

19 June 2024

Steppe Cement Limited

("Steppe Cement" or the "Company")

**Final Results for the Year Ended 31 December 2023
Notice of Annual General Meeting**

The Board of Steppe Cement (AIM: STCM) is pleased to announce the Company's final results for the year ended 31 December 2023, which are set out below.

Highlights:

- Steppe Cement has focused on maintaining its market share, limiting cost increases and reducing capex to maintain a healthy balance sheet while interest rates remain high
- The Company operated in a high inflationary environment which led to an increase in cost of production of USD8 million and a fall in net profit to USD4.5 million (2022: USD17.9 million)
- The Company generated revenue of USD81.8 million (2022: 86.7 million) following increasing competition in the local market due to new capacity and inability to export to neighbouring countries

The Company's forthcoming Annual General Meeting ("AGM") is expected to take place at its Malaysian Office at Suite 10.1, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur Malaysia on Friday, 12 July 2024 at 4:00 p.m. (UTC+8).

The full Annual Report and the formal Notice of AGM will shortly be made available on the Company's website at www.steppecement.com.

For further information, please contact:

Steppe Cement Limited

Javier del Ser Pérez, Chief Executive Officer

www.steppecement.com

Tel: +(603) 2166 0361

Strand Hanson Limited (Nominated & Financial Adviser and Broker)

James Spinney / Robert Collins / Ritchie Balmer

www.strandhanson.co.uk

Tel: +44 20 7409 3494

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended by virtue of the Market Abuse (Amendment) (EU Exit) Regulations 2019.

CEO STATEMENT

The political environment stabilised in Kazakhstan in 2023 benefiting the country through higher trade and transit of goods. Meanwhile, Kazakhstan's population, primarily concentrated in the southern regions, continues to grow reaching 20 million people by the end of 2023. The growth in the economy and population brought significant inflation across the board and specifically in the transport sector with logistical bottlenecks in the main corridors to Russia and China caused by the overload of the rail transport system.

In a more stable political environment, the cement market in Kazakhstan decreased slightly in 2023 to 11.5 million tonnes resulting in a per capita consumption of 575 kg/person per year. Looking ahead, significant population growth, lower interest rates and high commodity prices are expected to improve the housing construction sector in 2024.

Steppe Cement's sales volume decreased by 3% compared with the previous year, due to logistical difficulties in the railway system. Traffic to and from Russia, as well as transit from China, increased significantly in 2023. The Company's domestic sales increased by 4%, but exports were reduced to virtually zero.

Overall, cement imports into Kazakhstan mostly from Russia to the Aktobe region, decreased by 0.1 million tonnes to 0.5 million tonnes during the period, being equivalent to 4% of the total cement market. Exports from local producers increased slightly by 9% to 1.2 million tonnes during the year, with these being increasingly to Kyrgyzstan. Uzbekistan has commissioned a lot of new capacity that has brought lower prices such that exports from Kazakhstan are now less profitable. Exports remain concentrated towards the Tashkent and Bishkek areas which are very close to the three main producers in South Kazakhstan.

The Kazakhstan cement market has balanced demand and production levels, although some new entrants have won market share at the expense of historical players. Seasonal market demand decreased in the first quarter of the year due to weather conditions; and then bounced back in the summer season. The northern regions are more affected by this tendency and we expected this pattern to continue over the course of 2024. We therefore decided to build our stocks of clinker in the first quarter of 2024 in preparation for meeting demand later in the year.

From early 2023, the Kazakhstan government stated its intention to lower inflation. However, at an annualized rate of 9.8% in 2024, it remains similar to 2023. The National Bank has reduced the base interest rate to 14.75% as of April 2024 from a peak of 16.75% in mid 2023. The interbank rate (TONIA) which was hovering at 9% from 2018 to early 2022, peaked at 17.5% in late 2022 and has now come down to 13%. Higher interest rates makes investment in house building as well as new cement capacity more difficult to justify.

