



Second Quarter 2022 Results

Alexandria, 14th August 2022 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for the second quarter 2022.

Highlights

2Q 2022

- Lecico revenue up 14% to LE 723.3 million (67.9% from sanitary ware).
- Sanitary ware revenue up 19% to LE 490.9 million, volumes up 4% to 1.3 million pieces (78.1% exports).
- Tile revenue down 3% to LE 195.6 million, volumes down 16% to 4.2 million square meters (9.5% exports).
- Brassware revenue up 61% to LE 36.8 million, sales volume up 42% to 29,580 pieces.
- EBIT loss of LE 37.1 million compared to EBIT profit of LE 3.1 million in 2Q 2021.
- Net loss of LE 60.6 million compared to net loss of LE 6.8 million in 2Q 2021.

1H 2022

- Lecico revenue up 19% to LE 1,468.8 million (62.7% from sanitary ware).
- Sanitary ware revenue up 20% to LE 921.5 million, volumes up 5% to 2.6 million pieces (74.2% exports).
- Tile revenue up 10% to LE 457.6 million, volumes down 3% to 10.1 million square meters (13.4% exports).
- Brassware revenues up 84% to LE 89.7 million, sales volume up 98% to 93,502 pieces.
- EBIT loss of LE 6.5 million compared to EBIT profit of LE 13.4 million in 2021.
- Net loss of LE 31.3 million compared to net loss of LE 23.6 million in 2021.

Lecico Egypt Chairman, Gilbert Gargour commented, “The Second Quarter of 2022 was a challenging one with one-off losses related to a land sale and a blocked shipment compounding seasonally slow regional activity to deliver a significant loss.

“Lecico sold its remaining real estate assets in France after offering it for sale for many years. While we incurred a loss of LE 24 million, we offloaded a sticky asset and generated LE 12 million in cash. This was a smart choice although it has a significant negative impact on our results.

“Lecico also had a large shipment blocked by the customs in Morocco and we had to reroute deliveries and support our customer with a total cost of LE 14m. Occasionally in the Middle East we face these unexpected obstacles to commercial activity. This one was significant due to the size of the shipment, still it is a one-off negative shock.

“These results highlight just how volatile our operating environment is and how much this can impact us at this point in our recovery. The fluctuations in the Euro and the Sterling, weak seasonal sales in Egypt and the region and the disruption of supply chains into Egypt had significant impact on our performance in the quarter. Despite these challenges, we would have reported a small operating profit for the quarter if not for these one-off losses.

“Lecico intends to continue its recovery in the coming quarters as we work through this volatile period for the global economy. Demand in export still looks strong despite global anxiety. However, we are yet to see a recovery in Egypt and regional markets. We have secured price increases to continue to outpace inflation that will feed through over the course of the third quarter and we are seeing the Egyptian Pound weaken again. The supply chain issues we faced importing to Egypt are largely resolved. We believe our production efficiency will also improve as we lost some capacity in Ramadan. I thank you for your continued interest and support of Lecico.”

Taher Gargour, Lecico Egypt CEO, added, “The results for the quarter shows both the impact of LE 38m in one-off expenses and the tough operating environment.

We recorded a loss of LE 24 million on a land sale in France. We have been actively trying to sell that asset since 2014 when we closed our operations there, so I felt it was right to seize this opportunity despite the negative impact on Lecico’s profitability. We received about LE 12 million from the sale of the land.

“We also incurred about LE 14 million in costs related to an LE 17 million shipment to Morocco which was blocked by the authorities there. When the problem arose, we rerouted all product still on the water due to the unusual nature of this issue. This was a significant cost in the quarter but it allows us to resell those tiles and minimize the overall loss. We are working with our customer there to try and establish clarity and alignment with the authorities for future business.

