

**Steppe Cement Ltd**  
**Interim Results for the Half Year ended 30 June 2019**  
**and General Market Update**

**1. Interim Results**

Steppe Cement Ltd ("Steppe Cement" and "the Company") posted a consolidated profit after tax of USD3.1 million for the six months ended 30 June 2019.

	6 months ended 30 June 19	6 months ended 30 June 18	% of change
Sales (Tonnes)	780,315	738,228	6%
Consolidated turnover (KZT million)	14,079	10,539	34%
Consolidated turnover (USD Million)	37.1	32.8	13%
Consolidated profit after tax (USD Million)	3.1	0.2	
Profit per share (Cents)	1.4	0.1	
Average exchange rate (USD/KZT)	379	326	-16%

- The Company continued to maintain prices from last summer while taking advantage of the slight increase of volumes in the first few months of 2019.
- The average ex-factory price increased from 11,560 KZT /tonne to 15,148 KZT /tonne or 31% during the period.
- Steppe Cement's gross margin increased from 32% to 37% in USD terms.
- Selling expenses decreased in USD terms but increased in KZT by 12% on per tonne basis due to inflation in transport costs.
- Administrative expenses were reduced by 3% in KZT.
- The Kazakh Tenge depreciated by 16% compared to the first half of 2018. However, the devaluation took part mostly in the second half of 2018 and therefore the Company only booked foreign exchange losses of USD 0.04 million in 1H 2019.
- The Company generated operating profit before working capital changes of USD 7.9 million in 1H 2019 against USD 5.3 million in 2018.
- The Kazakhstan economy grew at 3.8% up to April 2019.
- Reported inflation has been 5.5% up to the end of August 2019.

**2. Production costs**

- Production costs increased by 17% in KZT mostly due to the lower level of clinker production as both lines were stopped for longer than usual annual maintenance in 1H 2019.
- The volumes lost in 1H should be recovered in the second half as less maintenance stops are planned.

### **3. Update on the Kazakh cement market**

- The Kazakh cement market decreased by 3% during the first half of the year. Steppe Cement expects a market of about 8.4 million tonnes for the full year 2019, a 3% decrease compared to 2018.
- Steppe Cement increased its local market share from 15.5% in 1H2018 to 17% in 1H2019. We expect to maintain or increase slightly this share for the full year. Exports represented 13% of the volumes in the 1H2019 similar to last year's.
- Imports into Kazakhstan have remained stable at 0.34 million tonnes in 2019 and they represent 8% of the market.
- Exports from Kazakhstan have decreased slightly to 0.87 million tonnes from 0.92 million last year.
- Exports from Kazakhstan represent 19% of local production.
- Overall production of all factories in Kazakhstan has decreased by 4% to 4.6 million tonnes for the 1H2019.
- Currently 80% of production in the country is coming from dry lines, an increase of 2% compared to last year's level.

### **4. Financing**

The debt position of the company as of 30 June 2019 was USD10.7 million (USD 4.6 million current and USD 6.1 million long term):

- A long-term USD 5.1 million loan outstanding to Halyk Bank for the purchase of the wagons and repayable monthly till November 2021 at 6.5% p.a. and secured with the pledge of the wagons.
- A loan of KZT 1.178 billion with Halyk Bank JSC subsidised by the government for capital investment at 6% p.a.
- A loan of KZT 500 million with Halyk Bank JSC subsidised by the government for working capital at 6% p.a.
- We have maintained KZT3.9 billion of available working capital lines from Halyk Bank, Altyn Bank and VTB Bank. The current rates are 6% p.a. in USD and 13% p.a. in KZT respectively. As of 30 June 2019 we had the equivalent of USD 1.1 million outstanding from these working capital loans.

At the same time we carried a balance of USD 10.8 million in cash of which USD 8.3 million were subsequently used to pay a dividend.

As of 31 August 2019, the total debt was USD 9 million (53% in USD and the rest in KZT) The total bank debt net of cash amounted to USD 5.1 million.

A pdf copy of the announcement and the full interim financial statements is available on the company's website at [www.steppecement.com](http://www.steppecement.com).

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

Nominated Adviser: Contact Stephen Allen or Andrew Thomson at +61 8 9480 2500.

Broker: Contact Charlie Cryer at +44 20 3440 6800

SUMMARY OF INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2019 (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](http://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 2019 (UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	USD'000	USD'000	USD'000	USD'000
Revenue	37,122	32,838	629	50
Cost of sales	<u>(23,515)</u>	<u>(22,114)</u>	<u>-</u>	<u>-</u>
Gross profit	13,607	10,724	629	50
Selling expenses	(6,584)	(6,450)	-	-
General and administrative expenses	<u>(2,380)</u>	<u>(2,838)</u>	<u>(147)</u>	<u>(145)</u>
Operating profit/(loss)	4,643	1,436	482	(95)
Interest income	147	15	<sup>^</sup>	<sup>^</sup>
Finance costs	(554)	(942)	-	-
Net foreign exchange (loss)/gain	(36)	(500)	3	21
Other income, net	<u>148</u>	<u>396</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before income tax	4,348	405	485	(74)
Income tax expense	<u>(1,266)</u>	<u>(199)</u>	<u>-</u>	<u>(2)</u>
Profit/(Loss) for the period	<u>3,082</u>	<u>206</u>	<u>485</u>	<u>(76)</u>
Attributable to:				
Shareholders of the Company	3,082	206	485	(76)
Profit per share:				
Basic and diluted (cents)	<u>1.4</u>	<u>0.1</u>		