In 2023, Steppe Cement recorded a net profit of USD4.5 million compared to a net profit of USD17.9 million in 2022, while EBITDA fell to USD12.4 million from USD 31 million. This reduction was mostly due to an increase in the cash cost of production of USD8 million due to inflation. The Company could not pass this increased cost to its clients due to strong competition from other cement producers. Other factors contributing to a higher cost of production were the higher transportation costs, despite the focus on markets closer to Karaganda, lower selling prices and lower sales volumes. Steppe Cement's average cement selling prices decreased by 4% in KZT and USD, to USD50 per tonne delivered.

During 2023, Steppe Cement operated both lines at 82% of their combined capacity. Capacity has been increased by 0.1 million tonnes so far in 2024 after the modification to the preheater tower at line 6, which was completed in late 2023. This was part of a USD3.1 million CAPEX/ refurbishment programme to ensure the ability of our plant and equipment to efficiently meet future production requirements. It is expected that USD2.4 million will be invested in 2024 to continue this work. Further details on CAPEX are set out below.

Shareholders' funds increased to USD70.7 million at the end of 2023 from USD65.1 million at the end of 2022 as there was no dividend distributed. A capital repayment of approximately USD4.2 million was subsequently paid in June 2024.

It is also worth noting that our factory receives an allocation of CO₂ emissions from the government and it does not trade them, as we need them for production. There is a very small market for alternative fuels and they are so far not competitively priced versus coal. However we have started to use pyrolysis oil in lieu of diesel wherever possible. At the same time, the use of additives in the cement formula is limited by current regulations. Clients tend to prefer cement with a limited amount of additives, particularly in the winter season.

Key financials	Year ended 31- Dec-23	Year ended 31- Dec-22	Inc/(Dec)%
Sales (tonnes of cement)	1,626,268	1,670,174	(3%)

Consolidated turnover (KZT million)	37,286	40,023	(7%)
Consolidated turnover (USD million)	81.8	86.7	(6%)
Consolidated profit before tax (USD million)	5.4	21.3	(75%)
Consolidated profit after tax (USD million)	4.5	17.4	(74%)
Profit per share (US cents)	2.1	8.0	(74%)
Shareholders' funds (USD million)	70.7	65.1	9%
Average exchange rate (KZT/USD)	456	461	(1%)
Exchange rate as at year end (KZT/USD)	454	462	(2%)

Production and operating costs

Line 5 worked at 80% of its capacity, producing 878,184 tonnes of cement, while Line 6 worked at 83% and produced 748,084 tonnes. As mentioned above, the Company expects higher figures for 2024 as clinker production has already increased by 27% in the first quarter of 2024.

In 2023, cost per tonne of cement increased by 19% in KZT which was a higher rate than the official inflation figure published by the National Bank of Kazakhstan of 9.8%. Electricity tariffs increased by 38%, coal costs by 21%, railway tariffs by 28%, diesel costs by 8%, salary expenses by 20% and wagon rental increased by 90% as our long term rental agreement had to be renewed, but it was partly offset by our higher rental revenue in winter through leasing out the wagons when not in use. These increases were implemented in the first half of 2023 after the official inflation figure for 2022 of 20.3% was published.

The average production cost of clinker increased from USD23/tonne to USD29/tonne, while the cost of cement increased from USD27/tonne to USD33/tonne in 2023.

Selling expenses, reflecting mostly cement delivery costs, increased to USD8.1/tonne from USD6.7/tonne last year. The inflation in railway transport was much higher but we concentrated our sales in nearby markets by truck delivery, thereby reducing our reliance on the railway lines. General and administrative expenses also increased to USD7.1 million in 2023 from USD6.2 million in 2022 as a consequence of salary increases.

On 31 March 2024 the Company had 794 employees, a 2% decrease compared with the previous year.

In 2023, finance costs were USD 0.9 million, 13% lower than in 2022, mostly as a result of decreased interest paid on loans and current banking fees. Other income of USD1.8 million during the period reflects mostly the income from the rental of the Company's railway wagons when they are not being used in winter.