“Apart from these one-off costs, Lecico would have reported a marginal operating profit. This modest profit from core operations is primarily due to lost sales and efficiency in production due to the holiday season around Ramadan. Our sales in Egypt dropped 20% quarter-on-quarter and regional exports fell even more as holidays reduced demand and project work slowed down. The holidays also meant a reduction of 10% of our functional capacity for the quarter.

“Through price increases and strong European exports, we were able to keep a fairly good gross margin despite these hits to sales and costs in the quarter. I am optimistic that this margin will improve again in the coming quarters as we return to normal production and see the benefit of another round of price increases to offset inflation. We estimate a further 8% increase in prices for sanitary ware exports that will be phased in over the course of the third quarter.

“I remain optimistic that we are in a good position to continue to rebuild our profitability in the coming periods. Our risk is on the demand side and while I believe we have enough demand in Europe to absorb some cooling off in those markets, my concern remains about Egypt. We are working to offset this risk as best we can. Lecico is in the middle of a very volatile trading period and we are working hard to deliver continued growth and improvement in our financial results in the face of these challenges.”

Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	2Q		%	1H		%
	2022	2021	22/21	2022	2021	22/21
Sanitary ware	490.9	411.9	119%	921.5	770.1	120%
Tiles	195.6	201.2	97%	457.6	417.6	110%
Brassware	36.8	22.9	161%	89.7	48.7	184%
Sales	723.3	636.0	114%	1,468.8	1,236.5	119%
Sanitary ware/sales (%)	67.9%	64.8%	3.1%	62.7%	62.3%	0.5%
Cost of sales	(587.5)	(523.8)	112%	(1,180.7)	(1,024.5)	115%
Cost of sales/sales (%)	(81.2%)	(82.4%)	(1.1%)	(80.4%)	(82.9%)	(2.5%)
Gross profit	135.7	112.2	121%	288.1	212.0	136%
Gross profit margin (%)	18.8%	17.6%	1.1%	19.6%	17.1%	2.5%
Distribution and administration (D&A)	(116.5)	(94.0)	124%	(213.8)	(181.1)	118%
D&A/sales (%)	(16.1%)	(14.8%)	1.3%	(14.6%)	(14.6%)	(0.1%)
Net other operating income/ (expense)	(56.3)	(15.1)	372%	(80.8)	(17.4)	464%
Net other operating income/ (expense) sales (%)	(7.8%)	(2.4%)	5.4%	(5.5%)	(1.4%)	4.1%
EBIT	(37.1)	3.1	-	(6.5)	13.4	-
EBIT margin (%)	-	0.5%	-	-	1.1%	-
Net profit (loss)	(60.6)	(6.8)	888%	(31.3)	(23.6)	133%
Net profit margin (%)	-	-	-	-	-	-

2Q 2022: LE 38 million in one-off expenses and a quiet regional market drives loss

Lecico reported a loss as a result of LE 38 million in exceptional operating costs on the top of a quiet market in Egypt and the region with Ramadan holidays impacting sales and productivity.

Lecico revenues for the second quarter increased by 14% year-on-year to reach LE 723.3 million (2Q 2021: LE 636 million) with higher revenues in sanitary and brassware segments. Local revenues were up 36% year-on-year to reach LE 296.3 million (2Q 2021: LE 217.7 million) and export revenues were up 2% year-on-year to reach LE 427 million (2Q 2021: LE 418.3 million).

Quarter-on-Quarter revenues decreased by 3% (1Q 2022: LE 745.5 million). Local revenues decreased 20% quarter-on-quarter to reach LE 296.3 million (1Q 2022: LE 371.3 million), but exports increased 14% quarter-on-quarter to reach LE 427 million (1Q 2022: LE 374.2 million).

Lecico's cost of goods sold increased by 12% year-on-year to LE 587.5 million (2Q 2021: LE 523.8 million).

Quarter-on-Quarter Lecico's cost of goods sold decreased by 1% (1Q 2022: LE 593.2 million) with production down 10% due to holidays and reduced productivity in Ramadan.

