

Steppe Cement Ltd
Interim Results for the Half Year Ended 30 June 2010
and General Market Update

1. Interim Results

Steppe Cement Ltd ("Steppe Cement" or the "Company") posted a consolidated loss after tax of USD3.9 million for the six months ended 30 June 2010.

	6 months ended 30 June 10	6 months ended 30 June 09	% change
Sales (tonnes of cement)	523,156	442,227	18
Consolidated turnover (USD Million)	31.5	24.8	27
Consolidated loss after tax (USD Million)	(3.9)	(18.8)	(79)
Loss per share (Cents)	(2.5)	(15.0)	(83)
Average exchange rate (USD/KZT)	147.2	145.1	

- Sales increased by 27% in Kazakhstan Tenge ("KZT") while volumes increased by 18%. The average sales price increased from USD54/tonne to USD61 /tonne during the period.
- Production costs per tonne increased by 10% in USD, slightly above the 7% inflation rate in Kazakhstan. The increase is concentrated in transportation, electricity, fuel and coal and was partly offset by savings in labour and additional subcontracting. The number of employees declined from 1,199 to 1,081 as at the end of June 2010 despite the increase in production.
- Selling expenses have grown on a per tonne basis due to higher transportation costs as the increase of sales was achieved through market share gains in Almaty and other cities further from the factory.
- General and administrative expenses reduced by 11% during the period.
- The KZT has remained stable as the balance of payment of Kazakhstan has remained in positive territory.

2. Update on the Kazakh cement market

- The Kazakhstan cement market increased by 20% during the first half of the year from a particularly low base in 2009. Steppe Cement expects a market of 5.4 million tonnes for the full year 2010, an increase of 6% compared to 2009.
- Prices are expected to increase marginally in the second half of 2010 compared to the first half of 2010.
- Overall local production volumes increased by 10% in the first half of 2010 compared to 2009 while the share of imported cement is expected to decrease from 21% to 17% for the full 2010 financial year and it is mostly concentrated in West Kazakhstan due to the high transportation cost for local companies.
- Steppe Cement increased its market share from 19% in 1H2009 to 20% in 1H2010 and we expect it to remain above 20% for the full year 2010.
- The residential construction industry is at early stage of recovery as bank lending to real estate companies remains low.

- The Kazakhstan Government has started a number of infrastructure projects to which the Company is supplying cement including the east west major highway.

3. Production and refurbishment progress

- Line 6 production has been increasing monthly, although it was stopped for maintenance for six weeks during the winter.
- Production resumed in March 2010 and has been increasing through June, with production levels of 2,000 tonnes per day (“tpd”) of clinker or 2,500 tpd of cement.
- Line 6 reliability has improved steadily and further gains are expected in the second half of 2010.
- During June, Steppe Cement completed the commissioning of the multi-channel burner of line 6 and expects this to bring an increase in production from 2,000 tpd of clinker to between 2,200 and 2,300 tpd of clinker or the equivalent of 2,625 to 2,875 tpd of cement. At the same time we expect fuel saving of at least 5%.
- The wet lines are performing at similar levels to those of 2009 and will complement the production of Line 6 depending on the market conditions.
- Line 6 and the wet lines are expected to produce similar volumes during 2010.
- All the cement mills are in working condition and the Company is in a position to mill up to 6,000 tpd of cement.

4. Financing

- Steppe Cement’s subsidiary, Karcement JSC, repaid the main instalment of the HSBC Bank Kazakhstan (“HSBC”) long term loan in March and has subsequently renegotiated to restructure (“Debt Restructuring”) its long term loans with HSBC and European Bank for Reconstruction and Development (“EBRD”). In September 2010, Karcement JSC, HSBC and EBRD have agreed a term sheet on the Debt Restructuring. As a result of the Debt Restructuring, the interest payable will be revised according to the table below:

Lender	Principal Amount Outstanding (USD)	Current Margin (%)	Revised Margin (%)
EBRD – Amortising Loan (Loan A)	22,400,000	3.75%	5.00%
EBRD – Bullet Loan (Loan C)	10,000,000	5.00%	6.50%
HSBC	20,326,250	5.50%	6.50%
Total	52,726,250		

- The principal repayments have been deferred by two years from the original schedule.
- The Debt Restructuring documentation is expected to be completed in the second half of 2010.

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

Steppe Cement's AIM nominated adviser is RFC Corporate Finance Ltd. Contact Stephen Allen or Trinity McIntyre at +61 8 94802500.

SUMMARY OF INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 30 JUNE 2010 (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 INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	USD'000	USD'000	USD'000	USD'000
Revenue	31,556	24,844	50	50
Cost of sales	(23,946)	(18,320)	-	-
Gross profit	7,610	6,524	50	50
Selling expenses	(5,083)	(3,826)	-	-
General and administrative expenses	(4,802)	(5,407)	(298)	(314)
Operating loss	(2,275)	(2,709)	(248)	(264)
Investment income	^	59	^	1
Finance costs	(3,062)	(3,640)	-	-
Other income/(expense), net	736	(13,204)	54	-
Loss before tax	(4,601)	(19,494)	(194)	(263)
Income tax credit	717	697	-	-
Loss for the period	(3,884)	(18,797)	(194)	(263)
Attributable to:				
Shareholders of the company	(3,884)	(18,797)	(194)	(263)
Loss per share:				
Basic (cents)	(2.5)	(15.0)		

