

Steppe Cement Ltd

Interim Results for the Half Year ended 30 June 2021 and General Market Update

1. Interim Results

Steppe Cement Ltd ("Steppe Cement" and "the Company") posted a consolidated profit after tax of USD6.2 million for the six months ended 30 June 2021, an increase of 52%.

	6 months ended 30 June 21	6 months ended 30 June 20	% of change
Sales (Tonnes)	840,661	764,752	10%
Consolidated turnover KZT million	16,657	13,677	22%
Consolidated turnover (USD Million)	39.5	33.8	17%
Consolidated profit after tax (USD Million)	6.2	4.1	52%
Earnings per share (Cents)	2.8	1.9	47%
Average exchange rate (USD/KZT)	424	405	-5%

- The Company managed to increase cement prices during the first half of 2021.
- The average ex-factory price increased from 14,727 KZT /tonne (USD36 per tonne) to 16,571 KZT/tonne (USD39 per tonne) or 11% during the period.
- Steppe Cement's gross margin increased from 40% to 46% in USD terms due to price increases.
- Selling expenses per tonne increased in USD terms by 16% and in KZT by 21% due to increases in transportation prices from the national railways.
- General and administrative expenses increased by 16% in USD.
- The Kazakh Tenge average rate depreciated by 5% compared to the first half of 2020 but only translated in a small foreign exchange loss of USD 0.2 million as the company maintains very small loan balances in USD.
- The Company generated operating profit before working capital changes of USD12.9 million in 1H 2021 against USD 11 million in 2020.
- Kazakhstan GDP increased by 2.3% in 1H2021 compared to 1H2020 rebounding from a drop of 1.4% in the first quarter of 2021.
- Reported inflation has been 7% up to the end of August 2021.

2. Production costs

- Production costs increased by 5% in KZT mostly due to the higher electricity cost, diesel and spare parts for maintenance.

3. Update on the Kazakh cement market

- The Kazakh cement market increased by 28% during the first half of the year. The increase is due mostly to the program set in place by the government that allows partial withdrawal from personal pension funds for real estate investment or health reasons. It was done to stimulate the economy and it may bring total cement consumption in 2021 to 10.5 to 11 million tonnes in 2021, an increase of more than 1 million tonnes from 2020.

- Steppe Cement's local market share decreased from 16.5% in 1H2020 to 15% in 1H2021 due to the strong growth in the overall market. We expect to maintain this share for the full year. Exports represented 9% of the volumes in the 1H2021 from 11% last year.
- Imports into Kazakhstan have increased to 0.4 million tonnes in 2021 and represent 7% of the market.
- Exports from Kazakhstan have increased slightly to 0.97 million tonnes.
- Exports from Kazakhstan represent 17% of local production from 18% last year.
- Overall production of all factories in Kazakhstan has increased by 1 million tonnes to 5.7 million tonnes for the 1H2021 as closures in the smaller factories were balanced by increases in production by Gezhuoba Cement and Alacem.
- Currently 82% of production in the country is manufactured from dry lines up from 80% in 2020.

4. Financing

- Interest expenses on bank debt were reduced to USD 0.37 million from USD 0.41 million in 2020 mostly on subsidised loans while we reduced interest expenses on lease liabilities to USD 0.13 million from USD 0.35 million after the application of IFRS 16 on the 3 years wagon leases. The rental on those wagons was considered selling expenses previously.
- Steppe Cement recorded a net cash position of USD7.4 million compared to net cash of USD6.4 million as of 30 June 2020.
- The borrowings of the Company as of 30 June 2021 were USD6.1 million while we carried a cash balance of USD 13.5 million. For comparison, on 30 June 2020 we had USD3.2 million in borrowings and USD9.6 million in cash.
- As of 15 September 2021 after paying the dividend, the financial debt was the equivalent of USD 5.6 million (all denominated in KZT) and the cash was USD10.5 million.
- We have maintained the working capital lines available for the winter.