Lecico's gross profit for the second quarter increased 21% year-on-year to LE 135.7 million (2Q 2021: LE 112.2 million). Lecico's gross profit margin increased 1.1 percentage points to 18.8% compared to 17.6% in the same period last year. Gross profit in all segments improved.

Quarter-on-quarter gross profit decreased by 11% (1Q 2022: LE 152.3 million) and Lecico's gross margin decreased 1.7 percentage points (1Q 2022: 20.4%).

In absolute terms, distribution and administration (D&A) expenses increased by 24% to LE 116.5 million (2Q 2021: LE 94 million) and proportional D&A expenses were up by 1.3 percentage points to 16.1% (2Q 2021: 14.8%).

Quarter-on-quarter distribution and administration (D&A) expenses increased by 20% (1Q 2022: LE 97.2 million) and proportional D&A expenses were down by 3.1 percentage points (1Q 2022: 13%).

Lecico reported LE 56.3 million in net other operating expense compared to net other operating expenses of LE 15.1 million in the same period last year. The higher other operating expense in the second quarter of 2022 is primarily due to LE 38m in exceptional one-off charges in the quarter. LE 24 million losses from sales of land in Lecico Egypt's discontinued subsidiary in Franc and LE 13.6 million in costs due to a problem with a large order shipment into Morocco.

Quarter-on-quarter Lecico reported LE 56.3 million in net other operating expense compared to net other operating expenses of LE 24.5 million in 1Q 2022.

Lecico EBIT loss of LE 37.1 million compared to EBIT profit of LE 3.1 million in 2Q 2021. If we exclude the losses from sales of land and shipping cost of returned goods, EBIT would have been a profit of LE 0.6 million.

Quarter-on-quarter Lecico reported EBIT loss of LE 37.1 million compared to EBIT profit of LE 30.6 million in 1Q 2022.

Lecico reported LE 2.6 million in net financing expense compared to net financing income of LE 1.9 million in the same period last year with more exchange gains offset by higher finance costs.

Quarter-on-quarter Lecico reported LE 2.6 million in net financing expense compared to net financing income of LE 22 million in 1Q 2022, primarily as a result of lower exchange variance gains.

Lecico reported net tax charge of LE 18.1 million in the second quarter versus tax charge LE 9.2 million in the same period last year.

Lecico reported net loss of LE 60.6 million in the second quarter compared to a net loss of LE 6.8 million in the same period last year.

For comparison, Lecico reported net profit of LE 29.3 million in the first quarter 2022. If we remove the exceptional charges in this quarter, Lecico would have an adjusted net loss of LE 22.9 million.

1H 2022: Exceptional operating losses offset the improvement in core operations

Lecico revenues for the first half increased by 19% year-on-year to LE 1,468.8 million (1H 2021: LE 1,236.5 million) due to the increase in sales in all segments.

Lecico's cost of goods sold was up 15% year-on-year to LE 1,180.7 million (1H 2021: LE 1,024.5 million).

Gross profit increased by 36% to reach LE 288.1 million (1H 2021: LE 212 million) and the Company's gross profit margin was up 2.5 percentage points to 19.6% compared to 17.1% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses increased by 18% to LE 213.8 million (1H 2021: LE 181.1 million), but proportional D&A expenses were flat at 14.6% of net sales.

Lecico reported LE 80.8 million in net other operating expenses compared to net other operating expenses of LE 17.4 million in the same period last year. The higher other operating expense in the first half of 2022 is primarily due to LE 38 million in exceptional losses incurred in the second quarter.

Lecico reported an EBIT loss of LE 6.5 million for the first half compared to an EBIT profit of LE 13.4 million in the same period last year. If we remove the exceptional charges in the second quarter to compare the results of core operations, Lecico would have an adjusted EBIT of LE 31.1 million.