<sup>^</sup> Insignificant amount.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2019 USD'000	30 June 2018 USD'000	30 June 2019 USD'000	30 June 2018 USD'000
Profit/(Loss) for the period	3,082	206	485	(76)
Other comprehensive income/(loss): <i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign subsidiary companies	759	(1,756)	-	-
Total other comprehensive income/(loss) for the period	759	(1,756)	-	-
Total comprehensive income/(loss) for the period	3,841	(1,550)	485	(76)
Attributable to: Shareholders of the Company	3,841	(1,550)	485	(76)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2019 USD'000	Audited 31 Dec 2018 USD'000	Unaudited 30 June 2019 USD'000	Audited 31 Dec 2018 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	52,733	54,612	-	-
Investment in subsidiary companies	-	-	26,500	26,500
Loan to subsidiary company	-	-	30,160	30,170
Lease receivable	960	-	-	-
Advances and prepaid expenses	291	191	-	-
Other assets	2,247	2,203	-	-
Total Non-Current Assets	<u>56,231</u>	<u>57,006</u>	<u>56,660</u>	<u>56,670</u>
Current Assets				
Inventories	12,205	13,381	-	-
Trade and other receivables	4,393	3,500	9,308	8,884
Lease receivable	612	-	-	-
Income tax receivable	171	175	-	-
Loans and advances to subsidiary companies	-	-	9,671	9,634
Advances and prepaid expenses	2,860	2,313	13	7
Cash and cash equivalents	10,777	5,720	83	23
Total Current Assets	<u>31,018</u>	<u>25,089</u>	<u>19,075</u>	<u>18,548</u>
Total Assets	<u>87,249</u>	<u>82,095</u>	<u>75,735</u>	<u>75,218</u>

	The Group		The Company	
	Unaudited 30 June 2019 USD'000	Audited 31 Dec 2018 USD'000	Unaudited 30 June 2019 USD'000	Audited 31 Dec 2018 USD'000
<b>Equity and Liabilities</b>				
<b>Capital and Reserves</b>				
Share capital	73,761	73,761	73,761	73,761
Revaluation reserve	2,182	2,349	-	-
Translation reserve	(115,507)	(116,266)	-	-
Retained earnings/ (Accumulated loss)	91,000	96,113	(7,478)	399
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<b>Total Equity</b>	<b>51,436</b>	<b>55,957</b>	<b>66,283</b>	<b>74,160</b>
<b>Non-Current Liabilities</b>				
Borrowings	6,084	6,607	-	-
Deferred taxes	3,028	2,055	-	-
Deferred income	1,610	1,629	-	-
Provision for site restoration	224	65	-	-
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<b>Total Non-Current Liabilities</b>	<b>10,946</b>	<b>10,356</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables	15,521	6,615	8,362	-
Accrued and other liabilities	3,484	2,682	1,090	1,058
Borrowings	4,569	5,217	-	-
Taxes payable	1,293	1,268	-	-
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<b>Total Current Liabilities</b>	<b>24,867</b>	<b>15,782</b>	<b>9,452</b>	<b>1,058</b>
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<b>Total Liabilities</b>	<b>35,813</b>	<b>26,138</b>	<b>9,452</b>	<b>1,058</b>
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<b>Total Equity and Liabilities</b>	<b>87,249</b>	<b>82,095</b>	<b>75,735</b>	<b>75,218</b>
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2019 (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 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 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 2018	73,761	2,680	(106,741)	89,817	59,517
Profit for the period	-	-	-	206	206
Other comprehensive loss	-	-	(1,756)	-	(1,756)
Total comprehensive (loss)/income for the period	-	-	(1,756)	206	(1,550)
Dividend payable	-	-	-	(2,891)	(2,891)
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(186)	-	186	-
Balance as at 30 June 2018	<u>73,761</u>	<u>2,494</u>	<u>(108,497)</u>	<u>87,318</u>	<u>55,076</u>

The Company	Share capital	Accumulated losses	Total
	USD'000	USD'000	USD'000
Balance as at 1 January 2019	73,761	399	74,160
Total comprehensive income 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>
Balance as at 1 January 2018	73,761	(5,275)	68,486
Total comprehensive loss for the period	-	(76)	(76)
Dividend payable	-	(2,891)	(2,891)
Balance as at 30 June 2018	<u>73,761</u>	<u>(8,242)</u>	<u>65,519</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2019 USD'000	30 June 2018 USD'000	30 June 2019 USD'000	30 June 2018 USD'000
<b>OPERATING ACTIVITIES</b>				
Profit/(Loss) before income tax	4,348	405	485	(73)
Adjustments for non-cash items	3,530	4,870	(631)	(21)
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Operating Profit/(Loss) Before Working Capital Changes	7,878	5,275	(146)	(94)
 (Increase)/ Decrease in:				
Inventories	1,531	(1,309)	-	-
Trade and other receivables, advances and prepaid expenses	(3,401)	(2,169)	(430)	(12)
Loans and advances from subsidiary companies	-	-	(27)	-
Increase/(Decrease) in:				
Trade and other payables, accrued and other liabilities	1,517	4,038	34	45
Loans and advances to subsidiary companies	-	-	-	138
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Cash Generated From/(Used In) Operations	7,525	5,835	(569)	77
Income tax paid	(85)	-	-	-
Interest paid	(420)	(947)	-	-
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Net Cash Generated From/(Used In) Operating Activities	7,020	4,888	(569)	77
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<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(844)	(2,437)	-	-
Purchase of other assets	(29)	(28)	-	-
Interest received	147	15	629	-
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Net Cash Used In Investing Activities	(726)	(2,450)	629	-
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<b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings	4,515	7,253	-	-
Repayment from borrowings	(5,805)	(9,013)	-	-
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Net Cash Used In Financing Activities	(1,290)	(1,760)	-	-
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<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,004</b>	<b>678</b>	<b>60</b>	<b>77</b>

EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	54	(69)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,719	3,045	23	13
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CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,777	3,654	83	90
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