

20 September 2024

Steppe Cement Ltd
("Steppe Cement" or the "Company")

Unaudited Interim Results for the Half Year Ended 30 June 2024 and General Market Update

Steppe Cement Ltd (AIM: STCM), is pleased to announce its unaudited interim results for the half year ended 30 June 2024, and a general market update.

A copy of this announcement and the full interim financial statements are available on the Company's website at www.steppecement.com

Unaudited Interim Results

During the six-month period to 30 June 2024 ("H1 2024" or the "Period"), the Group reported revenue of USD34.4 million, a 7% decrease from USD36.9 million in the corresponding period in 2023. This decline was mainly attributable to the 4% reduction in sales volume. Although the first quarter experienced a significant drop in volume of sales of 18%, this was offset by a 2% increase in the second quarter of the year, following price adjustments to align with market conditions. Volume of sales has continued to recover in the third quarter of 2024, and the price of cement has increased.

	6 months ended 30 June 2024	6 months ended 30 June 2023	% change
Sales (Tonnes)	719,294	749,034	-4%
Consolidated Turnover (KZT million)	15,435	16,702	-8%
Consolidated Turnover (USD million)	34.4	36.9	-7%
Consolidated (loss)/profit after tax (USD million)	(3.5)	0.1	-3,600%
(Loss)/earnings per share (Cents)	(1.6)	0.1	-1,700%
Average exchange rate (USD/KZT)	449	454	-1%

The average sales price of cement for the Company was USD48 per tonne (KZT21,458 per tonne) compared with USD50 per tonne (KZT22,665 per tonne) in the corresponding period in 2023.

The gross margin decreased to 15% in the six-month period to 30 June 2024 compared with 26% in the same period last year due mostly to the 6% higher cost in electricity and maintenance in the period to 30 June 2024. Selling expenses and administration expenses remained constant, across the two periods, at USD6.1 million and USD3.4 million, respectively.

General inflation in Kazakhstan has eased to 8.4% during the Period.

The Group reported a net loss for the Period of USD3.5 million compared with USD0.1 million profit after tax in the same period in 2023.

Production and capex

- Cash production costs increased by 6% in KZT in the first half of 2024 as compared to the same period in 2023, primarily due to the higher electricity, diesel and consumable costs, as the Company changed all refractories in Line 5 for the first time since its start up. It is expected that production costs (which exclude depreciation costs) for the year will increase in line with inflation.
- Production volume of clinker increased by 7% in the first half of 2024 and is continuing to increase in the third quarter of 2024.
- The Company started the production and sale of a mineral powder, based on limestone. The product is an additive for other industries and allows the Company to use its spare mill capacity.
- A separator for cement mill number 2 was commissioned.
- Line 5 had an increased capex expenditure in the first half of 2024 as the kiln was completely revamped.
- Line 6 has now stabilised and is capable of producing approximately 2800-3000 tonnes of clinker per day.

Update on the Kazakh cement market

- During the first half of 2024, the Kazakh cement market reduced in size by 1.6% compared to the same period in 2023.
- The Company expects to maintain or increase its market share at around 14% for the full financial year ended 31 December 2024.
- Exports of cement from Kazakhstan in the first half of 2024 were reduced to 0.46 million tonnes compared to 0.55 million tonnes in 2023.
- Imports of cement in the Period represented 3.7% of the local market, 0.5% less than in 2023.

Finance

- Total finance costs for the Period were USD0.6 million, including interest expenses on bank debt of USD0.4 million, mostly from subsidised loans. The Company maintained interest expenses on lease liabilities at USD0.2 million following the application of IFRS 16 for the 2-year wagon leases which were previously classified as selling expenses.

- There is USD0.9 million in advanced income tax payments that is expected to be offset against future tax liabilities.
- As at 30 June 2024, the Company's borrowings totalled USD5.4 million, with a cash balance of USD2.0 million therefore net debt of USD3.4 million. For comparison, as at 30 June 2023 the Company had borrowings of USD6.7 million and a cash balance of USD6.0 million therefore net debt USD0.7 million. The cash was used to fund a reduction and repayment of capital of USD 4.16m, as announced on 5 April 2024, and to build a higher clinker and cement inventory, valued at USD5 million as of 30 June 2024.

