Steppe Cement Ltd
Interim Results for the Half Year 30 June 2015
and General Market Update

1. Interim Results

Steppe Cement Ltd ("Steppe Cement" and "the Company") posted a consolidated loss after tax of USD 2.2 million for the six months ended 30 June 2015.

	6 months ended 30 June 15	6 months ended 30 June 14	% of change
Sales (Tonnes)	717,654	709,459	1%
Consolidated turnover KZT million	8,279	9,125	(9%)
Consolidated turnover (USD Million)	44.7	51.8	(14%)
Consolidated loss after tax (USD Million)	(2.2)	(4.1)	
Loss per share (Cents)	(1.0)	(1.9)	
Average exchange rate (USD/KZT)	185	176	

- Sales increased by 1% in volume but decreased by 9% in Tenge ("KZT"). However, as a consequence of the continuous devaluation of the KZT against the USD, the turnover in USD decreased by 14%.
- The average ex-factory price decreased from 10,797 KZT /tonne to 9,665 KZT /tonne or 10% during the period. The decrease was caused by the competition from Russian companies helped by the Rouble exchange rate and the reaction of the main local factories to keep their market shares. This situation evolved in line with the variations in exchange rate.
- Despite the lower selling price, Steppe Cement's gross margin increased slightly from 29% to 30% due to the lower cost of operation from running only the dry lines. Excluding depreciation, cash gross margin increased more markedly from 36 to 43%.
- Selling expenses per tonne decreased by 13% in USD as sales to Astana increased and the new fleet of wagons was fully utilized decreasing rent expenses.
- General and administrative expenses decreased by 17% during the period or 6% if the provision for stocks is excluded.
- The company booked foreign exchange losses of USD0.7 m in the first half compared with USD5.1 million in 1H 2014.
- Despite the lower price environment and flat sales Steppe Cement generated USD7.3 million from operations before working capital changes in 1H 2015 compared to USD6.4 million in 1H 2014. This is mostly the consequence of lower production cost and tight control over expenses across the board. In addition receivables were reduced and payables increased in a concerted effort to maximize liquidity of the company. Cash was kept in USD as a hedge against a potential KZT devaluation, while complying with the requirements of all loan ratios.
- The Kazakhstan economy is expected to grow at 3% in 2015.
- Inflation has been maintained below 2% during 2015 but it is expected to increase in the coming months due to devaluation.
- On 20 August 2015, the KZT was allowed to float and it sharply depreciated 30% from 188 KZT/USD to 240 KZT/USD. There is no current trading band for the KZT and its future evolution will be tied to the oil price as well as the Rouble KZT exchange rate. The

company had, at the time of the devaluation, a net exposure of USD23 million in foreign loans.

2. Production, wagons and cost cutting measures

- All production is now coming from the dry lines as the wet lines are mothballed.
- Production costs per tonne decreased by 12% in KZT (or 21% excluding depreciation)
- Line 5 is currently able to produce 3,000 tonnes of clinker per day and its cash cost per tonne is 16% lower than line 6 mostly due to energy savings.
- Line 6 is able to produce 2,400 tonnes per day.
- All of the new 330 railway wagons purchased in 2014 for cement transportation have been placed into operation. The total amount of debt related to the wagons outstanding as of end of June was USD13 million with USD2.2 million in principal payments payable yearly.
- As the remaining wagons required by Steppe are not used year round, we have decided not to use the additional loan of USD15 million available from VTB to purchase additional units. We will continue to rent during the summer season.
- Significant efforts continued to be made to optimize utilities (water, heating, compressed air and electricity) as well as general expenses (headquarter, headcount and security). The effects of these savings will be reflected in the second half.

3. Update on the Kazakh cement market

- The Kazakh cement market increased by 10% during the first half of the year. Steppe Cement expects a market of 9.4 million tonnes for the full year 2015 from 8.5 million in 2014.
- Steppe Cement decreased its market share from 19% in 1H2014 to 17% in 1H2015 as we chose to maintain a significant stock of clinker. We will recover some of the market share during the 2H as we have sold most of our stock in the third quarter.
- Imports into Kazakhstan have grown by 8% in 2015 in light of the weakness of the Russian Rouble and despite the new cement factory that opened in the west of Kazakhstan. Imports remain at 12% market share, similar to last year.
- Overall production of all factories in Kazakhstan has increased by 10% in 1H 2015 due a new factory commissioned (5%), increased productivity and faster use of clinker in stock when compared to 2014.
- Exports from Kazakhstan now represent 1.5% of local production down from 6% a year ago. The relative strength of the Kazakh Tenge has forced the companies to sell almost all production locally.
- Currently 62% of production in the country is coming from dry lines and 38% from wet lines.
- Prices have increased in the second half as the factories have mostly run out of clinker stock and they are working at maximum capacity. For the rest of the year the cement price will depend on the demand / supply balance and the exchange rate with the Russian Rouble.
- The Kazakhstan Government has continued its road building plan as well as the works in the International Exhibition to be held in Astana in 2017.