Lecico reported LE 19.3 million in net financing income compared to net financing expense of LE 10.1 million in the same period last year. The increase coming from an improved gain from exchange variance which offset a higher finance expense due to the increase in debt levels, interest rates and finance tools year-on-year.

Lecico reported net tax charge of LE 24.5 million versus a tax charge of LE 18.4 million in the same period last year.

Lecico reported net loss of LE 31.3 million compared to net loss of LE 23.6 million in the same period last year.

Segmental analysis

Sanitary ware

2Q: Sanitary ware sales volumes increased by 4% (up 54,734 pieces). Local sales volumes increased by 18% (up 41,839 pieces), export sales volumes increased by 1% (up 11,290 pieces) and Lebanon sales volumes increased by 24% (up 1,650 pieces).

Quarter-on-quarter total sales volumes increased by 1% (up 8,313 pieces). Export volumes increased 12% (up 109,007 pieces), but local sales decreased by 26% (down 98,304 pieces) and sales in Lebanon decreased 22% (down 2,390 pieces).

Average sanitary ware prices increased by 14% year-on-year at LE 376.4 per piece (2Q 2021: LE 329.6) following a series of increases in the local market over 4Q 2021 and 1Q 2022 plus the impact of a significant devaluation and increased average prices for export customers in 1Q 2022. Quarter-on-quarter average prices increased by 13% (1Q 2022: LE 332.2).

Revenues were up 19% year-on-year at LE 490.9 million (2Q 2021: LE 411.9 million). Quarter-on-quarter revenues were up 14% (1Q 2022: LE 430.6 million).

Average cost of sales per piece increased by 17% year-on-year at LE 322.4 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 increased by 13% (1Q 2022: LE 284.7 per piece) with production down 9% due to lost productivity and working days around Ramadan.

Gross profit increased 2% to LE 70.4 million (2Q 2021: LE 69 million), but the margin was down 2.4 percentage points to 14.3% (2Q 2021: 16.8%).

Quarter-on-quarter gross profit increased by 14% (1Q 2022: LE 61.5 million) and the gross margin increased by 0.1 percentage points (1Q 2022: 14.3%).

Sanitary ware segmental analysis	2Q		%	1H		%
	2022	2021		2022	2021	
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	277	235	118%	652	589	111%
Lebanon (000 pcs)	8	7	124%	19	11	171%
Export (000 pcs)	1,019	1,008	101%	1,930	1,869	103%
Total sanitary ware volumes (000 pcs)	1,304	1,250	104%	2,601	2,469	105%
Exports/total sales volume (%)	78.1%	80.7%	(2.5%)	74.2%	75.7%	(1.5%)
Sanitary ware revenue (LE m)	490.9	411.9	119%	921.5	770.1	120%
Average selling price (LE/pc)	376.4	329.6	114%	354.4	311.9	114%
Average cost per piece (LE/pc)	322.4	274.4	117%	303.6	266.5	114%
Sanitary ware cost of sales	(420.5)	(342.9)	123%	(789.6)	(658.2)	120%
Sanitary ware gross profit	70.4	69.0	102%	131.9	112.0	118%
Sanitary ware gross profit margin (%)	14.3%	16.8%	(2.4%)	14.3%	14.5%	(0.2%)

1H: Sanitary ware sales volume increased by 5% to 2.6 million pieces (up 131,224 pieces). Egyptian volumes increased 11% (up 62,767 pieces), export volumes increased 3% (up 60,502 pieces) and sales in Lebanon increased by 71% (up 7,955 pieces).

Average sanitary ware prices were up 14% year-on-year to LE 354.4 per piece (1H 2021: LE 311.9) as a result of price increases in Egypt, a devaluation of the Egyptian Pound and an increased proportion of export sales.

Revenues were up 20% year-on-year at LE 921.5 million (1H 2021: LE 770.1 million).

Average cost of sales increased 14% at LE 303.6 per piece. Sanitary ware production was 6% lower than in the first half of 2021.

