

**Steppe Cement Ltd**  
**Interim Results for the Half Year ended 30 June 2016**  
**and General Market Update**

**1. Interim Results**

Steppe Cement Ltd ("Steppe Cement" and "the Company") posted a consolidated loss after tax of USD1.5 million for the six months ended 30 June 2016.

	6 months ended 30 June 16	6 months ended 30 June 15	% of change
Sales (Tonnes)	761,771	717,654	6%
Consolidated turnover KZT million	8,190	8,279	(1%)
Consolidated turnover (USD Million)	23.7	44.7	(47%)
Consolidated loss after tax (USD Million)	(1.5)	(2.2)	
Loss per share (Cents)	(0.7)	(1.0)	
Average exchange rate (USD/KZT)	345	185	

- The Company's operating cash flows are in Tenge ("KZT") but as it reports in USD, the results for the period have been significantly impacted by the substantial devaluation of the KZT between August 2015 and January 2016.
- Sales increased by 6% in volume but decreased by 1% in KZT.
- The average ex-factory price decreased from 9,665 KZT /tonne to 8,781 KZT /tonne or 9% during the period. This is against a background of a reduction in domestic cement consumption.
- Steppe Cement's gross margin decreased from 30% to 22.5% mostly due to the lower selling prices.
- Selling expenses and administrative expenses decreased by 47% and 49% in USD but remained constant as a % of sales due to strong cost containment.
- The company booked foreign exchange gains of USD0.4 million in the first half compared with losses of USD1.5 million in 1H 2015.
- In the context of the lower exchange rate and pricing environment, the Company generated operating profit before working capital of USD 2.8 million in 1H 2016 against USD7.3 million in 2015.
- The Kazakhstan economy is expected to remain flat in 2016.
- Reported inflation has been 5.4% until the end of August 2016. For the full 2015 inflation was 13.8%.
- The USD/KZT exchange rate has been fluctuating between 330 and 390 in 2016 and the RUB/KZT from 4.6 to 5.3.

**2. Production costs**

- Cement production costs per tonne increased by 4% in KZT despite the 13.8% inflation because of the efforts to optimize utilities (water, heating, compressed air and electricity) as well as general expenses (headquarter, headcount and security).

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

- The Kazakh cement market decreased by 10% during the first half of the year. Steppe Cement expects a market of about 9 million tonnes for the full year 2016 down from 9.6 million in 2015.

- Steppe Cement increased its market share from 16% in 1H2015 to 18% in 1H2016. We expect to achieve 19% for the full year. Export represented 4% of the volumes in the 1H2016 from none last year.
- Imports into Kazakhstan have decreased by 63% in 2016 as the rouble exchange rate has returned to its historical level against the KZT. Imports represent 5% of the market down from 12% last year.
- Overall production of all factories in Kazakhstan has remained stable at 4 million tonnes for the 1H2016.
- Exports from Kazakhstan now represent 4% of local production up from 1.5% last year.
- Currently 73% of production in the country is coming from dry lines up from 62% last year.
- Prices have been increasing in the second half as the market decline is slower than expected and inflation is starting to adversely affect production costs.
- Road building activity as well as construction in Almaty and Astana remains strong.

#### **4. Financing**

The debt position of the company as of 30 June 2016 comprised:

- A VTB Bank loan of USD11 million at 6.2% interest p.a. A USD5.5 million principal payment was subsequently made in July 2016. The final principal repayment is due in November 2016.
- A long term USD10.7 million loan outstanding to VTB Bank for the purchase of the wagons and repayable monthly till March 2019 at 7.2% interest p.a. and secured with the pledge of the wagons.
- A 1.45 billion Kazakh Tenge bond outstanding for redemption in November 2017.
- A loan of KZT2,188 million with Halyk Bank JSC subsidised by the government. The loan comes at a fixed interest rate of 6% per annum and comprises of:
  - KZT500 million for 5 years working capital on revolving basis;
  - KZT1,688 million for capital investment of which:
    - KZT1,188 million have 2 years' grace for principal and 8 years' repayment; and
    - KZT500 million with no grace period and 10 years' repayment.
- We have maintained KZT3.9 billion of available working capital lines from Halyk Bank and Altyn Bank including the KZT500 million previously mentioned. The current interest rates are 6% p.a. in USD and 14% p.a. in KZT.
- As of 10 September 2016, total bank debt net of cash amounts to USD28 million of which 64% is denominated in USD and the balance in KZT.