4. Financing

- The debt position of the company on 30 June 2015 comprised:
    - A VTB Bank loan of USD22 million at 6.2% interest. A USD5.5 million principal payment was made in July 2015 and the Company retains a holding of USD5.5 million in cash to meet the USD5.5 million principal repayment due in November 2015. The remaining USD11 million is repayable during 2016;
    - A long term USD13 million loan outstanding to VTB Bank for the purchase of the

wagons and repayable monthly till March 2019 at 7.2% and secured with the pledge of the wagons; and
    - A 1.45 billion Kazak Tenge bond outstanding for redemption in November 2017.
- We have maintained KZT3.7 billion of available working capital lines from Halyk Bank and Altyn Bank.
- On 19 June 2015 Steppe's operating subsidiaries signed a loan agreement with Halyk Bank JSC subsidised by government programs. The loan comes at a fixed interest rate of 6% per annum and is available for drawdown over the year to 19 June 2016. The loan totals 2,188 million KZT, and comprises of:
    - 500 million KZT for 5 years working capital on revolving basis.
    - 1,688 million KZT for capital investment of which
        - 1,188 million KZT have 2 years grace for principal and 8 years repayment
        - 500 million KZT with no grace period and 10 years repayment.
- The loan will be used to partly replace the current working lines and for the capex requirements of 2015 and 2016 mostly in cement milling, utilities, packing and logistics.

- Steppe Cement will not pay a dividend in this calendar year and will use the available cash flow to pay down mostly USD denominated debt.

A pdf copy of the announcement and 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.

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SUMMARY OF INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015 (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 2015 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2015 USD’000	30 June 2014 USD’000	30 June 2015 USD’000	30 June 2014 USD’000
Revenue	44,698	51,810	50	50
Cost of sales	(31,426)	(36,969)	-	-
Gross profit	13,272	14.841	50	50
Selling expenses	(7,398)	(8,463)	-	-
General and administrative expenses	(4,326)	(5,199)	(235)	(296)
Operating income/(loss)	1,548	1,179	(246)	(246)
Interest income	1	1	-	-
Finance costs	(2,469)	(2,143)	-	-
Other expense, net	(1,372)	(5,441)	(11)	(39)
Loss before income tax	(2,292)	(6,404)	(196)	(285)
Income tax credit	51	2,285	-	-
Loss for the period	(2,241)	(4,120)	(196)	(285)
Attributable to:				
Shareholders of the Company	(2,241)	(4,120)	(196)	(285)
Loss per share:				
Basic (cent)	(1.0)	(1.9)		

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2015 USD'000	30 June 2014 USD'000	30 June 2015 USD'000	30 June 2014 USD'000
Loss for the period	(2,241)	(4,120)	(196)	(285)
Other comprehensive loss: *Item that may be reclassified subsequently to profit or loss*				
Exchange differences arising on translation of foreign subsidiary companies	(2,533)	(25,426)	-	-
Total other comprehensive loss for the period	(2,533)	(29,426)	-	-
Total comprehensive loss for the period	(4,774)	(29,426)	(196)	(285)
Attributable to:				
Shareholders of the Company	(4,774)	(29,546)	(196)	(285)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2015 USD'000	Audited 31 Dec 2014 USD'000	Unaudited 30 June 2015 USD'000	Audited 31 Dec 2014 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	142,329	151,695	-	-
Investment in subsidiary companies	-	-	30,500	30,500
Advances and prepaid expenses	815	51	-	-
Other assets	5,882	7,021	-	-
Total Non-Current Assets	149,026	158,767	30,500	30,500
Current Assets				
Inventories	22,780	22,113	-	-
Trade and other receivables	7,891	3,949	-	-
Income tax receivable	1,300	1,211		
Amount owing by subsidiary companies	-	-	40,210	40,377
Advances and prepaid expenses	2,348	2,514	18	6
Cash and bank balances	5,870	9,296	26	2
Total Current Assets	40,189	39,083	40,254	40,385
Total Assets	189,215	197,850	70,754	70,885