A pdf copy of the announcement and the full interim financial statements is available on the company's website at www.steppecement.com.

Steppe Cement's AIM nominated adviser and broker is RFC Ambrian Limited.

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Broker: Contact Charlie Cryer at +44 20 3440 6800

**SUMMARY OF INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED)**
(In United States Dollars)

The Notes to the Interim Financial Statements form an integral part of the Condensed Financial Statements. Please visit the Company's website at www.steppecement.com to view the full interim financial statements.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2021 USD'000	30 June 2020 USD'000	30 June 2021 USD'000	30 June 2020 USD'000
Revenue	39,534	33,786	691	701
Cost of sales	<u>(21,230)</u>	<u>(20,285)</u>	<u>-</u>	<u>-</u>
Gross profit	18,304	13,501	691	701
Selling expenses	(6,577)	(5,162)	-	-
General and administrative expenses	<u>(2,965)</u>	<u>(2,566)</u>	<u>(157)</u>	<u>(135)</u>
Operating profit	8,762	5,773	534	566
Interest income	78	112	-	^
Finance costs	(475)	(766)	-	-
Net foreign exchange (loss)/gain	(147)	(571)	(1)	3
Other income, net	<u>(511)</u>	<u>248</u>	<u>-</u>	<u>82</u>
Profit before income tax	7,707	4,796	533	651
Income tax expense	<u>(1,515)</u>	<u>(736)</u>	<u>-</u>	<u>-</u>
Profit for the period	<u>6,192</u>	<u>4,060</u>	<u>533</u>	<u>651</u>
Attributable to: Shareholders of the Company	6,192	4,060	533	651
Earnings per share:				
Basic and diluted (cents)	<u>2.8</u>	<u>1.9</u>		

^ Insignificant amount.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021
 (UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	USD'000	USD'000	USD'000	USD'000
Profit for the period	6,192	4,060	533	651
Other comprehensive loss:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign subsidiary companies	(902)	(3,499)	-	-
Total other comprehensive loss for the period	(902)	(3,499)	-	-
Total comprehensive income for the period	5,290	561	533	651
Attributable to: Shareholders of the Company	5,290	561	533	651

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2021 USD'000	Audited 31 Dec 2020 USD'000	Unaudited 30 June 2021 USD'000	Audited 31 Dec 2020 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	49,461	48,856	-	-
Right-of-use assets	2,571	3,483		
Investment in subsidiary companies	-	-	36,307	36,294
Loan to subsidiary company	-	-	30,100	30,110
Advances	11	-	-	-
Other assets	1,887	1,901	-	-
Total Non-Current Assets	53,930	54,240	66,407	66,404
Current Assets				
Inventories	11,766	11,098	-	-
Trade and other receivables	3,438	2,332	7,807	6,776
Other assets	-	305	-	-
Income tax receivable	1,037	1,435	-	-
Loans and advances to subsidiary companies	-	-	40	40
Advances and prepaid expenses	4,915	3,644	18	6
Cash and cash equivalents	13,470	8,214	846	1,353
Total Current Assets	34,626	27,028	8,711	8,175
Total Assets	88,556	81,268	75,118	74,579

	The Group		The Company	
	Unaudited	Audited	Unaudited	Audited
	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020
	USD'000	USD'000	USD'000	USD'000
Equity and Liabilities				
Capital and Reserves				
Share capital	73,761	73,761	73,761	73,761
Revaluation reserve	2,222	2,370	-	-
Translation reserve	(119,416)	(118,514)	-	-
Retained earnings	106,665	100,325	1,164	631
Total Equity	63,232	57,942	74,925	74,392
Non-Current Liabilities				
Borrowings	3,587	2,368	-	-
Lease liabilities	1,057	2,077	-	-
Deferred taxes	4,728	4,560	-	-
Deferred income	1,762	1,492	-	-
Provision for site restoration	177	151	-	-
Total Non-Current Liabilities	11,311	10,648	-	-
Current liabilities				
Trade and other payables	5,116	4,075	-	-
Accrued and other liabilities	3,139	1,638	193	187
Borrowings	2,470	4,429	-	-
Lease liabilities	1,914	1,831	-	-
Taxes payable	1,374	705	-	-
Total Current Liabilities	14,013	12,678	193	187
Total Liabilities	25,324	23,326	193	187
Total Equity and Liabilities	88,556	81,268	75,118	74,579

