Steppe Cement Limited
16 September 2013

Steppe Cement Ltd
Interim Results for the Half Year 30 June 2013
and General Market Update

1. Interim Results

Steppe Cement Ltd ("Steppe Cement") posted a consolidated profit after tax of USD 2.2 million for the six months ended 30 June 2013.

	6 months ended 30 June 13	6 months ended 30 June 12	% of change
Sales (Tonnes)	564,440	615,838	(8.3%)
Consolidated turnover (USD Million)	54.3	52.1	4%
Consolidated profit/(loss) after tax (USD Million)	2.2	(0.1)	
Earnings/(loss) per share (Cent)	1	(0.1)	
Average exchange rate (USD/KZT)	150	148	

- Sales increased by 4% while volumes decreased by 8%. The average sales price increased from USD 85/tonne to USD 96/tonne or 13% during the period.
- Production costs per tonne increased by 9% in USD due to general inflation, change in product mix, and increased expenses related to quarries.
- Selling expenses have risen on a per tonne basis by 3% due to increase in railway tariff on cement transportation to customers.
- General and administrative expenses decreased by 3% during the period.
- Steppe Cement generated USD 7.4 million from operations in the 1H 2013 while managing to increase inventories of work in progress and finished product by USD 2.7 m that will be sold in the second half of 2013.
- The Kazakhstan tenge has depreciated during the last 12 months and currently stands at 153 (USD/KZT).
- The Kazakhstan economy is expected to grow at 5-6% per annum in 2013.

2. Update on the Kazakh cement market

- The Kazakhstan cement market increased by 11% during the first half of the year. Steppe Cement expects a market of 8 million tonnes for the full year 2013, an increase of 11% compared to the 7.2 million tonnes in 2012.
- Previously unknown statistical information shows imports from Iran to West Kazakhstan at 140,000 tonnes in 2012 and estimated 370,000 tonnes in 2013. Steppe Cement has factored in the import data into the revised estimates of market size and share for 2013 and adjusted the actual market data for 2012.
- Cement prices in 2H 2013 are expected to be comparable to the 1H 2013.
- Overall production of all factories in Kazakhstan has increased by 10% in the first half of 2013 compared to 2012 while the share of the imported cement increased as well from 14% to 18%.
- Steppe Cement’s market share decreased from 19% in 1H2012 to 15% in 1H2013.

- The Kazakhstan Government has continued its road building plan as well as significant infrastructure projects in most cities.
- A new cement factory was commissioned in East Kazakhstan called Kazakh Cement which sold 170,000 tonnes in the first half of 2013 and it is expected to achieve an annual production capacity of 800,000 tonnes next year.
- In 2014 two new cement production lines will be commissioned:
  - Our line 5 with a capacity of 1.2 million tonnes; and
  - Caspi Cement belonging to Heidelberg Cement Group in West Kazakhstan with an annual production capacity of 800,000 tonnes. The later is expected to replace cement imports from Russian and Iran.

3. Production and refurbishment progress

- In 2013, contribution to production from dry and wet lines remains similar to 2012 with approximately 55% of production coming from the dry line number 6.
- The refurbishment work on line 5 is near completion as we are starting the commissioning of various sections in the autumn. Photographs of the work progress and site are posted monthly on our website.
- We expect cost savings of 5% to 10% on the original project budget of USD 40 million.
- At the time of this announcement, USD 29.5 million has been spent on line 5 project with a total commitment of USD 35.6 million.
- We have completed the electricity distribution line and substation that will allow Central Asia Services JSC, our fully owned subsidiary, to transmit electricity directly from the national grid company, KEGOC. We expect significant production cost savings for the dry lines upon its commissioning in the final quarter of 2013.

4. Financing

- Steppe Cement made USD 6.1 million of principal repayments to EBRD and HSBC during the first half of 2013 and will repay the same amount in the second half.
- The company has the funds to both complete the remaining line 5 works and make scheduled loan repayments to EBRD and HSBC until the end of the year. Currently our short-term credit line of USD 20 million remains unutilized.

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

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

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SUMMARY OF INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013 (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 2013 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2013 USD'000	30 June 2012 USD'000	30 June 2013 USD'000	30 June 2012 USD'000
Revenue	54,347	52,155	50	50
Cost of sales	(33,978)	(34,099)	-	-
Gross profit	20,369	18,056	50	50
Selling expenses	(9,101)	(9,653)	-	-
General and administrative expenses	(5,100)	(5,242)	(266)	(264)
Operating income/(loss)	6,168	3,161	(216)	(214)
Interest income	30	-	-	-
Finance costs	(1,598)	(2,268)	-	-
Other (expense)/income, net	(781)	(502)	63	(9)
Profit/(Loss) before income tax	3,819	391	(153)	(223)
Income tax expense	(1,599)	(500)	-	-
Profit/(Loss) for the period	2,220	(109)	(153)	(223)
Attributable to: Shareholders of the Company	2,220	(109)	(153)	(223)
Earnings/(Loss) per share:				
Basic (cent)	1.0	(0.1)		

