

Steppe Cement Ltd
Interim Results for the Half Year ended 30 June 2020
and General Market Update

1. Interim Results

Steppe Cement Ltd ("Steppe Cement" and "the Company") posted a consolidated profit after tax of USD4.1 million for the six months ended 30 June 2020.

	6 months ended 30 June 20	6 months ended 30 June 19	% of change
Sales (Tonnes)	764,752	780,315	-2%
Consolidated turnover KZT million	13,677	14,079	-3%
Consolidated turnover (USD Million)	33.8	37.1	-9%
Consolidated profit after tax (USD Million)	4.1	3.1	
Earnings per share (Cents)	1.9	1.4	
Average exchange rate (USD/KZT)	405	379	-7%

- The Company maintained prices from last summer until the Covid crisis affected the second quarter.
- The average ex-factory price decreased slightly from 15,148 KZT /tonne to 14,727 KZT/tonne or 3% during the period.
- Steppe Cement's gross margin increased from 37% to 40% in USD terms due to cost containment measures.
- Selling expenses per tonne decreased in USD terms by 20% and in KZT by 13% due to distribution in areas closer to the factory and the implementation of IFRS 16 as some of the rental fees for wagons have been transferred to financial leases reducing the transport costs.
- Administrative expenses remained constant in USD.
- The Kazakh Tenge depreciated by 7% compared to the first half of 2019 that translated in a foreign exchange loss of USD 0.6 million.
- The Company generated operating profit before working capital changes of USD 11 million in 1H 2020 against USD 7.9 million in 2019.
- Kazakhstan GDP increased by 2.7% in 1Q2020 but decreased -1.8% in 1H2020 because of Covid-19.
- Reported inflation has been 6.5% up to the end of July 2020.

2. Production costs

- Production costs decreased by 4% in KZT mostly due to the higher production of clinker and lower maintenance and coal costs.

3. Update on the Kazakh cement market

- The Kazakh cement market increased by 2% during the first half of the year. The increase happened mostly in the 1Q while 2Q was slightly below 2019. Steppe Cement currently

expects a market of about 9.1 million tonnes for the full year 2020, an increase of 2% over 2019.

- Steppe Cement decreased its local market share from 17% in 1H2019 to 16.5% in 1H2020. We expect to maintain this share for the full year. Exports represented 11% of the volumes in the 1H2020 like last year.
- Imports into Kazakhstan have been reduced to 0.25 million tonnes in 2020 due to the closure of the market to Iranian exports. Imports represent 6% of the market.
- Exports from Kazakhstan have been maintained at 0.87 million tonnes.
- Exports from Kazakhstan represent 18% of local production from 19% last year.
- Overall production of all factories in Kazakhstan has increased by 2% to 4.7 million tonnes for the 1H2020 as closures in the smaller factories were balanced by increased in Kokshe and Gezhuoba.
- Currently 80% of production in the country is manufactured from dry lines.

4. Financing

- Interest expenses on bank debt were reduced to USD 0.41 million from USD 0.55 million in 2019 while we added interest expenses on lease liabilities of USD 0.35 million due to the application of IFRS 16. The rental on those wagons was considered selling expenses before.
- Steppe Cement recorded a net cash position of USD6.4 million compared to net debt of USD1.1 million as of 30 June 2019.
- The borrowings of the Company as of 30 June 2020 were USD3.2 million (USD 2.3 million current and USD 0.9 million long term) while we carried a cash balance of USD 9.6 million. For comparison, on 30 June 2019 we had USD10.1 million in borrowings and USD 9 million in cash.
- The USD loan outstanding to Halyk Bank for the purchase of the wagons and repayable monthly till November 2021 at 6.5% p.a. was subsequently repaid in August 2020 in advance.
- As of 31 August 2020 after paying the dividend, the financial debt was the equivalent of USD 2 million (all denominated in KZT) and the cash was USD 5.7 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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Company No. LL04433



**INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

(Unaudited)

(In United States Dollars)

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 2020 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2020 USD'000	30 June 2019 USD'000	30 June 2020 USD'000	30 June 2019 USD'000
Revenue	33,786	37,122	701	629
Cost of sales	<u>(20,285)</u>	<u>(23,515)</u>	<u>-</u>	<u>-</u>
Gross profit	13,501	13,607	701	629
Selling expenses	(5,162)	(6,584)	-	-
General and administrative expenses	<u>(2,566)</u>	<u>(2,563)</u>	<u>(135)</u>	<u>(147)</u>
Operating profit	5,773	4,460	566	482
Interest income	112	147	[^]	[^]
Finance costs	(766)	(554)	-	-
Net foreign exchange (loss)/gain	(571)	(36)	3	3
Other income, net	<u>248</u>	<u>148</u>	<u>82</u>	<u>-</u>
Profit before income tax	4,796	4,165	651	485
Income tax expense	<u>(736)</u>	<u>(1,083)</u>	<u>-</u>	<u>-</u>
Profit for the period	<u>4,060</u>	<u>3,082</u>	<u>651</u>	<u>485</u>
Attributable to: Shareholders of the Company	4,060	3,082	651	485
Earnings per share:				
Basic and diluted (cents)	<u>1.9</u>	<u>1.4</u>		