Gross profit increased 18% to LE 131.9 million (1H 2021: LE 112 million), but the margin fell 0.2 percentage points to 14.3% (1H 2021: 14.5%).

Tiles

2Q: Tile sales volumes decreased 16% year-on-year (down 0.8 million square meters) to reach 4.2 million square meters. Local sales volumes increased 12% (up 413,896 square meters), but export sales decreased 75% (down 1.2 million square meters) and Lebanon sales volumes decreased 27% (down 24,166 square meters).

Quarter-on-quarter sales volumes decreased 29% (down 1.7 million square meters). Lebanon volumes increased 7% (up 4,026 square meters), but local volumes decreased 24% (down 1.2 million square meters) and export volumes decreased 59% (down 0.6 million square meters).

Average net prices per square meter increased by 15% year-on-year at LE 46.7 per meter (2Q 2021: LE 40.6) as a result of price hikes done over 2021 and in 1Q 2022. Quarter-on-quarter average prices increased by 6% (1Q 2022: LE 44.2).

Tiles revenues were down 3% year-on-year at LE 195.6 million (2Q 2021: LE 201.2 million). Quarter-on-quarter revenues were down 25% (1Q 2022: LE 262.1 million).

Average costs of sales increased by 7% year-on-year to reach LE 35.1 per square meter (2Q 2021: LE 32.9 per square meter). Tile production decreased by 6% compared to the same period last year.

Quarter-on-quarter average costs increased by 9% (1Q 2022: LE 32.2). Tile production decreased by 13% quarter-on-quarter due to the effect of Ramadan holidays.

Gross profit for the quarter reached LE 48.4 million compared to gross profit LE 38.2 million in the same period last year. Gross margin increased 5.8 percentage points to 24.7% (2Q 2021: 19%).

Quarter-on-quarter gross profit decreased by 32% (1Q 2022: LE 70.8 million) and the gross margin decreased 2.3 percentage points (1Q 2022: 27%).

Tile segmental analysis	2Q		%	1H		%
	2022	2021		2022	2021	
Tile volumes (000 sqm)						
Egypt (000 sqm)	3,728	3,314	112%	8,640	7,677	113%
Lebanon (000 sqm)	64	88	73%	124	106	117%
Export (000 sqm)	397	1,558	25%	1,358	2,604	52%
Total tile volumes (000 sqm)	4,189	4,961	84%	10,123	10,388	97%
Exports/total sales volume (%)	9.5%	31.4%	(21.9%)	13.4%	25.1%	(11.7%)
Tile revenue (LE m)	195.6	201.2	97%	457.6	417.6	110%
Average selling price (LE/sqm)	46.7	40.6	115%	45.2	40.2	112%
Average cost per sqm (LE/sqm)	35.1	32.9	107%	33.4	32.0	104%
Tile cost of sales	(147.2)	(163.0)	90%	(338.4)	(332.5)	102%
Tile gross profit	48.4	38.2	127%	119.2	85.1	140%
Tile gross profit margin (%)	24.7%	19.0%	5.8%	26.0%	20.4%	5.7%

1H: Tile sales volumes decreased by 3% year-on-year (down 264,832 square meters) to reach 10.1 million square meters. Sales in Egypt increased 13% (up 0.96 million square meters) and Lebanon sales increased by 17% (up 17,988 square meters), but export sales decreased by 48% (down 1.25 million square meters).

Tiles revenues increased 10% year-on-year at LE 457.6 million in the first half of 2022 (1H 2021: LE 417.6 million).

Average net prices rose 12% to LE 45.2 per square meter compared to LE 40.2 in the same period last year.

Average costs increased 4% year-on-year to reach LE 33.4 per square meter due to cost cutting measures in Egypt, the impact of a strengthening currency on fx-based costs. production volume was 5% lower than the same period in 2021.

Gross profit increased 40% to reach LE 119.2 million (1H 2021: LE 85.1 million) and the margin increased by 5.7 percentage points to 26% (1H 2021: 20.4%).

