

Steppe Cement Ltd
Interim Results for the Half Year 30 June 2018
and General Market Update

1. Interim Results

Steppe Cement Ltd ("Steppe Cement" and "the Company") posted a consolidated profit after tax of USD0.2 million for the six months ended 30 June 2018.

	6 months ended 30 June 18	6 months ended 30 June 17	% of change
Sales (Tonnes)	738,228	650,333	14%
Consolidated turnover KZT million	10,539	8,553	23%
Consolidated turnover (USD Million)	32.8	26.8	22%
Consolidated profit (loss) after tax (USD Million)	0.2	(0.3)	
Profit (loss) per share (Cents)	0.1	(0.2)	
Average exchange rate (USD/KZT)	326	319	

- The Company continued its strategy of focusing on price rather than in volume until the summer.
- The average ex-factory price increased from 11,147 KZT /tonne to 11,560 KZT /tonne or 4% during the period.
- Steppe Cement's gross margin increased from 27% to 32% in USD terms mostly because of better pricing in markets further from the factory.
- Selling expenses increased as sales to the south and exports grew significantly.
- Administrative expenses were maintained relative to turnover and were increased compared to 2017 due to bonus payment.
- The Kazakh Tenge depreciated slightly in the first half by 2% compared to the first half of 2017. The company booked foreign exchange losses of USD 0.5 million in the first half of 2018 compared to a gain of USD 0.57 million in 1H2017.
- The company generated operating profit before working capital changes of USD 5.4 million in 1H 2018 against USD 4.9 million in 2017.
- The Kazakhstan economy grew at 4.1% in the first half 2018.
- Reported inflation has been 2.9% until the end of August 2018.

2. Production costs

- Cement production costs per tonne were maintained in KZT as inflation was offset by the higher volumes achieved.

3. Update on the Kazakh cement market

- The Kazakh cement market grew at 5% during the first half of the year. Steppe Cement expects a market of about 9 million tonnes for the full year 2018 similar to 2017.
- Steppe Cement increased its local market share from 14.5% in 1H2017 to 15.5% in 1H2018. We expect to achieve 17% for the full year. Exports represented 12% of the volumes in the 1H2018 from 10% last year.
- Imports into Kazakhstan have increased by 30% in 2018 to 0.34 million tonnes and they represent 8% of the market up from 6% last year.

- Exports from Kazakhstan have increased from 0.45 million tonnes to 0.92 million tonnes in the first half of 2018, mostly due to demand from Uzbekistan.
- Exports from Kazakhstan now represent 19% of local production up from 11% last year.
- Overall production of all factories in Kazakhstan has increased by 14% to 4.8 million tonnes for the 1H2018. This increase will most likely not be maintained in the second half.
- Currently 78% of production in the country is coming from dry lines, an increase of 4% compared to last year's level.
- Construction remains strong particularly in the west and south of the country.

4. Financing

The debt position of the company as of 30 June 2018 comprised:

- A capital loan of USD 4 million from Halyk bank at 6% p.a. interest due in 2019.
- A long-term USD 7 million loan from 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.
- Loans of KZT1,688 million and KZT 580 million from Halyk Bank JSC subsidised by the government for capital investment at 6%.
- 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 12% p.a. in KZT. As of 30 June 2018 we had the equivalent of USD 2.7 million outstanding from these working capital loans.
- As of 31 August 2018, the first Halyk bank loan of USD 4 million had been repaid and the working capital lines reimbursed. The total bank debt net of cash amounted to USD11 million of which 64% is denominated in USD and the balance in KZT.

The following are the unaudited condensed consolidated statements of profit and loss, comprehensive income, financial position, changes in equity and cash flows. A copy of 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.

Nominated Adviser: Contact Stephen Allen or Andrew Thomson at +61 8 94802500.

Broker: Contact Charlie Cryer at +44 20 3440 6800

SUMMARY OF INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018 (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.stepcement.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 2018 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2018 USD'000	30 June 2017 USD'000	30 June 2018 USD'000	30 June 2017 USD'000
Revenue	32,838	26,839	50	50
Cost of sales	<u>(22,114)</u>	<u>(20,050)</u>	<u>-</u>	<u>-</u>
Gross profit	10,724	6,789	50	50
Selling expenses	(6,450)	(4,145)	-	-
General and administrative expenses	<u>(2,838)</u>	<u>(2,195)</u>	<u>(145)</u>	<u>(138)</u>
Operating profit/(loss)	1,436	449	(95)	(88)
Interest income	15	16	[^]	[^]
Finance costs	(942)	(1,310)	-	-
Net foreign exchange (loss)/gain	(500)	572	21	47
Other income, net	<u>396</u>	<u>278</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before income tax	405	5	(74)	(135)
Income tax expense	<u>(199)</u>	<u>(346)</u>	<u>(2)</u>	<u>-</u>
Profit/(Loss) for the period	<u>206</u>	<u>(341)</u>	<u>(76)</u>	<u>(135)</u>
Attributable to: Shareholders of the Company	206	(341)	(76)	(135)
Profit/(Loss) per share:				
Basic and diluted (cents)	<u>0.1</u>	<u>(0.2)</u>		