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

The Group	Share capital USD'000	Non- distributable Revaluation reserve USD'000	Translation reserve USD'000	Distributable Retained earnings USD'000	Total USD'000
Balance as at 1 January 2021	73,761	2,370	(118,514)	100,325	57,942
Profit for the period	-	-	-	6,192	6,192
Other comprehensive loss	-	-	(902)	-	(902)
Total comprehensive income/(loss) for the period	-	-	(902)	6,192	5,290
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(148)	-	148	-
Balance as at 30 June 2021	<u>73,761</u>	<u>2,222</u>	<u>(119,416)</u>	<u>106,665</u>	<u>63,232</u>

The Group	Share capital USD'000	Non-distributable Revaluation reserve USD'000	Translation reserve USD'000	Distributable Retained earnings USD'000	Total USD'000
Balance as at 1 January 2020	73,761	2,016	(113,286)	100,386	62,877
Profit for the period	-	-	-	4,060	4,060
Other comprehensive (loss)/income	-	-	(3,499)	-	(3,499)
Total comprehensive income for the period	-	-	(3,499)	4,060	561
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(157)	-	157	-
Balance as at 30 June 2020	<u>73,761</u>	<u>1,859</u>	<u>(116,785)</u>	<u>104,603</u>	<u>63,438</u>

The Company	Share capital	Retained earnings	Total
	USD'000	USD'000	USD'000
Balance as at 1 January 2021	73,761	631	74,392
Total comprehensive income for the period	-	533	533
Balance as at 30 June 2021	<u>73,761</u>	<u>1,164</u>	<u>74,925</u>
Balance as at 1 January 2020	73,761	1,577	75,338
Total comprehensive income for the period	-	651	651
Balance as at 30 June 2020	<u>73,761</u>	<u>2,228</u>	<u>75,989</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2021 USD'000	30 June 2020 USD'000	30 June 2021 USD'000	30 June 2020 USD'000
OPERATING ACTIVITIES				
Profit before income tax	7,707	4,796	533	651
Adjustments for:				
Depreciation of property, plant and equipment	3,733	3,559	-	-
Depreciation of right-of-use assets	1,031	1,446	-	-
Adjustments for non-cash items	478	1,192	(1,030)	(329)
Operating Profit/(Loss) Before Working Capital Changes	12,949	10,993	(497)	322
(Increase)/ Decrease in:				
Inventories	(1,607)	541	-	-
Trade and other receivables, advances and prepaid expenses	(2,175)	(1,411)	(12)	(872)
Loans and advances from subsidiary companies	-	-	(3)	10
Increase in:				
Trade and other payables, accrued and other liabilities	3,317	2,251	5	16
Cash Generated From/(Used In) Operations	12,484	12,374	(507)	(524)
Income tax paid	(730)	(185)	-	-
Interest paid	(299)	(580)	-	-
Net Cash Generated From/(Used In) Operating Activities	11,455	11,609	(507)	(524)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,529)	(2,644)	-	-
Purchase of other assets	(18)	-	-	-
Interest received	78	112	-	330
Net Cash (Used In)/Generated From Investing Activities	(4,469)	(2,532)	-	330
FINANCING ACTIVITIES				
Proceeds from borrowings	3,350	2,098	-	-
Repayment from borrowings	(4,089)	(9,003)	-	-
Payment of lease liabilities	(877)	(1,133)	-	-

Net Cash Used In Financing Activities	(1,616)	(8,038)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,370	1,039	(507)	(194)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(114)	(486)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	8,214	9,014	1,353	262
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13,470	9,567	846	68