[^] Insignificant amount.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2020 USD'000	30 June 2019 USD'000	30 June 2020 USD'000	30 June 2019 USD'000
Profit for the period	4,060	3,082	651	485
Other comprehensive (loss)/income:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign subsidiary companies	(3,499)	759	-	-
Total other comprehensive (loss)/income for the period	(3,499)	759	-	-
Total comprehensive income for the period	561	3,841	651	485
Attributable to: Shareholders of the Company	561	3,841	651	485

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2020 USD'000	Audited 31 Dec 2019 USD'000	Unaudited 30 June 2020 USD'000	Audited 31 Dec 2019 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	51,614	55,808	-	-
Right-of-use assets	4,707	6,140		
Investment in subsidiary companies	-	-	36,198	26,500
Loan to subsidiary company	-	-	30,140	30,140
Advances	12	6	-	-
Other assets	2,287	2,427	-	-
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Total Non-Current Assets	58,620	64,381	66,338	66,338
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Current Assets				
Inventories	9,668	10,812	-	-
Trade and other receivables	6,173	5,790	9,710	8,848
Lease receivable	12	-	-	-
Income tax receivable	432	405	-	-
Loans and advances to subsidiary companies	-	-	20	30
Advances and prepaid expenses	4,186	3,683	26	16
Cash and cash equivalents	9,567	9,014	68	262
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Total Current Assets	30,038	29,704	9,824	6,156
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Total Assets	88,658	94,085	76,162	75,494

	The Group		The Company	
	Unaudited 30 June 2020 USD'000	Audited 31 Dec 2019 USD'000	Unaudited 30 June 2020 USD'000	Audited 31 Dec 2019 USD'000
Equity and Liabilities				
Capital and Reserves				
Share capital	73,761	73,761	73,761	73,761
Revaluation reserve	1,859	2,016	-	-
Translation reserve	(116,785)	(113,286)	-	-
Retained earnings	104,603	100,386	2,228	1,577
Total Equity	63,438	62,877	75,989	75,338
Non-Current Liabilities				
Borrowings	2,300	3,893	-	-
Lease liabilities	3,147	4,307	-	-
Deferred taxes	4,828	4,652	-	-
Deferred income	1,308	1,421	-	-
Provision for site restoration	75	74	-	-
Total Non-Current Liabilities	11,658	14,347	-	-
Current liabilities				
Trade and other payables	4,351	6,204	-	-
Accrued and other liabilities	5,033	1,405	173	156
Borrowings	910	6,420	-	-
Lease liabilities	1,988	2,191	-	-
Deferred income	76	81	-	-
Taxes payable	1,204	560	-	-
Total Current Liabilities	13,562	16,861	173	156
Total Liabilities	25,220	31,208	173	156
Total Equity and Liabilities	88,658	94,085	76,162	75,494

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020 (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 2020	73,761	2,016	(113,286)	100,386	62,877
Profit for the period	-	-	-	4,060	4,060
Other comprehensive loss	-	-	(3,499)	-	(3,499)
Total comprehensive (loss)/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 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 2019	73,761	2,349	(116,266)	96,113	55,957
Profit for the period	-	-	-	3,082	3,082
Other comprehensive income	-	-	759	-	759
Total comprehensive income for the period	-	-	759	3,082	3,841
Dividend payable	-	-	-	(8,362)	(8,362)
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(167)	-	167	-
Balance as at 30 June 2019	<u>73,761</u>	<u>2,182</u>	<u>(115,507)</u>	<u>91,000</u>	<u>51,436</u>

The Company	Share capital	Retained earnings/ Accumulated losses	Total
	USD'000	USD'000	USD'000
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>
Balance as at 1 January 2019	73,761	399	74,160
Total comprehensive loss for the period	-	485	485
Dividend payable	-	(8,362)	(8,362)
Balance as at 30 June 2019	<u>73,761</u>	<u>(7,478)</u>	<u>66,283</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2020 USD'000	30 June 2019 USD'000	30 June 2020 USD'000	30 June 2019 USD'000
OPERATING ACTIVITIES				
Profit before income tax	4,796	4,165	651	485
Adjustments for:				
Depreciation of property, plant and equipment	3,559	3,355	-	-
Depreciation of right-of-use assets	1,446	-	-	-
Adjustments for non-cash items	3,530	358	(329)	(631)
Operating Profit/(Loss) Before Working Capital Changes	10,993	7,878	322	(146)
(Increase)/ Decrease in:				
Inventories	541	1,531	-	-
Trade and other receivables, advances and prepaid expenses	(1,411)	(3,401)	(430)	(430)
Loans and advances from subsidiary companies	-	-	10	(27)
Increase in:				
Trade and other payables, accrued and other liabilities	2,251	1,517	16	34
Cash Generated From/(Used In) Operations	12,374	7,525	(524)	(569)
Income tax paid	(185)	(85)	-	-
Interest paid	(580)	(420)	-	-
Net Cash Generated From/(Used In) Operating Activities	11,609	7,020	(524)	(569)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,644)	(844)	-	-
Purchase of other assets	-	(29)	-	-
Interest received	112	147	330	629
Net Cash (Used In)/Generated From Investing Activities	(2,532)	(726)	330	629
FINANCING ACTIVITIES				
Proceeds from borrowings	2,098	4,515	-	-
Repayment from borrowings	(9,003)	(5,805)	-	-

Payment of lease liabilities	(1,133)	-	-	-
Net Cash Used In Financing Activities	(8,038)	(1,290)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,039	5,004	(194)	60
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(486)	54	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	9,014	5,719	262	23
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	9,567	10,777	68	83