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 and broker is RFC Ambrian Limited.

Nominated Adviser: Contact Stephen Allen or Oliver Morse at +61 8 9480 2500.

Broker: Contact Charlie Cryer at +44 20 3440 6800

SUMMARY OF INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2016 (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 2016 (UNAUDITED)

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	USD'000	USD'000	USD'000	USD'000
Revenue	23,722	44,698	50	50
Cost of sales	<u>(18,388)</u>	<u>(31,426)</u>	<u>-</u>	<u>-</u>
Gross profit	5,334	13,272	50	50
Selling expenses	(3,891)	(7,398)	-	-
General and administrative expenses	<u>(2,200)</u>	<u>(4,326)</u>	<u>(114)</u>	<u>(235)</u>
Operating (loss)/income	(757)	1,548	(64)	(185)
Interest income	5	1	-	-
Finance costs	(1,468)	(2,469)	-	-
Net foreign exchange gain/(loss)	368	(1,494)	97	(11)
Other expense, net	<u>150</u>	<u>122</u>	<u>-</u>	<u>-</u>
(Loss)/Profit before income tax	(1,702)	(2,292)	33	(196)
Income tax credit	<u>223</u>	<u>51</u>	<u>-</u>	<u>-</u>
(Loss)/Profit for the period	<u>(1,479)</u>	<u>(2,241)</u>	<u>33</u>	<u>(196)</u>
Attributable to:				
Shareholders of the Company	(1,479)	(2,241)	33	(196)
Loss per share:				
Basic and diluted (cents)	<u>(0.7)</u>	<u>(1.0)</u>		

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2016 USD'000	30 June 2015 USD'000	30 June 2016 USD'000	30 June 2015 USD'000
(Loss)/Profit for the period	(2,241)	(2,241)	33	(196)
Other comprehensive income/(loss): <i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign subsidiary companies	46	(2,533)	-	-
Total other comprehensive income/(loss) for the period	46	(2,533)	-	-
Total comprehensive (loss)/income for the period	(1,433)	(4,774)	33	(196)
Attributable to: Shareholders of the Company	(1,433)	(4,774)	33	(196)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2016 USD'000	Audited 31 Dec 2015 USD'000	Unaudited 30 June 2016 USD'000	Audited 31 Dec 2015 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	71,526	71,787	-	-
Investment in subsidiary companies	-	-	26,500	26,500
Advances and prepaid expenses	1,895	1,271	-	-
Other assets	1,895	2,442	-	-
Deferred taxes	771	550	-	-
Total Non-Current Assets	<u>76,087</u>	<u>76,050</u>	<u>26,500</u>	<u>26,500</u>
Current Assets				
Inventories	12,876	13,320	-	-
Trade and other receivables	3,429	2,291	-	-
Income tax receivable	558	547		
Amount owing by subsidiary companies	-	-	39,726	39,846
Advances and prepaid expenses	1,769	1,432	18	6
Cash and bank balances	2,495	2,406	108	338
Total Current Assets	<u>21,127</u>	<u>19,996</u>	<u>39,852</u>	<u>40,190</u>
Total Assets	<u><u>97,214</u></u>	<u><u>96,046</u></u>	<u><u>66,352</u></u>	<u><u>66,690</u></u>

