

10 September 2012

**Steppe Cement Ltd**  
**Interim Results for the Half Year 30 June 2012**  
**and General Market Update**

**1. Interim Results**

Steppe Cement Ltd ("Steppe Cement" or the "Company") posted a consolidated loss after tax of USD0.1 million for the six months ended 30 June 2012.

	<b>6 months ended 30 June 12</b>	<b>6 months ended 30 June 11</b>	<b>% change</b>
Sales (Tonnes)	615,838	601,099	2.5%
Consolidated turnover (USD Million)	52.2	43.0	21.4%
Consolidated loss after tax (USD Million)	(0.1)	(2.2)	
Loss per share (Cents)	(0.1)	(1.3)	
Average exchange rate (USD/KZT)	148	146	

- Sales increased by 23% in Tenge ("KZT") while volumes increased by 2%. The average sales price increased from USD72/tonne to USD86/tonne during the period.
- Production costs per tonne increased by 11% in USD. The increase is due to higher electricity, transportation and coal costs partly offset by productivity increases. The number of employees declined from 1,049 to 1,036 as at the end of June 2012 despite the increase in production.
- Selling expenses have grown on a per tonne basis by 19% mostly due to the increase in wagons rental rates.
- General and administrative expenses increased by 15% during the period partly due to the organization of works for line 5.
- Steppe Cement generated USD8.6 million cash from operations in the 1H 2012 while managing to maintain inventories that will allow us to increase sales significantly during the second half of 2012.
- The KZT has slightly depreciated during the last 12 months and currently stands at about 149KZT to 1USD.
- The Kazakhstan economy is expected to grow at 5-6% in 2012.

**2. Update on the Kazakh cement market**

- The Kazakhstan cement market increased by 16% during the first half of the year. Steppe Cement expects a market of 6.8 million tonnes for the full year 2012, an increase of 9.7% compared to the 6.2 million tonnes in 2011.
- Prices are expected to increase in the 2H of 2012 when compared to the 1H of 2012.
- Overall local production has increased by 20% in the first half of 2012 compared to 2011 while the share of the imported cement decreased from 17% to 14%.
- Steppe Cement's market share decreased from 21% in 1H2011 to 19% in 1H2012 but Steppe Cement expects it to be around 20% for the full year 2012.

- The Kazakhstan Government has continued its road building plan as well as significant infrastructure projects in the main cities.
- There have been no new entrants in the market and the two factories that started in 2011 have ramped up capacity during the summer to cover increased demand.

### **3. Production and refurbishment progress**

- Dry line 6 production has increased by 24% when compared to last year while the wet lines production has decreased.
- For the full year 2012 the volumes from the dry line are expected to reach 57% of total production.
- The works on line 5 continue as we are taking advantage of the positive cash flows after fulfilling our financial obligations.

### **4. Financing**

- Steppe Cement continues to explore financing options from multilateral institutions as well as a potential bond issue in the local Kazakhstan Stock Market to finance the completion of line 5.

A pdf copy of the announcement and the full interim financial statements is available on the company's website at [www.steppecement.com](http://www.steppecement.com).

Steppe Cement's AIM nominated adviser is RFC Ambrian Limited.

Contact Stephen Allen or Trinity McIntyre at +61 8 94802500.

**SUMMARY OF INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012 (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](http://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 INCOME STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2012 USD'000	30 June 2011 USD'000	30 June 2012 USD'000	30 June 2011 USD'000
Revenue	52,155	43,059	50	50
Cost of sales	<u>(34,099)</u>	<u>(30,757)</u>	<u>-</u>	<u>-</u>
Gross profit	18,056	12,302	50	50
Selling expenses	(9,653)	(7,886)	-	-
General and administrative expenses	<u>(5,242)</u>	<u>(4,573)</u>	<u>(264)</u>	<u>(261)</u>
Operating income/(loss)	3,161	(157)	(214)	(211)
Investment income	-	17	-	-
Finance costs	(2,268)	(2,673)	-	-
Other expense, net	<u>(502)</u>	<u>(25)</u>	<u>(9)</u>	<u>(19)</u>
Profit/(Loss) before income tax	391	(2,838)	(223)	(230)
Income tax (expense)/credit	<u>(500)</u>	<u>600</u>	<u>-</u>	<u>-</u>
Loss for the period	<u>(109)</u>	<u>(2,238)</u>	<u>(223)</u>	<u>(230)</u>
Attributable to: Shareholders of the Company	(109)	(2,238)	(223)	(230)
Loss per share:				
Basic (cents)	<u>(0.1)</u>	<u>(1.3)</u>		

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	USD'000	USD'000	USD'000	USD'000
Loss for the period	(109)	(2,238)	(223)	(230)
Other comprehensive (loss)/income:				
Exchange differences arising on translation of foreign subsidiary companies	(899)	1,357	-	-
Total comprehensive loss for the period	(1,008)	(881)	(223)	(230)
Attributable to: Shareholders of the Company	(1,008)	(881)	(223)	(230)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2012 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2012 USD'000	Audited 31 Dec 2011 USD'000	Unaudited 30 June 2012 USD'000	Audited 31 Dec 2011 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	130,743	134,761	-	-
Investment in subsidiary companies	-	-	26,500	26,500
Advances paid	906	993	-	-
Other assets	31,169	28,162	-	-
Total Non-Current Assets	162,818	163,916	26,500	26,500
Current Assets				
Inventories, net	20,703	21,373	-	-
Trade receivables, net	5,303	2,582	-	-
Amount owing by subsidiary companies	-	-	28,939	29,151
Other receivables, advances and prepaid expenses	11,325	11,391	-	-
Cash and bank balances	8,322	494	159	103
Total Current Assets	45,653	35,840	29,098	29,254
Total Assets	208,471	199,756	55,598	55,754