[^] Insignificant amount.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2018 USD'000	30 June 2017 USD'000	30 June 2018 USD'000	30 June 2017 USD'000
Profit/(Loss) for the period	206	(341)	(76)	(135)
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	(1,756)	2,453	-	-
Total other comprehensive income for the period	(1,756)	2,453	-	-
Total comprehensive (loss)/income for the period	(1,550)	2,112	(76)	(135)
Attributable to: Shareholders of the Company	(1,550)	2,112	(76)	(135)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2018 USD'000	Audited 31 Dec 2017 USD'000	Unaudited 30 June 2018 USD'000	Audited 31 Dec 2017 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	64,597	67,358	-	-
Investment in subsidiary companies	-	-	26,500	26,500
Advances and prepaid expenses	226	509	-	-
Other assets	537	1,248	-	-
Total Non-Current Assets	65,360	69,115	26,500	26,500
Current Assets				
Inventories	14,016	13,014	-	-
Trade and other receivables	5,469	3,102	3,435	3,435
Income tax receivable	179	127	-	-
Loans and advances to subsidiary companies	-	-	39,467	39,605
Advances and prepaid expenses	3,707	3,477	19	9
Cash and cash equivalents	3,654	3,045	90	13
Total Current Assets	27,025	22,765	43,011	43,060
Total Assets	92,385	91,880	69,511	69,560

	The Group		The Company	
	Unaudited 30 June 2018 USD'000	Audited 31 Dec 2017 USD'000	Unaudited 30 June 2018 USD'000	Audited 31 Dec 2017 USD'000
Equity and Liabilities				
Capital and Reserves				
Share capital	73,761	73,761	73,761	73,761
Revaluation reserve	2,494	2,680	-	-
Translation reserve	(108,497)	(106,741)	-	-
Retained earnings/ (Accumulated loss)	87,318	89,817	(8,242)	(5,275)
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Total Equity	55,076	59,517	65,519	68,486
Non-Current Liabilities				
Borrowings	9,013	9,835	-	-
Deferred taxes	794	638	-	-
Deferred income	1,866	1,519	-	-
Provision for site restoration	69	67	-	-
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Total Non-Current Liabilities	11,742	12,059	-	-
Current liabilities				
Trade and other payables	9,583	7,684	2,891	-
Accrued and other liabilities	6,147	2,229	1,094	1,069
Borrowings	8,759	10,195	-	-
Taxes payable	1,078	196	7	5
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Total Current Liabilities	25,567	20,304	3,992	1,074
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Total Liabilities	37,309	32,363	3,992	1,074
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Total Equity and Liabilities	92,385	91,880	69,511	69,560
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018 (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 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 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 2017	73,761	3,062	(106,985)	88,203	58,041
Loss for the period	-	-	-	(341)	(341)
Other comprehensive income	-	-	2,453	-	2,453
Total comprehensive income/(loss) for the period	-	-	2,453	(341)	2,112
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(197)	-	197	-
Balance as at 30 June 2017	<u>73,761</u>	<u>2,865</u>	<u>(104,532)</u>	<u>88,059</u>	<u>60,153</u>

The Company	Share capital	Accumulated losses	Total
	USD'000	USD'000	USD'000
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>
Balance as at 1 January 2017	73,761	(8,454)	65,307
Total comprehensive loss for the period	-	(135)	(135)
Balance as at 30 June 2017	<u>73,761</u>	<u>(8,589)</u>	<u>65,172</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	USD'000	USD'000	USD'000	USD'000
OPERATING ACTIVITIES				
Profit/(Loss) before income tax	405	5	(73)	(135)
Adjustments for non-cash items	4,870	4,898	(21)	47
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Operating Profit/(Loss) Before Working Capital Changes	5,275	4,903	(94)	(88)
 (Increase)/ Decrease in:				
Inventories	(1,309)	(1,741)	-	-
Trade and other receivables, advances and prepaid expenses	(2,169)	(2,878)	(12)	(11)
Loans and advances to subsidiary companies	-	-	-	88
Increase/(Decrease) in:				
Trade and other payables, accrued and other liabilities	4,038	1,234	45	67
Loans and advances to subsidiary companies	-	-	138	-
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Cash Generated From Operations	5,835	1,518	77	56
Income tax paid	-	(51)	-	-
Interest paid	(947)	(1,303)	-	-
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Net Cash Generated From Operating Activities	4,888	164	77	56
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INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,437)	(740)	-	-
Purchase of other assets	(28)	(32)	-	-
Interest received	15	16	-	-
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Net Cash Used In Investing Activities	(2,450)	(756)	-	-
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FINANCING ACTIVITIES				
Proceeds from borrowings	7,253	13,611	-	-
Repayment from borrowings	(9,013)	(12,319)	-	-
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Net Cash (Used In)/Generated From Financing Activities	(1,760)	1,292	-	-
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NET INCREASE IN CASH AND CASH EQUIVALENTS	678	700	77	56
EFFECTS OF FOREIGN	(69)	30	-	-

EXCHANGE RATE CHANGES				
CASH AND CASH	3,045	1,023	13	74
EQUIVALENTS AT BEGINNING				
OF THE PERIOD	<hr/>	<hr/>	<hr/>	<hr/>
CASH AND CASH	3,654	1,753	90	130
EQUIVALENTS AT END OF THE				
PERIOD	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>