^ - Insignificant amount

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	USD'000	USD'000	USD'000	USD'000
Loss for the period	(3,884)	(18,797)	(194)	(263)
Other comprehensive income/(loss):				
Exchange differences arising on translation of foreign subsidiary companies	758	(27,370)	-	-
Total comprehensive loss for the period	(3,126)	(46,167)	(194)	(263)
Attributable to: Shareholders of the company	(3,126)	(46,167)	(194)	(263)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010 (UNAUDITED)

	The Group		The Company	
	Unaudited As at 30.6.10 USD'000	Audited As at 31.12.09 USD'000	Unaudited As at 30.6.10 USD'000	Audited As at 31.12.09 USD'000
Assets				
Non-Current Assets				
Property, plant and equipment	133,875	135,126	-	-
Investment in subsidiary companies	-	-	26,500	26,500
Advances paid	6,312	6,705	-	-
Other assets	28,152	28,182	-	-
Total Non-Current Assets	168,339	170,013	26,500	26,500
Current Assets				
Inventories, net	15,262	14,275	-	-
Trade receivable, net	1,359	826	-	-
Amount owing by subsidiary companies	-	-	14,488	10,889
Other receivables, advances and prepaid expenses	9,630	7,483	-	4
Cash and bank balances	1,678	6,545	22	3,886
Total Current Assets	27,929	29,129	14,510	14,779
Total Assets	196,268	199,142	41,010	41,279

	The Group		The Company	
	Unaudited As at 30.6.10 USD'000	Audited As at 31.12.09 USD'000	Unaudited As at 30.6.10 USD'000	Audited As at 31.12.09 USD'000
Equity and Liabilities				
Capital and Reserves				
Share capital	1,540	1,540	1,540	1,540
Share premium	41,296	41,296	41,296	41,296
Revaluation reserve	3,024	3,024	-	-
Translation reserve	(20,106)	(20,864)	-	-
Retained earnings/(Accumulated losses)	73,120	77,004	(2,950)	(2,756)
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Total Equity	98,874	102,000	39,886	40,080
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Non-Current Liabilities				
Bonds	18,159	18,035	-	-
Loans	52,428	43,031	-	-
Deferred tax liabilities, net	6,224	6,420	-	-
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Total Non-Current Liabilities	76,811	67,486	-	-
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Current Liabilities				
Trade payable	5,825	6,446	-	-
Other payables and accrued liabilities	3,136	3,214	673	748
Loans	11,443	19,683	-	-
Amount owing to subsidiary companies	-	-	451	451
Taxes payable	179	313	-	-
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Total Current Liabilities	20,583	29,656	1,124	1,199
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Total Liabilities	97,394	97,142	1,124	1,199
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Total Equity and Liabilities	196,268	199,142	41,010	41,279
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)

The Company	Share Capital USD'000	Share Premium USD'000	Accumulated Losses USD'000	Total/Net USD'000
Balance as at 1 January 2009	1,140	26,647	(2,368)	25,419
Loss for the period	-	-	(263)	(263)
Total comprehensive loss for the period	-	-	(263)	(263)
Issue of shares	400	14,688	-	15,088
Share issue expenses	-	(39)	-	(39)
Balance as at 30 June 2009	1,540	41,296	(2,631)	40,205
Balance as at 1 January 2010	1,540	41,296	(2,756)	40,080
Total comprehensive loss for the period	-	-	(194)	(194)
Balance as at 30 June 2010	1,540	41,296	(2,950)	39,886

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	USD'000	USD'000	USD'000	USD'000
OPERATING ACTIVITIES				
Loss before tax	(4,601)	(19,494)	(194)	(263)
Adjustments for non-cash items	6,615	19,259	(38)	-
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Operating Profit/(Loss) Before Working Capital Changes	2,014	(235)	(232)	(263)
 (Increase)/ Decrease in:				
Inventories	(990)	6,222	-	-
Trade receivables	(533)	254	-	-
Other receivable and prepaid expenses	(1,653)	147	4	(6)
Amount owing by subsidiary companies	-	-	(3,599)	(5,317)
 Increase/ (Decrease) in:				
Trade payables	(965)	(4,820)	-	-
Other payables and accrued liabilities	(161)	1,620	(37)	12
Amount owing to subsidiary companies	-	-	-	(849)
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Cash (Used In)/ Generated From Operations	(2,288)	3,188	(3,864)	(6,423)
Income tax paid	(303)	(1,090)	-	-
Interest paid	(2,938)	(3,617)	-	-
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Net Cash Used In Operating Activities	(5,529)	(1,519)	(3,864)	(6,423)
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 INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	7	3	-	-
Purchase of property, plant and equipment	(442)	(505)	-	-
Proceeds from short-term investments	-	289	-	-
Interest received	^	59	-	-
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Net Cash Used In Investing Activities	(435)	(154)	-	-
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FINANCING ACTIVITIES

Proceeds from issue of shares	-	15,088	-	15,088
Share issue expenses	-	(39)	-	(39)
Net Proceeds/(Repayment) from borrowings	1,091	(3,216)	-	-
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Net Cash From by Financing Activities	1,091	11,833	-	15,049
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NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,873)	10,160	(3,864)	8,626
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	6	(66)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	6,545	730	3,886	136
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CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,678	10,824	22	8,762
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^ - Insignificant amount