	The Group		The Company	
	Unaudited 30 June 2016 USD'000	Audited 31 Dec 2015 USD'000	Unaudited 30 June 2016 USD'000	Audited 31 Dec 2015 USD'000
<b>Equity and Liabilities</b>				
<b>Capital and Reserves</b>				
Share capital	73,761	73,761	73,761	73,761
Revaluation reserve	3,256	3,443	-	-
Translation reserve	(108,078)	(108,124)	-	-
Retained earnings/ (Accumulated loss)	86,354	87,646	(8,395)	(8,428)
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<b>Total Equity</b>	<b>55,293</b>	<b>56,726</b>	<b>65,366</b>	<b>65,333</b>
<b>Non-Current Liabilities</b>				
Borrowings	16,008	14,857	-	-
Deferred income	1,513	518	-	-
Provision for site restoration	54	51	-	-
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<b>Total Non-Current Liabilities</b>	<b>17,575</b>	<b>15,426</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables	5,405	4,485	-	-
Accrued and other liabilities	3,208	3,085	986	1,357
Borrowings	15,417	15,822	-	-
Taxes payable	316	502	-	-
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<b>Total Current Liabilities</b>	<b>24,346</b>	<b>23,894</b>	<b>1,406</b>	<b>1,357</b>
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<b>Total Liabilities</b>	<b>41,921</b>	<b>39,320</b>	<b>1,406</b>	<b>1,357</b>
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<b>Total Equity and Liabilities</b>	<b>97,214</b>	<b>96,046</b>	<b>66,352</b>	<b>66,690</b>
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2016 (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 2016	73,761	3,443	(108,124)	87,646	56,726
Loss for the period	-	-	-	(1,479)	(1,479)
Exchange differences arising on translation of foreign subsidiary companies	-	-	46	-	46
Total comprehensive (loss)/income for the period	-	-	46	(1,479)	(1,433)
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(187)	-	187	-
Balance as at 30 June 2016	<u>73,761</u>	<u>3,256</u>	<u>(108,078)</u>	<u>86,354</u>	<u>55,293</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 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	<u>73,761</u>	<u>3,442</u>	<u>(53,092)</u>	<u>88,806</u>	<u>112,917</u>

The Company	Share capital	Accumulated losses	Total
	USD'000	USD'000	USD'000
Balance as at 1 January 2016	73,761	(8,428)	65,333
Total comprehensive income for the period	-	33	33
Balance as at 30 June 2016	<u>73,761</u>	<u>(8,395)</u>	<u>65,366</u>
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	<u>73,761</u>	<u>(4,412)</u>	<u>69,348</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2016 (UNAUDITED)**

	The Group 6 months ended		The Company 6 months ended	
	30 June 2016 USD'000	30 June 2015 USD'000	30 June 2016 USD'000	30 June 2015 USD'000
<b>OPERATING ACTIVITIES</b>				
(Loss)/Profit before income tax	(1,702)	(2,292)	33	(196)
Adjustments for non-cash items	4,509	9,609	(93)	-
<b>Operating Profit/(Loss) Before Working Capital Changes</b>	<b>2,807</b>	<b>7,317</b>	<b>(60)</b>	<b>(196)</b>
<b>(Increase)/ Decrease in:</b>				
Inventories	301	(767)	-	-
Trade and other receivables, advances and prepaid expenses	(838)	(4,702)	(12)	(12)
Amount owing by subsidiary companies	-	-	119	167
<b>Increase in:</b>				
Trade and other payables, accrued and other liabilities	959	5,381	(278)	65
<b>Cash Generated From/(Used In) Operations</b>	<b>3,229</b>	<b>7,229</b>	<b>(230)</b>	<b>24</b>
Income tax paid	(80)	(94)	-	-
Interest paid	(1,389)	(2,432)	-	-
<b>Net Cash Generated From/(Used In) Operating Activities</b>	<b>1,760</b>	<b>4,703</b>	<b>(230)</b>	<b>24</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(3,410)	(669)	-	-
Purchase of non-current assets	(34)	(33)	-	-
Interest received	5	1	-	-
<b>Net Cash Used In Investing Activities</b>	<b>(3,439)</b>	<b>(701)</b>	<b>-</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings	13,618	14,588	-	-
Repayment from borrowings	(11,854)	(21,829)	-	-
<b>Net Cash Generated From/(Used In) Financing Activities</b>	<b>1,764</b>	<b>(7,241)</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>85</b>	<b>(3,239)</b>	<b>(230)</b>	<b>24</b>
<b>EFFECTS OF FOREIGN</b>	<b>4</b>	<b>(186)</b>	<b>-</b>	<b>-</b>

EXCHANGE RATE CHANGES				
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,406	9,295	338	2
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CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,495	5,870	108	26
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