For further information, please contact:

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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 2024 (UNAUDITED)

	Note	The Group 6 months ended		The Company 6 months ended	
		30 June 2024 USD'000	30 June 2023 USD'000	30 June 2024 USD'000	30 June 2023 USD'000
Revenue	7	34,376	36,882	738	683
Cost of sales		<u>(29,158)</u>	<u>(27,405)</u>	-	-
Gross profit		5,218	9,477	738	683
Selling expenses		(6,138)	(6,154)	-	-
General and administrative expenses		<u>(3,417)</u>	<u>(3,421)</u>	<u>(199)</u>	<u>(176)</u>
Operating (loss)/profit		(4,337)	(98)	539	507
Interest income		119	93	88	-
Finance costs	8	(614)	(483)	-	-
Net foreign exchange (loss)/gain		(251)	(14)	(4)	18
Other income, net		<u>641</u>	<u>563</u>	-	-
(Loss)/Profit before income tax		(4,442)	61	623	525
Income tax credit/(expense)	9	<u>938</u>	<u>(9)</u>	-	-
(Loss)/Profit for the period		<u><u>(3,504)</u></u>	<u><u>52</u></u>	<u><u>623</u></u>	<u><u>525</u></u>
Attributable to shareholders of the Company		<u><u>(3,504)</u></u>	<u><u>52</u></u>	<u><u>623</u></u>	<u><u>525</u></u>
(Loss)/Earning per share:					
Basic and diluted (cents)	10	<u><u>(1.6)</u></u>	<u><u>0.1</u></u>		

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2024 (UNAUDITED)**

	The Group 6 months ended		The Company 6 months ended	
	30 June 2024 USD'000	30 June 2023 USD'000	30 June 2024 USD'000	30 June 2023 USD'000
(Loss)/Profit for the period	(3,504)	52	623	525
Other comprehensive income/ (loss):				
<i>Item that may not be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations	(3,140)	48	-	-
Total comprehensive (loss)/ income for the period	(6,644)	100	623	525
Attributable to shareholders of the Company	(6,644)	100	623	525

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024 (UNAUDITED)**

	The Group		The Company	
	Unaudited 30 June 2024 USD'000	Audited 31 Dec 2023 USD'000	Unaudited 30 June 2024 USD'000	Audited 31 Dec 2023 USD'000
Assets				
Non-Current Assets				
Property, plant and equipment	46,475	50,543	-	-
Right-of-use assets	2,551	-	-	-
Investment in subsidiary companies	-	-	36,200	36,200
Loan to subsidiary company	-	-	30,010	30,020
Other assets	213	223	-	-
Total Non-Current Assets	49,239	50,766	66,210	66,220
Current Assets				
Inventories	22,791	28,957	-	-
Trade and other				

Trade and other receivables	1,609	1,737	894	-
Other assets	2,363	2,853	-	-
Income tax receivable	2,945	2,168	-	-
Loans and advances to subsidiary companies	-	-	66	66
Advances and prepaid expenses	5,485	2,903	24	10
Cash and cash equivalents	2,043	6,435	125	4,624
Total Current Assets	37,236	45,053	1,109	4,700
Total Assets	86,475	95,819	67,319	70,920

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AND ITS SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2024 USD'000	Audited 31 Dec 2023 USD'000	Unaudited 30 June 2024 USD'000	Audited 31 Dec 2023 USD'000
Equity and Liabilities				
Capital and Reserves				
Share capital	69,600	73,761	69,600	73,761
Revaluation reserve	1,406	1,516	-	-
Translation reserve	(128,318)	(125,178)	-	-
Retained earnings / (Accumulated losses)	117,202	120,596	(2,525)	(3,148)
Total Equity	59,890	70,695	67,075	70,613
Non-Current Liabilities				
Borrowings	1,714	2,846	-	-
Deferred taxes	2,246	3,168	-	-
Deferred income	2,381	2,351	-	-
Lease Payable	2,735	-	-	-
Provision for site restoration	193	193	-	-
Total Non-Current Liabilities	9,269	8,558	-	-
Current liabilities				
Trade and other payables	8,253	9,873	-	-
Accrued and other liabilities	5,340	2,425	154	163
Amount due to a subsidiary company	-	-	90	144
Borrowings	3,687	3,638	-	-
Lease liabilities	97	-	-	-
Deferred income	-	195	-	-
Taxes payable	(61)	435	-	-
Total Current Liabilities	17,316	16,566	244	307
Total Liabilities	26,585	25,124	244	307
Total Equity and Liabilities	86,475	95,819	67,319	70,920

