tile operations last year to reduce capacity and achieve economies of scale on a lower production base. Tile production decreased by 8% compared to the same period last year. Cost reduction was further supported by cheaper gas for tiles, cost cutting measures in Egypt and the impact of a strengthening currency on fx-based costs. Quarter-on-quarter average costs are flat at LE 31.8.

Gross profit for the quarter reached LE 47.9 million compared to gross profit LE 4.1 million in the same period last year. Gross margin increased 17.5 percentage points (4Q 2019: 2.1%).

Quarter-on-quarter gross profit increased by 17% (3Q 2020: LE 40.9 million) but the gross margin decreased 0.4 percentage points (3Q 2020: 19.9%).

**FY:** Tile sales volumes decreased by 8% year-on-year (down 1.8 million square meters) to reach 19.8 million square meters. Sales in Egypt decreased 2% (down 315,582 square meters), sales in Export decreased by 22% (down 1.2 million square meters) and sales in Lebanon decreased by 44% (down 293,694 square meters).

Average net prices year-on-year are flat at LE 39.5.

Tiles revenues were down 9% year-on-year at LE 782.3 million in 2020 (FY 2019: LE 856.4 million).

Average costs decrease 12% year-on-year to reach LE 33.1 per square meter. Lecico restructured its tile operations last year to reduce capacity and achieve economies of scale on a lower production base. Tile production was down 8% year-on-year. Cost reduction was further supported by cheaper gas for tiles, cost cutting measures in Egypt and the impact of a strengthening currency on fx-based costs. Quarter-on-quarter average costs are flat at LE 31.8.

Gross profit increased 185% to reach LE 127.1 million (FY 2019: LE 44.7 million), the margin increased by 11 percentage points to 16.3% (FY 2019: 5.2%).

Tile segmental analysis	4Q		%	FY		%
	2020	2019		2020	2019	
			20/19			20/19
Tile volumes (000 sqm)						
Egypt (000 sqm)	4,591	2,988	154%	14,993	15,309	98%
Lebanon (000 sqm)	84	174	48%	366	660	56%
Export (000 sqm)	1,519	1,761	86%	4,422	5,642	78%
<b>Total tile volumes (000 sqm)</b>	<b>6,194</b>	<b>4,924</b>	<b>126%</b>	<b>19,781</b>	<b>21,611</b>	<b>92%</b>
Exports/total sales volume (%)	24.5%	35.8%	(11.3%)	22.4%	26.1%	(3.8%)
<b>Tile revenue (LE m)</b>	<b>245.0</b>	<b>194.9</b>	<b>126%</b>	<b>782.3</b>	<b>856.4</b>	<b>91%</b>
Average selling price (LE/sqm)	39.6	39.6	100%	39.5	39.6	100%
Average cost per sqm (LE/sqm)	31.8	38.8	82%	33.1	37.6	88%
Tile cost of sales	(197.1)	(190.8)	103%	(655.1)	(811.8)	81%
Tile gross profit	47.9	4.1	1181%	127.1	44.7	285%
Tile gross profit margin (%)	19.5%	2.1%	17.5%	16.3%	5.2%	11.0%

## Brassware

**4Q:** Sales volumes for the fourth quarter 2020 increased by 26% to reach 27,150 pieces (4Q 2019: 21,471 pieces). Quarter-on-quarter sales volumes increased by 14% (3Q 2020: 23,857 pieces).

Average net prices were down 6% to reach LE 898.5 per piece (4Q 2019: LE 955.2). Quarter-on-quarter prices decreased by 3% (3Q 2020: LE 923.3) due to product mix.

Revenue for the quarter increased 19% year-on-year to reach LE 24.4 million (4Q 2019: LE 20.5 million). Brassware accounted for 4% of the quarter's revenues, compared to 3.9% in the same period last year. Quarter-on-quarter revenues increased by 11% (3Q 2020: LE 22 million).

Average cost per piece decreased 24% to LE 551.2 per piece (4Q 2019: LE 721.6 per piece) reflecting changing mix. Quarter-on-quarter average cost per piece decreased 12% (3Q 2020: LE 623.1 per piece).

Gross profit for the quarter increased by 88% year-on-year to reach LE 9.4 million (4Q 2019: LE 5 million) and the gross margin increased 14.2 percentage points to 38.7% (4Q 2019: 24.5%).

Brassware accounted for 9.7% of the quarter's gross profits compared to 33.5% in the same period last year.

Quarter-on-quarter gross profit increased by 32% (3Q 2020: LE 7.2 million) and the gross margin increased 6.2 percentage points (3Q 2020: 32.5%). Brassware accounted for 11.3% of gross profits in 3Q 2020.

