

**Steppe Cement Ltd**  
**Interim Results for the Half Year 30 June 2017**  
**and General Market Update**

**1. Interim Results**

Steppe Cement Ltd ("Steppe Cement" and "the Company") posted a consolidated loss after tax of USD0.3 million for the six months ended 30 June 2017.

	6 months ended 30 June 17	6 months ended 30 June 16	% of change
Sales (Tonnes)	650,333	761,771	(15)%
Consolidated turnover KZT million	8,553	8,190	4%
Consolidated turnover (USD Million)	26.8	23.7	13%
Consolidated loss after tax (USD Million)	(0.3)	(1.5)	
Loss per share (Cents)	(0.2)	(0.7)	
Average exchange rate (USD/KZT)	319	342	

- The Company continued its strategy of focusing on price rather than volume until the summer and the sales volume decreased by 15% but turnover increased by 4% in KZT.
- The average ex-factory price increased from 8,781 KZT/tonne to 11,147 KZT/tonne or 27% during the period.
- Steppe Cement's gross margin increased from 22% to 25% in USD terms.
- Selling expenses and administrative expenses were maintained relative to turnover reflecting partly the inflation in transportation cost.
- The Kazakh Tenge continue to appreciate in the first half by 8% compared to the first half of 2016. The company booked foreign exchange gains of USD0.4 million in the first half of 2017 similar to the level in 1H2016.
- The Company generated operating profit before working capital changes of USD4.9 million in 1H 2017 against USD2.8 million in 2016.
- The Kazakhstan economy is expected to grow at 3.5% in 2017.
- Reported inflation has been 5.6% until the end of August 2017. For the full 2016 inflation was 15.5%.

**2. Production costs**

- Cement production costs per tonne increased by 17% in KZT partly because of the high inflation recorded in the second half of last year and partly as a reflection of fixed costs in lower volumes in the first half of 2017.
- Volumes are recovering strongly in the second half of 2017 and we expect to contain cost per tonne increases.

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

- The Kazakh cement market remained stable during the first half of the year. Steppe Cement expects a market demand of about 9 million tonnes for the full year 2017 similar to 2016.
- Steppe Cement decreased its local market share from 18% in 1H2016 to 15% in 1H2017. We expect to achieve 18% market share for the full year. Exports represented 10% of the volumes in the 1H2017 from 4% last year.
- Imports into Kazakhstan have increased by 30% in 2017 to 0.26 million tonnes and they

represent 6% of the market up from 5% last year.

- Exports have increased from 0.16 million tonnes to 0.45 million tonnes in the first half of 2017.
- Exports from Kazakhstan now represent 11% of local production up from 4% last year.
- Overall production of all factories in Kazakhstan has increased by 5% to 4.2 million tonnes for the 1H2017.
- Currently 74% of production in the country is coming from dry lines, similar to last year's level.
- Road building activity as well as construction remains strong particularly in the west and south of the country.

#### **4. Financing**

The debt position of the company as of 30 June 2017 comprised:

- A Halyk bank loan of USD4 million at 6% p.a. interest due in 2018.
- A long-term USD9 million loan outstanding to Halyk Bank for the purchase of the wagons and repayable monthly till November 2021 at 6.5% p.a. and secured with the pledge of the wagons.
- A 1.45 billion Kazakh Tenge 10% bond outstanding for redemption in November 2017.
- A loan of KZT1.688 million with Halyk Bank JSC subsidised by the government for capital investment at 6%.
- We have maintained KZT4.9 billion of available working capital lines from Halyk Bank, Altyn Bank and VTB Bank. The current rates are 6% p.a. in USD and 12% p.a. in KZT. As of 30 June 2017 we have the equivalent of USD7 million outstanding from these working capital loans and by the end of August 2017 they have all been repaid.

As of 31 August 2017, total bank debt net of cash amounts to USD20 million of which 65% is denominated in USD and the balance in KZT.

A new loan of 580 million KZT was signed in July 2017 to fund a new packing plant to be installed near the dry lines. The loan carries a 6% interest in KZT and is repayable in 7 years with one-year grace. The loan will be drawn until August 2018.