Brassware

2Q: Sales volumes for the second quarter 2022 increased by 42% to reach 29,580 pieces (2Q 2021: 20,774 pieces). Quarter-on-quarter sales volumes decreased by 54% (1Q 2022: 63,922 pieces). Lecico's brassware business has grown substantially since the second half 2021 as new product ranges and sales in a number of large projects have added significantly to revenue.

Average net prices increased 13% to LE 1,243.9 compared to LE 1,101.8 in the same period last year. Quarter-on-quarter average prices were up by 50% (1Q 2022: LE 827.3) due to product mix.

Revenue for the quarter increased 61% year-on-year to reach LE 36.8 million (2Q 2021: LE 22.9 million). Brassware accounted for 5.1% of the quarter's revenues, compared to 3.6% in the same period last year. Quarter-on-quarter revenues decreased by 30% (1Q 2022: LE 52.9 million).

Average cost per piece decreased 22% to LE 671.7 per piece (2Q 2021: LE 865.1 per piece) reflecting changing mix. Quarter-on-quarter average cost per piece increased 31% (1Q 2022: LE 514.2 per piece).

Gross profit for the quarter increased by 244% year-on-year to reach LE 16.9 million (2Q 2021: LE 4.9 million) and the gross margin increased 24.5 percentage points to 46% (2Q 2021: 21.5%).

Brassware accounted for 12.5% of the quarter's gross profits compared to 4.4% in the same period last year.

Quarter-on-quarter gross profit decreased by 15% (1Q 2022: LE 20 million), but the gross margin decreased 8.2 percentage points (1Q 2022: 37.8%). Brassware accounted for 13.1% of gross profits in 1Q 2022.

Brassware segmental analysis	2Q		%	1H		%
	2022	2021	22/21	2022	2021	22/21
Brassware volumes (pcs)						
Egypt (pcs)	29,580	20,774	142%	93,502	47,298	198%
Export (pcs)	-	0	0%	-	0	-
Total brassware volumes (pcs)	29,580	20,774	142%	93,502	47,298	198%
Exports/total sales volume (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Brassware revenue (LE m)	36.8	22.9	161%	89.7	48.7	184%
Average selling price (LE/pc)	1243.9	1101.8	113%	959.1	1030.5	93%
Average cost per piece (LE/pc)	671.7	865.1	78%	564.0	716.7	79%
Brassware cost of sales	(19.9)	(18.0)	111%	(52.7)	(33.9)	156%
Brassware ware gross profit	16.9	4.9	344%	36.9	14.8	249%
Brassware gross profit margin (%)	46.0%	21.5%	24.5%	41.2%	30.5%	10.7%

1H: Sales volumes for first half of 2022 increased by 98% year-on-year (up 46,204 pieces)

Average net prices decreased 7% to reach LE 959.1 per piece and revenues increased 84% year-on-year to reach LE 89.7 million (1H 2021: LE 48.7 million).

Brassware's percentage of consolidated revenues 6.1%, while the percentage for last year was 3.9% of sales.

Average cost per piece decreased 21% to LE 564 per piece (1H 2021: LE 716.7 per piece) reflecting changing mix.

Gross profit increased 149% to LE 36.9 million (1H 2021: LE 14.8 million) and the margin increased 10.7 percentage points to 41.2% (1H 2021: 30.5%).

Brassware's percentage of consolidated gross profits increased to 12.8% of Lecico gross profits (1H 2021: 7%).

Financial Position

The value of Lecico's non-current assets increased by 17% at the end of June 30, 2022 to reach LE 1,876.3 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 20% at the end of June 30, 2022 to reach LE 1,813.6 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 20% at the end of June 30, 2022 to reach LE 2,184.9 million (2021: LE 1,822 million) primarily as a result of the increase in inventory and receivables during the first half of 2022.