	The Group		The Company	
	Unaudited 30 June 2015 USD'000	Audited 31 Dec 2014 USD'000	Unaudited 30 June 2015 USD'000	Audited 31 Dec 2014 USD'000
Equity and Liabilities				
Capital and Reserves				
Share capital	73,761	73,761	73,761	73,761
Revaluation reserve	3,442	3,986	-	-
Translation reserve	(53,092)	(50,559)	-	-
Retained earnings/ (Accumulated loss)	88,805	90,503	(4,412)	(4,216)
Total Equity	112,917	117,691	69,348	69,545
Non-Current Liabilities				
Borrowings	29,218	30,363	-	-
Deferred tax liabilities	7,197	7,400	-	-
Provision for site restoration	88	84	-	-
Total Non-Current Liabilities	36,503	37,847	-	-
Current liabilities				
Trade and other payables	9,989	7,659	-	-
Accrued and other liabilities	8,567	6,639	1,406	1,334
Borrowings	20,575	27,089	-	-
Taxes payable	664	925	-	6
Total Current Liabilities	39,795	42,312	1,406	1,340
Total Liabilities	76,298	80,159	1,406	1,340
Total Equity and Liabilities	189,215	197,850	70,754	70,885

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015 (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 2015	73,761	3,986	(50,559)	90,503	117,691
Loss for the period	-	-	-	(2,241)	(2,241)
Exchange differences arising on translation of foreign subsidiary companies	-	-	(2,533)	-	(2,533)
Total comprehensive loss for the period	-	-	(2,533)	(2,241)	(4,774)
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(544)	-	544	-
Balance as at 30 June 2015	73,761	3,442	(53,092)	88,806	112,917

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 2014	73,761	5,604	(25,622)	100,883	154,626
Loss for the period	-	-	-	(4,120)	(4,120)
Exchange differences arising on translation of foreign subsidiary companies	-	-	(25,425)	-	(25,425)
Total comprehensive loss for the period	-	-	(25,425)	(4,120)	(29,545)
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(592)	-	592	-
Balance as at 30 June 2014	73,761	5,012	(51,047)	97,355	125,081

The Company	Share capital	Accumulated losses	Total
	USD’000	USD’000	USD’000
Balance as at 1 January 2015	73,761	(4,216)	69,545
Total comprehensive loss for the period	-	(196)	(196)
Balance as at 30 June 2015	73,761	(4,412)	69,348
Balance as at 1 January 2014	73,761	(4,380)	69,381
Total comprehensive loss for the period	-	(265)	(285)
Balance as at 30 June 2014	73,761	(4,665)	69,096

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2015 USD'000	30 June 2014 USD'000	30 June 2015 USD'000	30 June 2014 USD'000
OPERATING ACTIVITIES				
Loss before income tax	(2,292)	(6,404)	(196)	(285)
Adjustments for non-cash items	9,609	12,789	-	-
Operating Profit/(Loss) Before Working Capital Changes	7,317	6,385	(196)	(248)
(Increase)/ Decrease in:				
Inventories	(767)	(3,390)	-	-
Trade and other receivables, advances and prepaid expenses	(4,702)	(5,192)	(12)	(11)
Amount owing by subsidiary companies	-	-	167	6
Increase in:				
Trade and other payables, accrued and other liabilities	5,381	2,987	65	56
Cash Generated From/(Used In) Operations	7,229	790	24	(234)
Income tax paid	(94)	(1,135)	-	-
Interest paid	(2,432)	(2,058)	-	-
Net Cash Generated From/(Used In) Operating Activities	4,703	(2,403)	24	(234)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(669)	(10,343)	-	-
Purchase of non-current assets	(33)	(2,225)	-	-
Interest received	1	1	-	-
Net Cash Used In Investing Activities	(701)	(12,567)	-	-
FINANCING ACTIVITIES				
Proceeds from borrowings	14,588	59,249	-	-
Repayment from borrowings	(21,829)	(44,853)	-	-
Net Cash (Used In)/Generated From Financing Activities	(7,241)	14,396	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,239)	(574)	24	(234)
EFFECTS OF FOREIGN	(186)	(604)	-	-

EXCHANGE RATE CHANGES				
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	9,295	4,299	2	238
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5,870	3,121	26	4