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2013 (UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2013 USD'000	30 June 2012 USD'000	30 June 2013 USD'000	30 June 2012 USD'000
Profit/(Loss) for the period	2,220	(109)	(153)	(223)
Other comprehensive loss:				
Exchange differences arising on translation of foreign subsidiary companies	(1,160)	(899)	-	-
Total comprehensive profit/(loss) for the period	1,060	(1,008)	(153)	(223)
Attributable to:				
Shareholders of the Company	1,060	(1,008)	(153)	(223)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2013 USD'000	Audited 31 Dec 2012 USD'000	Unaudited 30 June 2013 USD'000	Audited 31 Dec 2012 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	160,643	135,442	-	-
Investment in subsidiary companies	-	-	30,500	30,500
Advances and prepaid expenses	1,437	2,385	-	-
Other assets	23,372	40,575	-	-
Total Non-Current Assets	185,452	178,402	30,500	30,500
Current Assets				
Inventories	21,782	18,248	-	-
Trade and other receivables	9,074	6,779	-	-
Amount owing by subsidiary companies	-	-	39,060	37,510
Advances and prepaid expenses	4,990	4,934	13	6
Short-term investments	-	5,998	-	-
Cash and bank balances	5,135	14,016	1,244	2,923
Total Current Assets	40,981	49,975	40,317	40,439
Total Assets	226,433	228,377	70,817	70,939

	The Group		The Company	
	Unaudited 30 June 2013 USD'000	Audited 31 Dec 2012 USD'000	Unaudited 30 June 2013 USD'000	Audited 31 Dec 2012 USD'000
Equity and Liabilities				
Capital and Reserves				
Share capital	73,761	73,761	73,761	73,761
Revaluation reserve	7,318	8,034	-	-
Translation reserve	(22,805)	(21,645)	-	-
Retained earnings/ (Accumulated loss)	91,960	89,024	(4,093)	(3,940)
Total Equity	150,234	149,174	69,668	69,821
Non-Current Liabilities				
Borrowings	33,892	40,663	-	-
Deferred tax liabilities	10,025	8,519	-	-
Total Non-Current Liabilities	43,917	49,182	-	-
Current liabilities				
Trade and other payables	8,336	8,026	-	-
Accrued and other liabilities	10,449	7,080	1,149	1,118
Borrowings	13,063	14,527	-	-
Taxes payable	434	388	-	-
Total Current Liabilities	32,282	30,021	1,149	1,118
Total Liabilities	76,199	79,203	1,149	1,118
Total Equity and Liabilities	226,433	228,377	70,817	70,939

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013 (UNAUDITED)

The Group	Share capital USD'000	Non-distributable 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)
Transfer of revaluation reserve relating to depreciation of property, plant and equipment	-	(726)	-	726	-
Balance as at 30 June 2012	58,298	8,751	(20,908)	79,838	125,979

The Group	Share capital USD'000	Non-distributable Revaluation reserve USD'000	Translation reserve USD'000	Distributable Retained earnings USD'000	Total/Net USD'000
Balance as at 1 January 2013	73,761	8,034	(21,645)	89,024	149,174
Profit for the period	-	-	-	2,220	2,220
Exchange differences arising on translation of foreign subsidiary companies	-	-	(1,160)	-	(1,160)
Total comprehensive loss for the period	-	-	(1,160)	2,220	(1,060)
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment	-	(716)	-	716	-
Balance as at 30 June 2013	73,761	7,318	(22,805)	91,960	150,234

The Company	Share capital USD'000	Distributable Retained earnings USD'000	Total/Net USD'000
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	58,298	(3,659)	54,639
Balance as at 1 January 2013	73,761	(3,940)	69,821
Total comprehensive loss for the period	-	(153)	(153)
Balance as at 30 June 2013	73,761	(4,093)	69,668

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2013 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2013 USD'000	30 June 2012 USD'000	30 June 2013 USD'000	30 June 2012 USD'000
OPERATING ACTIVITIES				
Profit/(Loss) before tax	3,819	391	(153)	(223)
Adjustments for non-cash items	6,819	7,612	(62)	7
Operating Profit/(Loss) Before Working Capital Changes	10,638	8,003	(215)	(216)
(Increase)/ Decrease in:				
Inventories	(5,352)	2,038	-	-
Trade and other receivables, advances and prepaid expenses	1,229	(3,844)	(7)	-
Amount owing by subsidiary companies	-	-	(1,550)	213
Increase in:				
Trade and other payables, accrued and other liabilities	3,807	4,714	93	59
Cash Generated From/(Used In) Operations	10,322	10,911	(1,679)	56
Income tax paid	(687)	(518)	-	-
Interest paid	(2,267)	(1,784)	-	-
Net Cash Generated From/(Used In) Operating Activities	7,368	8,609	(1,679)	56
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,766)	(1,755)	-	-
Purchase of non-current assets	(9,690)	(3,139)	-	-
Proceeds from short-term investment	5,998	-	-	-
Interest received	30	-	-	-
Net Cash Used In Investing Activities	(8,428)	(4,894)	-	-
FINANCING ACTIVITIES				
Proceeds from borrowings	15,876	8,223	-	-
Repayment from borrowings	(23,600)	(4,107)	-	-

Net Cash (Used In)/From by Financing Activities	(7,724)	4,116	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,784)	7,831	(1,679)	56
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(97)	(3)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	14,016	494	2,923	103
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5,135	8,322	1,244	159