The unaudited condensed consolidated statements of profit and loss, comprehensive income, financial position, changes in equity and cash flow follow. A copy of 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.

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Broker: Contact Charlie Cryer at +44 20 3440 6800

SUMMARY OF INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017 (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 STATEMENT OF PROFIT AND LOSS  
FOR THE PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2017 USD'000	30 June 2016 USD'000	30 June 2017 USD'000	30 June 2016 USD'000
Revenue	26,839	23,722	50	50
Cost of sales	<u>(20,050)</u>	<u>(18,388)</u>	<u>-</u>	<u>-</u>
Gross profit	6,789	5,334	50	50
Selling expenses	(4,145)	(3,891)	-	-
General and administrative expenses	<u>(2,195)</u>	<u>(2,200)</u>	<u>(138)</u>	<u>(114)</u>
Operating profit/(loss)	449	(757)	(88)	(64)
Interest income	16	5	^	-
Finance costs	(1,310)	(1,468)	-	-
Net foreign exchange gain/(loss)	572	368	47	97
Other income, net	<u>278</u>	<u>150</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before income tax	5	(1,702)	(135)	33
Income tax (expense)/credit	<u>(346)</u>	<u>223</u>	<u>-</u>	<u>-</u>
(Loss)/Profit for the period	<u>(341)</u>	<u>(1,479)</u>	<u>(135)</u>	<u>33</u>
Attributable to: Shareholders of the Company	(341)	(1,479)	(135)	33
Loss per share:				
Basic and diluted (cents)	<u>(0.2)</u>	<u>(0.7)</u>		

^ Insignificant amount.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2017 USD'000	30 June 2016 USD'000	30 June 2017 USD'000	30 June 2016 USD'000
(Loss)/Profit for the period	(341)	(1,479)	(135)	33
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign subsidiary companies	2,453	46	-	-
Total other comprehensive income for the period	2,453	46	-	-
Total comprehensive income/(loss) for the period	2,112	(1,433)	(135)	33
Attributable to: Shareholders of the Company	2,112	(1,433)	(135)	33

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2017 USD'000	Audited 31 Dec 2016 USD'000	Unaudited 30 June 2017 USD'000	Audited 31 Dec 2016 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	71,695	71,887	-	-
Investment in subsidiary companies	-	-	26,500	26,500
Advances and prepaid expenses	132	459	-	-
Other assets	965	1,439	-	-
Deferred taxes	-	47	-	-
Total Non-Current Assets	<u>72,792</u>	<u>73,832</u>	<u>26,500</u>	<u>26,500</u>
Current Assets				
Inventories	18,517	16,162	-	-
Trade and other receivables	4,929	3,169	-	-
Income tax receivable	605	505	-	-
Loans and advances to subsidiary companies	-	-	39,622	39,710
Advances and prepaid expenses	3,006	1,077	20	9
Cash and cash equivalents	1,753	1,023	130	74
Total Current Assets	<u>28,810</u>	<u>21,936</u>	<u>39,772</u>	<u>39,793</u>
Total Assets	<u><u>101,602</u></u>	<u><u>95,768</u></u>	<u><u>66,272</u></u>	<u><u>66,293</u></u>