Brassware segmental analysis	4Q		%	FY		%
	2020	2019	20/19	2020	2019	20/19
Brassware volumes ( pcs)						
Egypt ( pcs)	27,150	21,471	126%	86,523	82,933	104%
Export ( pcs)	-	0	0%	-	12	0%
<b>Total brassware volumes ( pcs)</b>	<b>27,150</b>	<b>21,471</b>	<b>126%</b>	<b>86,523</b>	<b>82,945</b>	<b>104%</b>
Exports/total sales volume (%)	0.0%	0.0%	0.0%	0.0%	0.0%	(0.0%)
<b>Brassware revenue (LE m)</b>	<b>24.4</b>	<b>20.5</b>	<b>119%</b>	<b>74.2</b>	<b>77.2</b>	<b>96%</b>
Average selling price (LE/pc)	898.5	955.2	94%	857.6	931.3	92%
Average cost per piece (LE/pc)	551.2	721.6	76%	602.9	575.7	105%
Brassware cost of sales	(15.0)	(15.5)	97%	(52.2)	(47.7)	109%
Brassware ware gross profit	9.4	5.0	188%	22.0	29.5	75%
Brassware gross profit margin (%)	38.7%	24.5%	14.2%	29.7%	38.2%	(8.5%)

**FY:** Sales volumes for 2020 increased by 4% year-on-year (up 3,578 pieces).

Average net prices decreased 8% to reach LE 857.6 per piece due to product mix.

Revenues decreased 4% year-on-year to reach LE 74.2 million (FY 2019: LE 77.2 million).

Brassware's percentage of consolidated revenues reach 3.6%, while the percentage for last year was 3.3% of sales.

Average cost per piece rose 5% to LE 602.9 per piece (FY 2019: LE 575.7 per piece) reflecting changing mix.

Gross profit decreased 25% to LE 22 million (FY 2019: LE 29.5 million) and the margin decreased 8.5 percentage points to 29.7% (FY 2019: 38.2%).

Brassware's percentage of consolidated gross profits decreased to 9.6% of Lecico gross profits (FY 2019: 11.7%).

## **Financial Position**

The value of Lecico's non-current assets decreased by 30% at the end of December 31, 2020 to reach LE 1,669.1 million (2019: LE 2,385.1 million) reflecting both the effect of the sale of lands in Lebanon and the Company's decision to reduce the valuation of Lecico group's remaining land to reflect the risk and impact on valuations of the Lebanese economic crisis and the economic slowdown globally as a result of the coronavirus.

The value of Lecico's current assets decreased by 9% at the end of December 31, 2020 to reach LE 1,583.8 million (2019: LE 1,748.9 million) primarily as a result of the decrease in cash, inventory and receivables during 2020.

Total liabilities decreased by 9% to reach LE 1,686.8 million (2019: LE 1,848.7 million) primarily as a result of the drop in debt offset by increased payables.

Gross debt decreased 39% or LE 495.3 million to reach LE 763.1 million compared to LE 1,258.4 million at the end of 2019. Approximately LE 175 million of the reduction in net debt was due to the sale of land in Lebanon and the balance came from operations and improvements in working capital.

Net debt decreased 43% or LE 485.7 million to reach LE 643.7 million compared to LE 1,129.4 million at the end of 2019.

Net debt to equity at the end of 2020 was improved at 0.42x compared to 0.50x at the end of 2019.

Working capital decreased 39% or LE 414.7 million to reach LE 636.9 million compared to LE 1,051.6 million at the end of 2019 as a result of a reduction in inventories and receivable as well as an increase in payables.

## Recent developments and outlook

**Outlook for 2021:** The recovery in demand seen in the second half of 2020 is expected to continue and – with new business added by Lecico in 2021 – drive sales growth in the year ahead. The resurgence of the coronavirus over the winter and the measures taken to control it do not seem to be making a significant negative impact on sales at the start of the year.

Export growth in Europe – which saw a sharp recovery in the second half – is expected to continue and see exports recover to above pre-coronavirus levels in 2021.

As markets and demand recover, Lecico is gradually ramping up production but being careful to keep costs low and limit the roll back of cost cutting measures enacted to deal with the fallout of the coronavirus. At the same time, safety measures put in place to minimize the risk to our staff which added to our costs of operations remain in place.

Accordingly, management is cautiously optimistic – despite the many risks and unknown variables around the coronavirus - that the improvement seen in the second half will continue in the year ahead with management expecting the average quarterly results for 2021 to show an improvement from the results of the fourth quarter disregarding seasonal issues in any individual quarter.

**Lecico Lebanon restructuring update:** The political and economic crisis in Lebanon continues to make the market extremely unpredictable and limits overall activity. Additionally, the country has had to take more stringent measures in reaction to COVID-19 than most of our markets with Lecico Lebanon effectively barred from trading for most of January and February by a lockdown.

