

Steppe Cement Ltd
Interim Results for the Half Year ended 30 June 2022
and General Market Update

1. Interim Results

Steppe Cement Ltd ("Steppe Cement" and "the Company") posted a consolidated profit after tax of USD10.2 million for the six months ended 30 June 2022, an increase of 65% over the corresponding period for the previous year.

	6 months ended 30 June 22	6 months ended 30 June 21	% of change
Sales (Tonnes)	837,063	840,661	0%
Consolidated turnover KZT million	19,779	16,657	19%
Consolidated turnover (USD million)	43.1	39.5	9%
Consolidated profit after tax (USD million)	10.2	6.2	65%
Earnings per share (Cents)	4.7	2.8	47%
Average exchange rate (USD/KZT)	449	424	-6%

- The Company managed to increase prices in the first during the first half of 2022, with the average ex-factory price achieved increasing from 16,571 KZT /tonne (USD39 per tonne) to 20,485 KZT/tonne (USD 45 per tonne) or 18% compared with first half 2021.
- Steppe Cement's gross margin increased from 44% to 46% in USD terms compared with first half 2021 due to the price increases.
- Selling expenses per tonne decreased in USD terms by 20% compared with the corresponding period in 2021 primarily due to increased sales to markets closer to the factory.
- Administrative expenses increased by 7% in USD terms compared with first half of 2021.
- On average, the Kazakh Tenge depreciated by 6% compared to the first half of 2021 but only translated in a small foreign exchange loss of USD 0.2 million.
- The Company generated operating profit before working capital changes of USD 16.3 million in 1H 2022 against USD 12.9 million in the corresponding period for 2021.
- Kazakhstan GDP increased by 3.4% in the first half of 2022 compared to the first half of 2021. In the first quarter of 2022 the GDP growth was 4.6% despite the January and February local and international instability.
- Reported inflation has been 15% up to the end of June 2022.

2. Production and capex

- Production costs increased by 11% in KZT in the first half of 2022 primarily due to the higher electricity cost, diesel and spare parts for maintenance.
- The separator of cement mill number 1 has been commissioned and work has started in the separator of cement mill number 2.

3. Update on the Kazakh cement market

- The Kazakh cement market increased by 2% during the first half of the year as the government has maintained its incentives for construction.

- Steppe Cement maintained its local market share at 14.5% in 1H2022. We expect to maintain or increase this share for the full year.
- Exports at 0.54 million tonnes represented 10% of the volumes in the 1H2022 from 9% last year.
- Imports into Kazakhstan have been decreased to 0.35 million tonnes in 2022 and represent 6% of the market.
- Overall production of all factories in Kazakhstan has decreased by 0.4 million tonnes to 4.8 million tonnes for the 1H2022 as reductions in bigger factories were balanced by increased volumes in Gezhuoba and Alacem.
- Currently 82% of production in the country is manufactured from dry lines a similar figure than last year.

4. Finance

- Interest expenses on bank debt reduced to USD 0.2 million from USD 0.3 million in 2021 mostly on subsidised loans while we maintained interest expenses on lease liabilities at USD 0.1 million after to the application of IFRS 16 on the 3-year wagon leases. The rental on those wagons was previously treated as selling expenses. The contract to rent wagons is due for renewal in in the second half of 2022.
- Steppe Cement recorded a net cash position of USD9.3 million compared to net cash of USD7.4 million as of 30 June 2021.
- The borrowings of the Company as of 30 June 2022 were USD5.4 million while we carried a cash balance of USD14.7 million. For comparison, on 30 June 2021 the Company had USD6.1 million of borrowings and USD13.5 million in cash.
- Pursuant to the announcement of the Company on 13 June 2022, the Company has reserved GBP11 million in cash (5p/share) for payment to shareholders through a dividend or alternative process such as a capital return, in respect of the results for the full year ended 31 December 2021. The approach to be taken on how to proceed with payment of this amount to shareholders in the most tax effective way remains under consideration, however, the Company anticipates an announcement regarding this distribution and its timing will be made in November.

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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SUMMARY OF INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2022 (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 2022 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2022 USD'000	30 June 2021 USD'000	30 June 2022 USD'000	30 June 2021 USD'000
Revenue	43,125	39,534	670	691
Cost of sales	<u>(23,148)</u>	<u>(22,082)</u>	<u>-</u>	<u>-</u>
Gross profit	19,977	17,452	670	691
Selling expenses	(5,285)	(6,577)	-	-
General and administrative expenses	<u>(3,183)</u>	<u>(2,965)</u>	<u>(165)</u>	<u>(157)</u>
Operating profit	11,509	7,910	505	534
Interest income	266	78	-	-
Finance costs	(435)	(475)	-	-
Net foreign exchange (loss)/gain	(246)	(147)	3	(1)
Other income, net	<u>940</u>	<u>341</u>	<u>-</u>	<u>-</u>
Profit before income tax	12,034	7,707	508	533
Income tax expense	<u>(1,831)</u>	<u>(1,515)</u>	<u>-</u>	<u>-</u>
Profit for the period	<u>10,203</u>	<u>6,192</u>	<u>508</u>	<u>533</u>
Attributable to: Shareholders of the Company	10,203	6,192	508	533
Earnings per share:				
Basic and diluted (cents)	<u>4.7</u>	<u>2.8</u>		