	The Group		The Company	
	Unaudited 30 June 2017 USD'000	Audited 31 Dec 2016 USD'000	Unaudited 30 June 2017 USD'000	Audited 31 Dec 2016 USD'000
<b>Equity and Liabilities</b>				
<b>Capital and Reserves</b>				
Share capital	73,761	73,761	73,761	73,761
Revaluation reserve	2,865	3,062	-	-
Translation reserve	(104,532)	(106,985)	-	-
Retained earnings/ (Accumulated loss)	88,059	88,203	(8,589)	(8,454)
<b>Total Equity</b>	<b>60,153</b>	<b>58,041</b>	<b>65,172</b>	<b>65,307</b>
<b>Non-Current Liabilities</b>				
Borrowings	14,341	15,453	-	-
Deferred taxes	245	-	-	-
Deferred income	1,555	1,525	-	-
Provision for site restoration	65	59	-	-
<b>Total Non-Current Liabilities</b>	<b>16,206</b>	<b>17,037</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables	6,188	7,578	-	-
Accrued and other liabilities	5,073	1,918	1,100	986
Borrowings	13,717	10,964	-	-
Taxes payable	265	230	-	-
<b>Total Current Liabilities</b>	<b>25,243</b>	<b>20,690</b>	<b>1,100</b>	<b>986</b>
<b>Total Liabilities</b>	<b>41,449</b>	<b>37,727</b>	<b>1,100</b>	<b>986</b>
<b>Total Equity and Liabilities</b>	<b>101,602</b>	<b>95,768</b>	<b>66,272</b>	<b>66,293</b>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2017 (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 2017	73,761	3,062	(106,985)	88,203	58,041
Loss for the period	-	-	-	(341)	(341)
Other comprehensive income	-	-	2,453	-	2,453
Total comprehensive income/(loss) for the period	-	-	2,453	(341)	2,112
Transfer of revaluation reserve relating to the depreciation of property, plant and equipment through use	-	(197)	-	197	-
Balance as at 30 June 2017	<u>73,761</u>	<u>2,865</u>	<u>(104,532)</u>	<u>88,059</u>	<u>60,153</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 2016	73,761	3,443	(108,124)	87,646	56,726
Loss for the period	-	-	-	(1,479)	(1,479)
Other comprehensive income	-	-	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 Company	Share capital	Accumulated losses	Total
	USD'000	USD'000	USD'000
Balance as at 1 January 2017	73,761	(8,454)	65,037
Total comprehensive loss for the period	-	(135)	(135)
Balance as at 30 June 2017	<u>73,761</u>	<u>(8,589)</u>	<u>65,172</u>
Balance as at 1 January 2016	73,761	(8,428)	65,333
Total comprehensive loss for the period	-	33	33
Balance as at 30 June 2016	<u>73,761</u>	<u>(8,395)</u>	<u>65,366</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2017 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2017 USD'000	30 June 2016 USD'000	30 June 2017 USD'000	30 June 2016 USD'000
<b>OPERATING ACTIVITIES</b>				
Profit/(Loss) before income tax	5	(1,702)	(135)	33
Adjustments for non-cash items	4,898	4,509	47	(93)
	<u>4,903</u>	<u>2,807</u>	<u>(88)</u>	<u>(60)</u>
Operating Profit/(Loss) Before Working Capital Changes				
(Increase)/ Decrease in:				
Inventories	(1,741)	301	-	-
Trade and other receivables, advances and prepaid expenses	(2,878)	(838)	(11)	(11)
Loans and advances to subsidiary companies	-	-	88	119
Increase/(Decrease) in:				
Trade and other payables, accrued and other liabilities	1,234	959	67	(278)
	<u>1,518</u>	<u>3,229</u>	<u>56</u>	<u>(230)</u>
Cash Generated From/(Used In) Operations				
Income tax paid	(51)	(80)	-	-
Interest paid	(1,303)	(1,389)	-	-
	<u>164</u>	<u>1,760</u>	<u>56</u>	<u>(230)</u>
Net Cash Generated From/(Used In) Operating Activities				
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(740)	(3,410)	-	-
Purchase of other assets	(32)	(34)	-	-
Interest received	16	5	-	-
	<u>(756)</u>	<u>(3,439)</u>	<u>-</u>	<u>-</u>
Net Cash Used In Investing Activities				
<b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings	13,611	13,618	-	-
Repayment from borrowings	(12,319)	(11,854)	-	-
	<u>1,292</u>	<u>1,764</u>	<u>-</u>	<u>-</u>
Net Cash Generated From Financing Activities				
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	700	85	56	(230)
EFFECTS OF FOREIGN	30	4	-	-

EXCHANGE RATE CHANGES				
CASH AND CASH	1,023	2,406	74	338
EQUIVALENTS AT BEGINNING				
OF THE PERIOD	<hr/>	<hr/>	<hr/>	<hr/>
CASH AND CASH	1,753	2,495	130	108
EQUIVALENTS AT END OF THE				
PERIOD	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>