Once the market re-opens, Lecico Lebanon is anticipating moving to 100% cash payment model as the subsidiary has effectively paid off all its banks debts and now needs to generate hard currency cash to repay suppliers.

Lebanon’s macroeconomic and political outlook for 2021 remains extremely uncertain with a strong devaluation and a massive restructuring expected at some point but with most experts unsure about how and when this restructuring will begin.

If the economic environment in 2021 remains largely as it was in 2020, Lecico Lebanon is expected to return to limited profitability and begin repaying Lecico Egypt for old balances of goods now that banks have essentially been paid off.

However, any forecast of Lecico’s Lebanese business, in light of the economic and political uncertainty in the country, is subject to extreme variation. We have seen this disruption clearly in the start of the year and how this affects our forecasts will be determined by the appetite of the market once lockdown is lifted as well as where policy goes in the months ahead.

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.

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

## **AGM Announcement**

In line with the precautionary measures to confront the spread of the announced Corona virus, according to the Prime Minister's decision No. 606 of 2020 issued on 3/19/2020 and the decision issued by the General Authority for Investment and Free Zones No. 160 on 3/18/2020, and also the directives of the Egyptian Financial Regulatory Authority and starting from The responsibility of the company in cooperation with the Egyptian state and the implementation of social divergence to limit the spread of the new Corona virus, it has been decided that the Annual General Meeting be held electronically and voting remotely within five days before the assembly is held on Wednesday, March 31, 2021 at exactly 8:30 AM at the company's headquarters located in the old Alexandria Cairo Agricultural Road - Mahmudiyah axis now - Al Awayed next to the Navy - Montazah Third - Alexandria.

The Board of Directors also suggested not to distribute this year's profits to the shareholders and limit the distribution account to the legal reserve required by law and others, 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 location in Egypt and Lebanon. 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		%
	2020	2019	20/19	2020	2019	20/19
<b>Sales</b>	<b>615.3</b>	<b>522.3</b>	<b>118%</b>	<b>2,055.2</b>	<b>2,349.8</b>	<b>87%</b>
Cost of sales	(517.9)	(507.4)	102%	(1,826.0)	(2,098.1)	87%
<b>Gross profit</b>	<b>97.4</b>	<b>15.0</b>	<b>650%</b>	<b>229.2</b>	<b>251.7</b>	<b>91%</b>
Gross margin (%)	15.8%	2.9%	13.0%	11.2%	10.7%	0.4%
Distribution expenses	(34.9)	(31.6)	111%	(126.4)	(141.7)	89%
Administrative expenses	(34.7)	(47.9)	73%	(150.2)	(184.2)	82%
Other Operating income	2.0	12.9	16%	11.5	23.2	50%
Other Operating expenses	(43.7)	(5.4)	816%	(96.5)	(37.2)	259%
<b>Operating profit (EBIT)</b>	<b>(13.9)</b>	<b>(57.0)</b>	<b>24%</b>	<b>(132.5)</b>	<b>(88.2)</b>	<b>150%</b>
Operating (EBIT) margin (%)	-	-	-	-	-	-
Investment revenues	0.0	(0.1)	-	0.0	4.8	-
Finance income	10.9	0.6	1748%	29.9	4.0	740%
Finance expense	(17.1)	(41.9)	41%	(95.4)	(199.0)	48%
<b>Loss before tax and minority (PBTM)</b>	<b>(20.1)</b>	<b>(98.3)</b>	<b>20%</b>	<b>(198.0)</b>	<b>(278.4)</b>	<b>71%</b>
PBTM margin (%)	-	-	-	-	-	-
Income tax	(13.9)	(1.7)	797%	(32.3)	(22.8)	142%
Deferred tax	7.4	1.7	423%	7.9	0.2	3909%
<b>Net Loss after tax (NPAT)</b>	<b>(26.6)</b>	<b>(98.3)</b>	<b>27%</b>	<b>(222.4)</b>	<b>(301.0)</b>	<b>74%</b>
NPAT margin (%)	-	-	-	-	-	-
Minority interest	(1.6)	3.0	-	1.8	2.7	67%
<b>Net Loss</b>	<b>(28.2)</b>	<b>(95.3)</b>	<b>30%</b>	<b>(220.6)</b>	<b>(298.3)</b>	<b>74%</b>
Net profit margin (%)	-	-	-	-	-	-

## Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Dec-20	31-Dec-19	20/19 (%)
Cash	119.4	129.0	93%
Inventory	833.7	945.0	88%
Receivables	626.8	655.5	96%
Related parties -debit balances	4.0	19.4	20%
<b>Total current assets</b>	<b>1,583.8</b>	<b>1,748.9</b>	<b>91%</b>
Net fixed assets	1,628.8	2,318.3	70%
Intangible assets	20.2	29.5	68%
Projects in progress	5.4	4.0	134%
Available for sale investments	5.9	12.0	49%
Long-term notes receivable	8.8	21.3	41%
<b>Total non-current assets</b>	<b>1,669.1</b>	<b>2,385.1</b>	<b>70%</b>
<b>Total assets</b>	<b>3,252.9</b>	<b>4,134.0</b>	<b>79%</b>
Banks overdraft	717.2	1,186.2	60%
Current portion of long-term liabilities	86.1	22.1	389%
Trade and notes payable	410.2	174.9	235%
Other current payable	413.4	374.1	111%
Related parties -credit balances	0.8	2.7	31%
Provisions	0.4	0.6	65%
<b>Total current liabilities</b>	<b>1,628.0</b>	<b>1,760.5</b>	<b>92%</b>
Long-term loans	34.9	52.9	66%
Other long-term liabilities	2.3	3.8	62%
Provisions	6.7	8.5	79%
Deferred tax	14.9	23.0	65%
<b>Total non-current liabilities</b>	<b>58.8</b>	<b>88.2</b>	<b>67%</b>
<b>Total liabilities</b>	<b>1,686.8</b>	<b>1,848.7</b>	<b>91%</b>
<b>Minority interest</b>	<b>30.0</b>	<b>46.9</b>	<b>64%</b>
Issued capital	400.0	400.0	100%
Reserves	1,433.9	2,117.2	68%
Retained earnings	(77.2)	19.5	-396%
Net Loss for the year	(220.6)	(298.3)	74%
<b>Total equity</b>	<b>1,536.1</b>	<b>2,238.4</b>	<b>69%</b>
<b>Total equity, minorities and liabilities</b>	<b>3,252.9</b>	<b>4,134.0</b>	<b>79%</b>

## Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	4Q		%
	2020	2019	20/19
<b>Cash Flow from operating activities</b>			
Net Loss for the year	(220.6)	(298.3)	74%
Depreciation and translation adjustment	102.6	115.5	89%
Intangible assets amortization and translation adjustment	1.0	1.9	54%
Intangible write off	9.3	-	-
Income tax expense	32.3	22.8	142%
Income tax paid	(25.4)	(38.9)	65%
Deferred income tax	(8.1)	(0.4)	2066%
Capital gains	(0.2)	0.1	-
Gain of selling other investment	1.1	-	-
Provided provisions and translation adjustment	67.4	9.6	702%
Reversal of expired provision	(0.03)	(0.08)	30%
Employee share in net profit	60.7	60.3	101%
Increase (Decrease) in minority interest	(15.3)	24.2	-
Increase (Decrease) in translation reserve	7.2	(29.7)	-
(Increase) Decrease in Inventory	111.6	143.7	78%
(Increase) Decrease in Receivables	25.7	140.5	18%
Increase (Decrease) in Payables	230.9	35.8	645%
Utilized Provisions	(39.2)	(39.3)	100%
Increase (Decrease) in Other Long Term Liabilities	(1.4)	-	-
Difference result from discounting of long term notes receivables	(3.9)	1.5	-
<b>Net cash from operating activities</b>	<b>335.7</b>	<b>149.2</b>	<b>225%</b>
<b>Cash flow from investing activities</b>			
Additions to fixed assets and projects	(58.0)	(61.1)	95%
Intangible assets	(1.1)	(1.7)	-
Net change in available for sale investments	4.9	1.4	355%
Proceeds from sales of fixed assets	214.8	3.2	6760%
Increase (Decrease) in long-term notes receivable	16.5	(6.6)	-
<b>Net cash from investing activities</b>	<b>177.2</b>	<b>(64.9)</b>	<b>-</b>
<b>Cash flow from financing activities</b>			
Increase (Decrease) in long-term loans	(18.0)	52.9	-
Increase (Decrease) in current portion of long term liabilities	2.3	2.1	107%
Change in Other Short Term Liabilities	-	(2.9)	0%
Employees Dividends paid	(37.7)	(48.5)	78%
<b>Net cash from financing activities</b>	<b>(53.4)</b>	<b>3.7</b>	<b>-</b>
<b>Net change in cash &amp; cash equivalent during the year</b>	<b>459.5</b>	<b>88.0</b>	<b>522%</b>
Net cash and cash equivalent at beginning of the year	(1,057.2)	(1,145.2)	92%
<b>Net cash and cash equivalent at the end of the year</b>	<b>(597.7)</b>	<b>(1,057.2)</b>	<b>57%</b>