Capital investment

Capital investment reduced significantly to USD3.1 million during the year following the reduction in margins. The Company managed to complete three major projects in 2023 which were financed by internal cash flow:

- the implementation of a new separator for cement mill two, at a cost of USD 2 million, which was finally commissioned in March 2024 and which has so far increased its capacity by 25% since its installation;
- the preheater raiser duct's extension by 24 meters to improve the preheater calcination in line 6 which has shown very positive results in terms of capacity and heat consumption; and
- the conversion of raw mill 3's separator into a dynamic separator to support the increased production of line 6 by 10% when completed.

The Company has plans for a further USD2.4 million investment in 2024 including:

- the conversion of the raw mill 3 separator, from static to dynamic, at a cost of USD1 million to increase capacity, reliability, quality and to reduce electricity consumption;
- the modification of the line 6 cooler extraction system at a cost of USD 0.35 million to improve reliability and reduce heat losses; and
- software and hardware upgrades in the control system at a cost of USD0.7 million to allow further automatisations of the factory.

Financing

Commercial interest rates in Kazakhstan remain high at 14.5% after having reached 20% per annum in 2023. The government has reactivated the subsidised credit lines under certain conditions and the Company intends to apply to obtain them to finance capex whenever possible. At the end of 2023, the Company's total loans outstanding were stable at USD6.5 million versus USD6.7 million in 2022. Long-term loans decreased to USD2.8 million from USD3.9million, while short term loans increased to USD3.6 million from USD2.8 million. All the loans had subsidized interest rates.

Taking the cash on hand into consideration, the Company ended 2023 with zero net debt, excluding IFRS 16 leases, mostly rental wagons.

Steppe maintains its short term credit lines as a stand by including:

- KZT 1 billion short term in a government subsidized program in KZT at 6% per annum
- KZT 2 billion from Halyk Bank at 6% p.a. in USD or 20% in KZT.

The KZT strengthened by 1% against the USD with an average exchange rate of 456 KZT/USD in 2023 vs 461 KZT/USD in 2022.

Javier del Ser Perez
Chief Executive Officer

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under Labuan Companies Act, 1990)

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	The Group		The Company	
		2023 USD	2022 USD	2023 USD	2022 USD
Revenue		81,762,548	86,732,039	1,401,554	14,641,442
Cost of sales		(57,563,625)	(49,107,243)	-	-
Gross profit		24,198,923	37,624,796	1,401,554	14,641,442
Selling expenses		(13,225,616)	(11,260,494)	-	-
General and administrative expenses		(7,051,216)	(6,233,171)	(402,767)	(369,812)
Interest income		452,740	573,913	17,753	-
Finance costs		(910,441)	(1,048,888)	-	-
Reversal/(impairment) of losses of financial assets		381,377	(159,909)	-	-
Net foreign exchange (loss)/gain		(300,740)	(435,204)	55,437	(330,675)
Other income, net		1,848,195	2,630,033	-	-
Profit before income tax		5,393,222	21,691,076	1,071,977	13,940,955
Income tax expense		(867,801)	(3,807,706)	-	-
Profit for the year		4,525,421	17,883,370	1,071,977	13,940,955
Attributable to shareholders of the Company		4,525,421	17,883,370	1,071,977	13,940,955

Earnings per share:

Basic and diluted (cents)	2.1	8.2
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STEPPE CEMENT LTD

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	The Group		The Company	
	2023	2022	2023	2022
	USD	USD	USD	USD
Profit for the year	4,525,421	17,883,370	1,071,977	13,940,955
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising from translation of foreign operations	1,089,351	(5,829,119)	-	-
Total other comprehensive income/(loss)	1,089,351	(5,829,119)	-	-
Total comprehensive income for the year	5,614,772	12,054,251	1,071,977	13,940,955
Attributable to the shareholders of the Company	5,614,772	12,054,251	1,071,977	13,940,955

STEPPE CEMENT LTD

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STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

	Note	The Group		The Company	
		2023	2022	2023	2022
		USD	USD	USD	USD
Assets					
Non-Current Assets					
Property, plant and equipment		50,543,528	49,361,749	-	-
Right-of-use assets		-	5,525	-	-
Investment in subsidiary companies		-	-	36,199,699	36,199,599
Loans to subsidiary company		-	-	30,020,000	30,050,000
Other assets		222,609	1,530,916	-	-