	The Group		The Company	
	Unaudited 30 June 2012 USD'000	Audited 31 Dec 2011 USD'000	Unaudited 30 June 2012 USD'000	Audited 31 Dec 2011 USD'000
<b>Equity and Liabilities</b>				
<b>Capital and Reserves</b>				
Share capital	58,298	58,298	58,298	58,298
Revaluation reserve	8,751	9,477	-	-
Translation reserve	(20,908)	(20,009)	-	-
Retained earnings/ (Accumulated loss)	79,838	79,221	(3,659)	(3,436)
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<b>Total Equity</b>	<b>125,979</b>	<b>126,987</b>	<b>54,639</b>	<b>54,862</b>
<b>Non-Current Liabilities</b>				
Loans	37,160	43,212	-	-
Deferred tax liabilities	6,617	6,176	-	-
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<b>Total Non-Current Liabilities</b>	<b>43,777</b>	<b>49,388</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade payables	6,481	7,841	-	-
Other payables and accrued liabilities	9,665	3,661	959	892
Loans	22,206	11,435	-	-
Taxes payable	363	444	-	-
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<b>Total Current Liabilities</b>	<b>38,715</b>	<b>23,381</b>	<b>959</b>	<b>892</b>
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<b>Total Liabilities</b>	<b>82,492</b>	<b>72,769</b>	<b>959</b>	<b>892</b>
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<b>Total Equity and Liabilities</b>	<b>208,471</b>	<b>199,756</b>	<b>55,598</b>	<b>55,754</b>
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

The Group	Share capital USD'000	Non- distributable Share Premium USD'000	Revaluation reserve USD'000	Translation reserve USD'000	Distributable Retained earnings USD'000	Total/Net USD'000
Balance as at 1 January 2011	58,298	-	10,940	(18,944)	74,425	124,719
Loss for the period	-	-	-	-	(2,238)	(2,238)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	1,357	-	1,357
Total comprehensive income/(loss) for the period	-	-	-	1,357	(2,238)	(881)
Balance as at 30 June 2011	<u>58,298</u>	<u>-</u>	<u>10,940</u>	<u>(17,587)</u>	<u>72,187</u>	<u>123,838</u>

The Group	Share capital USD'000	Non- distributable Share Premium USD'000	Revaluation reserve USD'000	Translation reserve USD'000	Distributable Retained earnings USD'000	Total/Net USD'000
Balance as at 1 January 2012	58,298	-	9,477	(20,009)	79,221	126,987
Loss for the period	-	-	-	-	(109)	(109)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	(899)	-	(899)
Total comprehensive loss for the period	-	-	-	(899)	(109)	(1,008)
Depreciation transfer on revaluation reserve	-	-	(726)	-	726	-
Balance as at 30 June 2012	<u>58,298</u>	<u>-</u>	<u>8,751</u>	<u>(20,908)</u>	<u>79,838</u>	<u>125,979</u>

The Company	Share capital USD'000	Non- distributable Share Premium USD'000	Distributable Retained earnings USD'000	Total/Net USD'000
Balance as at 1 January 2011	58,298	-	(3,038)	55,260
Total comprehensive loss for the period	-	-	(230)	(230)
Balance as at 30 June 2011	<u>58,298</u>	<u>-</u>	<u>(3,268)</u>	<u>55,030</u>
Balance as at 1 January 2012	58,298	-	(3,436)	54,862
Total comprehensive loss for the period	-	-	(223)	(223)
Balance as at 30 June 2012	<u>58,298</u>	<u>-</u>	<u>(3,659)</u>	<u>54,639</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2012 USD'000	30 June 2011 USD'000	30 June 2012 USD'000	30 June 2011 USD'000
<b>OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax	391	(2,838)	(223)	(230)
Adjustments for non-cash items	7,612	6,621	7	-
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Operating Profit/(Loss) Before Working Capital Changes	8,003	3,783	(216)	(230)
 (Increase)/ Decrease in:				
Inventories	2,038	1,411	-	-
Trade receivables	(2,720)	(414)	-	-
Other receivable and prepaid expenses	(1,124)	(1,399)	-	1
Amount owing by subsidiary companies	-	-	213	(350)
Increase/ (Decrease) in:				
Trade payables	(1,421)	1,531	-	-
Other payables and accrued liabilities	6,135	4,840	59	106
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Cash Generated From/(Used In) Operations	10,911	9,752	56	(473)
Income tax paid	(518)	(107)	-	-
Interest paid	(1,784)	(2,343)	-	-
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Net Cash Generated From/(Used In) Operating Activities	8,609	7,302	56	(473)
 <b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	-	-	-	-
Purchase of property, plant and equipment	(1,755)	(280)	-	-
Purchase of non-current assets	(3,139)	(162)	-	-
Interest received	-	17	-	-
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Net Cash Used In Investing Activities	(4,894)	(425)	-	-
 <b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings	8,223	6,171	-	-

Repayment from borrowings	<u>(4,107)</u>	<u>(2,910)</u>	<u>          </u>	<u>          </u>
Net Cash From by Financing Activities	<u>4,116</u>	<u>3,261</u>	<u>-</u>	<u>-</u>
NET INCREASE/(DECREASE)/ IN CASH AND CASH EQUIVALENTS	7,831	10,138	56	(473)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(3)	85	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>494</u>	<u>9,532</u>	<u>103</u>	<u>964</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>8,322</u>	<u>19,755</u>	<u>159</u>	<u>491</u>