^ Insignificant amount.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2022
(UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	USD'000	USD'000	USD'000	USD'000
Profit for the period	10,203	6,192	508	533
Other comprehensive loss:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign subsidiary companies	(4,941)	(902)	-	-
Total other comprehensive loss for the period	(4,941)	(902)	-	-
Total comprehensive income for the period	5,262	5,290	508	533
Attributable to: Shareholders of the Company	5,262	5,290	508	533

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2022 USD'000	Audited 31 Dec 2021 USD'000	Unaudited 30 June 2022 USD'000	Audited 31 Dec 2021 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	44,599	48,438	-	-
Right-of-use assets	792	1,700		
Investment in subsidiary companies	-	-	36,200	36,200
Loan to subsidiary company	-	-	30,114	30,080
Advances	6	-	-	-
Other assets	161	155	-	-
Total Non-Current Assets	<u>45,558</u>	<u>50,293</u>	<u>66,314</u>	<u>66,280</u>
Current Assets				
Inventories	17,356	16,024	-	-
Trade and other receivables	4,544	1,752	1,265	1,724
Other assets	2,076	2,258	-	-
Income tax receivable	846	911	-	-
Loans and advances to subsidiaries companies	-	-	39	50
Advances and prepaid expenses	8,439	5,234	17	5
Cash and cash equivalents	14,694	10,136	1,602	614
Total Current Assets	<u>47,955</u>	<u>36,315</u>	<u>2,923</u>	<u>2,393</u>
Total Assets	<u><u>93,513</u></u>	<u><u>86,608</u></u>	<u><u>69,237</u></u>	<u><u>68,673</u></u>

	The Group		The Company	
	Unaudited	Audited	Unaudited	Audited
	30 June 2022	31 Dec 2021	30 June 2022	31 Dec 2021
	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	1,931	2,068	-	-
Translation reserve	(125,379)	(120,438)	-	-
Retained earnings	120,530	110,190	(5,098)	(5,606)
	<u>70,843</u>	<u>65,581</u>	<u>68,663</u>	<u>68,155</u>
Non-Current Liabilities				
Borrowings	3,621	1,941	-	-
Lease liabilities	4	9	-	-
Deferred taxes	3,654	4,319	-	-
Deferred income	1,868	1,588	-	-
Provision for site restoration	172	180	-	-
	<u>9,319</u>	<u>8,037</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables	5,803	5,062	-	-
Accrued and other liabilities	3,369	1,553	284	228
Amount due to subsidiary company	-	-	290	290
Borrowings	1,807	3,615	-	-
Lease liabilities	966	2,018	-	-
Deferred income	100	103	-	-
Taxes payable	1,306	639	-	-
	<u>13,351</u>	<u>12,990</u>	<u>574</u>	<u>518</u>
Total Current Liabilities	<u>13,351</u>	<u>12,990</u>	<u>574</u>	<u>518</u>
Total Liabilities	<u>22,670</u>	<u>21,027</u>	<u>574</u>	<u>518</u>
Total Equity and Liabilities	<u>93,513</u>	<u>86,608</u>	<u>69,237</u>	<u>68,673</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022 (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 2022	73,761	2,068	(120,438)	110,190	65,581
Profit for the period	-	-	-	10,203	10,203
Other comprehensive loss	-	-	(4,941)	-	(4,941)
Total comprehensive income for the period	-	-	(4,941)	10,203	5,262
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(137)	-	137	-
Balance as at 30 June 2022	<u>73,761</u>	<u>1,931</u>	<u>(125,379)</u>	<u>120,530</u>	<u>70,843</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 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 Company	Share capital	(Accumulated losses)/ Retained earnings	Total
	USD'000	USD'000	USD'000
Balance as at 1 January 2022	73,761	(5,606)	68,155
Total comprehensive income for the period	-	508	508
Balance as at 30 June 2022	<u>73,761</u>	<u>(5,098)</u>	<u>68,663</u>
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>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2022 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2022 USD'000	30 June 2021 USD'000	30 June 2022 USD'000	30 June 2021 USD'000
OPERATING ACTIVITIES				
Profit before income tax	12,034	7,707	508	533
Adjustments for:				
Depreciation of property, plant and equipment	3,203	3,733	-	-
Depreciation of right-of-use assets	823	1,031	-	-
Non-cash items	218	478	(1,090)	(1,030)
Operating Profit/(Loss) Before Working Capital Changes	16,278	12,949	(582)	(497)
(Increase)/ Decrease in:				
Inventories	(2,922)	(1,607)	-	-
Trade and other receivables, advances and prepaid expenses	(6,444)	(2,175)	(12)	(12)
Loans and advances from subsidiary companies	-	-	(24)	(3)
Increase in:				
Trade and other payables, accrued and other liabilities	3,494	3,317	56	5
Cash Generated From/(Used In) Operations	10,406	12,484	(562)	(507)
Income tax paid	(1,785)	(730)	-	-
Interest paid	(198)	(299)	-	-
Net Cash Generated From/(Used In) Operating Activities	8,423	11,455	(562)	(507)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,870)	(4,529)	-	-
Purchase of other assets	(18)	(18)	-	-
Interest received	267	78	1,550	-
Net Cash (Used In)/Generated From Investing Activities	(2,621)	(4,469)	1,550	-
FINANCING ACTIVITIES				
Proceeds from borrowings	3,346	3,350	-	-
Repayment from borrowings	(2,815)	(4,089)	-	-
Payment of lease liabilities	(1,090)	(877)	-	-
Net Cash Used In Financing	(559)	(1,616)	-	-

Activities

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,243	5,370	988	(507)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(685)	(114)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	10,136	8,214	614	1,353
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	14,694	13,470	1,602	846