Total liabilities increased by 17% to reach LE 2,206.0 million (2021: LE 1,881.9 million) primarily as a result of the increase in bank overdrafts and other payables.

Gross debt increased 27% or LE 236.4 million to reach LE 1,099.5 million compared to LE 863.1 million at the end of 2021.

Net debt increased 19% or LE 128.5 million to reach LE 814.5 million compared to LE 686 million at the end of 2021.

Net debt to equity at the end of June 2022 reached 0.45x compared to 0.45x at the end of 2021.

Working capital increased 24% or LE 218.7 million to reach LE 1,137.1 million compared to LE 918.4 million at the end of 2021 primarily due to the increase in inventory and receivables.

Recent developments and outlook

Outlook for 3Q and the rest of 2022: The unprecedented inflation and economic volatility we are seeing across the world makes any attempt to judge Lecico's outlook challenging. With economic growth forecasts, energy supply and many other drivers uncertain in most markets the Company is active in, we cannot rule out the risk of further unexpected developments.

That said, aside from the significant exceptional costs in the second quarter, the Company's results suffered from weak demand and sales in Egypt and in Middle Eastern markets. Price increases and good sales to Europe allowed the Company to see its gross margin hold up fairly well in the quarter despite a 20% drop in local sales and a 10% drop in production primarily as a result of Ramadan holidays.

Looking forward, export demand and strong relative price increases in Egypt and export are strong supports to improved financial performance and it is local and regional demand that are a potential negative.

European and OEM export demand continued to be strong in July and indications from customers support continued sales at current or higher levels for the rest of the year.

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 will return to around the level seen in the first quarter in the second half of 2022. That said, July sales remained weak due to the holidays around Eid Al Adha.

Despite the increased uncertainty globally and locally, Lecico's demand is expected to recover from the seasonal slowdown in local sales that we have experienced in the second quarter and this should translate into stronger sales volumes in the second half of the year.

Lecico should continue to see prices improve in the coming quarters as significant price increases were made in the local market over the course of the second quarter and the Company has negotiated a round of price increases in export that will come into effect over the third quarter.

Management estimates that all the increases agreed or applied so far will enable some margin growth as local sales recover. The Company will continue to monitor cost increases to try and make sure that any further cost hikes are passed on as quickly as possible. The above expectations should see a recovery in financial performance in the quarters ahead.

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 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.

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)	2Q		%	1H		%
	2022	2021	22/21	2022	2021	22/21
Sales	723.3	636.0	114%	1,468.8	1,236.5	119%
Cost of sales	(587.5)	(523.8)	112%	(1,180.7)	(1,024.5)	115%
Gross profit	135.7	112.2	121%	288.1	212.0	136%
Gross margin (%)	18.8%	17.6%	1.1%	19.6%	17.1%	2.5%
Distribution expenses	(55.7)	(47.1)	118%	(104.8)	(93.2)	112%
Administrative expenses	(60.9)	(46.9)	130%	(109.0)	(87.9)	124%
Other Operating income	11.2	12.3	91%	31.0	31.8	98%
Other Operating expenses	(67.5)	(27.4)	246%	(111.9)	(49.2)	227%
Operating profit (EBIT)	(37.1)	3.1	-	(6.5)	13.4	-
Operating (EBIT) margin (%)	-	0.5%	-	-	1.1%	-
Investment revenues	0.0	(0.0)	-	0.0	1.1	0%
Finance income	28.2	13.3	212%	66.8	13.8	482%
Finance expense	(30.8)	(11.4)	271%	(47.4)	(25.1)	189%
Profit (Loss) before tax and minority (PBTM)	(39.7)	5.0	-	12.8	3.3	384%
PBTM margin (%)	-	0.8%	-	0.9%	0.3%	0.6%
Income tax	(19.9)	(9.7)	205%	(39.6)	(23.5)	169%
Deferred tax	1.9	0.5	385%	2.4	1.7	136%
Net Loss after tax (NPAT)	(57.8)	(4.2)	1368%	(24.5)	(18.4)	133%
NPAT margin (%)	-	-	-	-	-	-
Minority interest	(2.8)	(2.6)	106%	(6.8)	(5.2)	131%
Net Loss	(60.6)	(6.8)	888%	(31.3)	(23.6)	133%