Total Non-Current Assets	50,766,137	50,898,190	66,219,699	66,249,599
Current Assets				
Inventories	28,956,767	20,646,156	-	-
Trade and other receivables	1,736,937	2,045,004	-	2,372,114
Other assets	2,853,142	1,081,719	-	-
Income tax recoverable	2,167,844	602,734	-	-
Loans and advances to subsidiary companies	-	-	65,761	60,352
Advances, deposits and prepaid expenses	2,903,169	8,577,714	10,633	7,305
Cash and cash equivalents	6,435,437	4,143,953	4,623,695	1,239,827
Total Current Assets	45,053,296	37,097,280	4,700,089	3,679,598
Total Assets	95,819,433	87,995,470	70,919,788	69,929,197

STEPPE CEMENT LTD

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STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023 (CONTINUED)

	Note	The Group		The Company	
		2023 USD	2022 USD	2023 USD	2022 USD
Equity and Liabilities					
Capital and Reserves					
Share capital		73,760,924	73,760,924	73,760,924	73,760,924
Revaluation reserve		1,515,896	1,795,426	-	-
Translation reserve		(125,177,850)	(126,267,201)	-	-
Retained earnings/ (Accumulated losses)		120,596,062	115,791,111	(3,148,214)	(4,220,191)
Net Equity		70,695,032	65,080,260	70,612,710	69,540,733
Non-Current Liabilities					
Borrowings		2,845,655	3,913,689	-	-
Deferred taxes		3,168,141	3,266,775	-	-
Deferred income		2,350,932	2,572,552	-	-
Provision for site restoration		193,303	178,420	-	-
Total Non-Current Liabilities		8,558,031	9,931,436	-	-
Current Liabilities					
Trade and other payables		9,873,140	7,348,587	118	-
Accrued and other liabilities		2,425,105	2,250,689	163,386	143,808
Amount owing to a subsidiary company		-	-	143,574	244,656
Borrowings		3,638,305	2,814,525	-	-
Lease liabilities		-	58,960	-	-
Deferred income		194,729	140,259	-	-
Taxes payable		435,091	370,754	-	-
Total Current Liabilities		16,566,370	12,983,774	307,078	388,464
Total Liabilities		25,124,401	22,915,210	307,078	388,464

**Total Equity and
Liabilities**

95,819,433 87,995,470 70,919,788 69,929,197

STEPPE CEMENT LTD

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Group	Non-distributable			Di
	Share capital USD	Revaluation reserve USD	Translation reserve USD	
As of 1 January 2023	73,760,924	1,795,426	(126,267,201)	
Profit for the year	-	-	-	
Other comprehensive income	-	-	1,089,351	
Total comprehensive income for the year	-	-	1,089,351	
Other transactions impacting equity:				
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(279,530)	-	
As of 31 December 2023	<u>73,760,924</u>	<u>1,515,896</u>	<u>(125,177,850)</u>	

* Attributable to the shareholders of the Company

STEPPE CEMENT LTD

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

The Group	Non-distributable			Di
	Share capital USD	Revaluation reserve USD	Translation reserve USD	
As of 1 January 2022	73,760,924	2,068,114	(120,438,082)	
Profit for the year	-	-	-	
Other comprehensive loss	-	-	(5,829,119)	
Total comprehensive income for the year	-	-	(5,829,119)	
Other transactions impacting equity:				
Dividends paid (Note 19)	-	-	-	
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(272,688)	-	
As of 31 December 2022	<u>73,760,924</u>	<u>1,795,426</u>	<u>(126,267,201)</u>	

* Attributable to the shareholders of the Company

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STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