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD ENDED 30 JUNE 2024 (UNAUDITED)**

The Group	Share capital	Non-distributable		Distributable
	USD'000	Revaluation reserve USD'000	Translation reserve USD'000	Retained earnings USD'000
As at 1 January 2024	73,761	1,516	(125,178)	12
Loss for the period	-	-	-	(3)
Other comprehensive (loss)	-	-	(3,140)	-
Total comprehensive (loss) for the period	-	-	(3,140)	(3)
Capital Reduction	(4,161)	-	-	-
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(110)	-	-
As at 30 June 2024	<u>69,600</u>	<u>1,406</u>	<u>(128,318)</u>	<u>11</u>

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AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD ENDED 30 JUNE 2024 (UNAUDITED)**

The Group	Share capital	Non-distributable		Distributable
	USD'000	Revaluation reserve USD'000	Translation reserve USD'000	Retained earnings USD'000
As at 1 January 2023	73,761	1,795	(126,267)	11
Profit for the period	-	-	-	-
Other comprehensive income	-	-	48	-
Total comprehensive income for the period	-	-	48	-
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(46)	-	-
As at 30 June 2023	<u>73,761</u>	<u>1,749</u>	<u>(126,219)</u>	<u>11</u>

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD ENDED 30 JUNE 2024 (UNAUDITED)**

The Company	Share capital	Accumulated	Total
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	losses		
	USD'000	USD'000	USD'000
As at 1 January 2024	73,761	(3,148)	70,613
Total comprehensive income for the period	-	623	623
Capital Reduction	<u>(4,161)</u>	<u>-</u>	<u>(4,161)</u>
As at 30 June 2024	<u>69,600</u>	<u>(2,525)</u>	<u>67,075</u>
As at 1 January 2023	73,761	(4,220)	69,541
Total comprehensive income for the period	<u>-</u>	<u>525</u>	<u>52</u>
As at 30 June 2023	<u>73,761</u>	<u>(3,695)</u>	<u>70,066</u>

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2024 USD'000	30 June 2023 USD'000	30 June 2024 USD'000	30 June 2023 USD'000
OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(4,442)	61	623	525
Adjustments for:				
Depreciation of property, plant and equipment	2,898	2,837	-	-
Depreciation of right-of-use Assets	3	3	-	-
Other non-cash items	<u>(2,413)</u>	<u>578</u>	<u>(1,094)</u>	<u>(1,088)</u>
Operating Profit/(Loss) Before Working Capital Changes	(3,954)	3,479	(471)	(563)
(Increase)/Decrease in:				
Inventories	5,096	345	-	-
Trade and other receivables, advances and prepaid expenses	(1,725)	(22)	(9)	(9)
Loans and advances from subsidiary companies	-	-	(67)	(20)
Increase in:				
Trade and other payables, accrued and other liabilities	1,879	3,622	(4,152)	4
Cash Generated From/(Used In) Operations	1,296	7,424	(4,699)	(588)
Income tax paid	(926)	(1,777)	-	-
Interest paid	<u>(224)</u>	<u>(483)</u>	<u>-</u>	<u>-</u>
Net Cash Generated From/(Used In) Operating Activities	<u>146</u>	<u>5,164</u>	<u>(4,699)</u>	<u>(588)</u>

(Cont'd)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2024 USD'000	30 June 2023 USD'000	30 June 2024 USD'000	30 June 2023 USD'000
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,171)	(2,721)	-	-
Purchase of other assets	7	(24)	-	-
Interest received	119	93	200	-
Net Cash (Used In)/Generated From Investing Activities	(2,045)	(2,652)	200	-
FINANCING ACTIVITIES				
Proceeds from borrowings	9,629	1,703	-	-
Repayment from borrowings	(10,752)	(1,980)	-	-
Payment of lease liabilities	-	(363)	-	-
Net Cash Used In Financing Activities	(1,123)	(640)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,022)	1,872	(4,499)	(588)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(1,370)	(14)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,435	4,144	4,624	1,240
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (NOTE 15)	2,043	6,002	125	652

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