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	30-Jun-22	31-Dec-21	22/21 (%)
Cash	285.0	177.1	161%
Inventory	1090.9	976.5	112%
Receivables	808.7	667.0	121%
Related parties -debit balances	0.3	1.3	21%
Total current assets	2,184.9	1,822.0	120%
Net fixed assets	1,826.6	1,580.4	116%
Intangible assets	7.0	6.7	105%
Projects in progress	33.6	4.0	850%
Available for sale investments	7.0	5.9	120%
Long-term notes receivable	2.1	6.1	34%
Total non-current assets	1,876.3	1,603.0	117%
Total assets	4,061.2	3,424.9	119%
Banks overdraft	1,058.7	823.9	128%
Current portion of long-term liabilities	35.8	24.5	147%
Trade and notes payable	355.0	321.7	110%
Other current payable	407.5	403.5	101%
Related parties -credit balances	(0.0)	0.0	-
Provisions	31.4	28.06	112%
Total current liabilities	1,888.5	1,601.7	118%
Long-term loans	17.8	25.0	71%
Other long-term liabilities	58.1	56.1	104%
Provisions	11.0	8.4	131%
Deferred tax	11.0	13.4	82%
Long Term Notes Payables	219.6	177.4	124%
Total non-current liabilities	317.5	280.2	113%
Total liabilities	2,206.0	1,881.9	117%
Minority interest	41.6	35.2	118%
Issued capital	400.0	400.0	100%
Reserves	1,769.2	1,442.1	123%
Retained earnings	(324.4)	(297.8)	109%
Net Loss for the period/year	(31.3)	(36.4)	86%
Total equity	1,813.6	1,507.9	120%
Total equity, minorities and liabilities	4,061.2	3,424.9	119%

Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	1H		%
	2022	2021	22/21
Cash Flow from operating activities			
Net Profit (Loss) for the period before tax	12.8	3.3	384%
Fixed assets depreciation	54.7	59.2	92%
Intangible assets amortization	0.2	0.4	44%
Difference result from discounting of long term notes receivables	(0.5)	(0.8)	66%
Difference result from discounting of long term notes payable	(13.9)	(8.4)	165%
Increase (Decrease) in translation reserve	32.2	2.5	1265%
Capital gains (loss)	26.1	-	-
Impairment of intangible assets	-	7.5	0%
Gain from operating	111.5	63.7	
(Increase) Decrease in Inventory	(117.0)	(131.6)	89%
(Increase) Decrease in Receivables	(147.9)	(85.3)	173%
Increase (Decrease) in Payables	107.8	104.7	103%
Income tax paid	(47.0)	(29.5)	159%
Utilized Provisions	1.4	1.5	92%
Net cash from operating activities	(91.2)	(76.5)	-
Cash flow from investing activities			
Additions to fixed assets and projects	(45.7)	(28.5)	161%
Intangible assets	-	(0.5)	-
Proceeds from sales of fixed assets	18.3	-	-
Net cash (used) from investing activities	(27.5)	(29.0)	95%
Cash flow from financing activities			
Payments for loans & borrowing	(5.7)	(1.9)	303%
Bank credit facilities	234.7	148.8	158%
(Payments) from lease obligations	(2.5)	(5.0)	
Net cash from (used) financing activities	226.5	141.8	160%
Net change in cash & cash equivalent during the period	107.9	36.3	297%
Restricted time deposit	(30.0)	0.0	-
Cash and cash equivalent at beginning of the period	132.1	119.4	111%
Cash and cash equivalent at the end of the period	210.0	155.8	135%