The Company	Share Capital USD	Accumulated losses USD	Net USD
As of 1 January 2023	73,760,924	(4,220,191)	69,540,733
Total comprehensive income for the year	-	1,071,977	1,071,977
As of 31 December 2023	73,760,924	(3,148,214)	70,612,710
As of 1 January 2022	73,760,924	(5,605,876)	68,155,048
Total comprehensive income for the year	-	13,940,955	13,940,955
Dividends paid (Note 19)	-	(12,555,270)	(12,555,270)
As of 31 December 2022	73,760,924	(4,220,191)	69,540,733

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STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	The Group		The Company	
	2023 USD	2022 USD	2023 USD	2022 USD
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit before income tax	5,393,222	21,691,076	1,071,977	13,940,955
Adjustments for:				
Depreciation of property, plant and equipment	5,781,506	6,135,236	-	-
Depreciation of right-of-use assets	5,600	1,587,293	-	-
Dividend income	-	-	-	(13,309,140)
Gain on disposal of property, plant and equipment	(80,057)	(27,725)	-	-
Net interest income	-	-	(1,401,554)	(1,332,302)
Interest income	(452,740)	(573,012)	(17,753)	-

Interest income	(432,740)	(373,713)	(17,733)	-
Finance costs	910,441	1,048,888	-	-
Net unrealised foreign exchange loss/(gain)	296,577	538,663	(58,142)	-
Provision for obsolete inventories	144,373	167,628	-	-
Credit loss allowance for doubtful receivables	268,215	174,650	-	-
Allowance for advances paid to third parties	44,353	157,723	-	-
Deferred income	(215,430)	(140,259)	-	-
Reversal of allowance for trade receivable no longer required	(628,139)	(159,072)	-	-
Reversal of allowance for advances paid to third parties no longer required	(65,806)	(13,392)	-	-
Operating cash flows before movements in working capital	11,402,115	30,586,796	(405,472)	(700,487)
Movement in working capital: (Increase)/Decrease in:				
Inventories	(11,404,636)	(8,501,824)	-	-
Trade and other receivables	703,249	(427,760)	(793,500)	(865,000)
Loans and advances to subsidiary companies	-	-	24,591	19,184
Advances, deposits, prepaid expenses and other assets	5,229,623	(5,608,461)	(3,328)	(2,334)

STEPPE CEMENT LTD

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STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	The Group		The Company	
	2023	2022	2023	2022
	USD	USD	USD	USD
Increase/(Decrease) in:				
Trade and other payables	2,088,374	2,097,417	-	-
Accrued and other liabilities	528,710	786,440	19,578	(84,089)
Cash Generated From/(Used In) Operations	8,547,435	18,932,608	(1,158,131)	(1,632,726)
Interest paid	(404,092)	(551,528)	-	-
Income tax paid	(2,497,453)	(4,599,594)	-	-
Net Cash From/(Used In) Operating Activities	5,645,890	13,781,486	(1,158,131)	(1,632,726)
CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(3,059,748)	(7,768,695)	-	-
Contribution to site restoration fund	11,664	(334)	-	-
Proceeds from disposal of property, plant and equipment	515,692	85,599	-	-

Dividends received from subsidiary	-	-	-	13,309,140
Interest received	452,740	573,913	4,585,039	1,549,552
Additional investment in subsidiary	-	-	(100)	-
Net Cash (Used In)/From Investing Activities	(2,079,652)	(7,109,517)	4,584,939	14,858,692
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES				
Repayment to a subsidiary company	-	-	(64,389)	(45,094)
Proceeds from borrowings*	3,378,349	7,299,722	-	-
Repayment of borrowings*	(4,131,409)	(4,472,018)	-	-
Repayment of lease liabilities*	(59,788)	(1,838,949)	-	-
Dividends paid	-	(12,555,270)	-	(12,555,270)
Interest paid	(506,349)	(486,807)	-	-
Net Cash Used In Financing Activities	(1,319,197)	(12,053,322)	(64,389)	(12,600,364)

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STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	The Group		The Company	
	2023	2022	2023	2022
	USD	USD	USD	USD
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,247,041	(5,381,353)	3,362,419	625,602
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	44,443	(610,716)	21,449	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,143,953	10,136,022	1,239,827	614,225
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	6,435,437	4,143,953	4,623,695	1,239,827

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