

**Company**      [Steppe Cement Limited](#)  
**TIDM**            STCM  
**Headline**        Interim Results  
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Steppe Cement Limited  
 2 September 2011

**Steppe Cement Ltd**  
**Interim Results for the Half Year 30 June 2011**  
**and General Market Update**

**1. Interim Results**

Steppe Cement Ltd ("Steppe Cement" or the "Company") posted a consolidated loss after tax of USD2.2 million for the six months ended 30 June 2011.

	6 months ended 30 June 11	6 months ended 30 June 10	% of change
Sales (Tonnes)	601,099	523,156	15
Consolidated turnover (USD Million)	43.0	31.5	36
Consolidated loss after tax (USD Million)	(2.2)	(3.8)	(42)
Loss per share (Cents)	(1.2)	(2.5)	(52)
Average exchange rate (USD/KZT)	146	147.2	(1)

- Sales increased by 36% in Tenge ("KZT") while volumes increased by 15%. The average sales price increased from USD61/tonne to USD72/tonne during the period.
- Production costs per tonne increased by 11% in USD. The increase is concentrated in electricity and transportation and is partly offset by productivity increases. The number of employees declined from 1,081 to 1,049 as at the end of June 2011 despite the increase in production.
- Selling expenses have grown on a per tonne basis by 34% reflecting as sharp increase in transport costs in part as markets further away from the plant are being targeted.
- General and administrative expenses decreased by 5% during the period.
- Steppe Cement generated USD7.3 million from operations in the 1H 2011 due to improved trading conditions and inventory reduction.
- The KZT has remained stable and the Kazakhstan economy continues to grow at 7% per year.
- In August 2011 Central Asia Cement, a fully owned subsidiary of Steppe Cement, repaid the principal and last coupon of the KZT2.7 billion (USD18.6 million at current exchange rates) bond issued in 2006.

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

- The Kazakhstan cement market increased by 4% during the first half of the year and Steppe Cement currently expects this to increase by 8% for 2011 overall to 6.2 million tonnes.
- Prices are expected to increase significantly in 2H 2011 when compared to the 1H 2011 and 2H 2010.
- Overall local production has increased by 13% in the first half of 2011 compared to 2010 while the share of the imported cement continues to decrease.
- Steppe Cement increased its market share from 20% in 1H 2010 to 21% in 1H 2011 and we

expect it to remain around that level for the full year 2011.

- The Kazakhstan Government has continued its infrastructure projects and ongoing support for completion of real estate projects in Almaty and Astana. It has been recently announced that this support will continue in the smaller cities.
- The two new entrants in the market Minarat Cement (Vicat) near the Balkhash lake and Standard Cement near Taraz in the south of Kazakhstan have commenced operations and are ramping up production during the summer. They are absorbing the increased demand in Kazakhstan and contributing to reduce imports to 17% of the total market.

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

- Line 6 production has continued to increase and was up 4% in the 1H 2011 and it is already up 15% in the year to August.
- Currently line 6 is achieving up to 2,450 tonnes per day of clinker and up to 3,000 tonnes per day of cement compared to 2,000 tonnes of clinker per day in 1H 2010.
- The wet lines are performing at lower levels to those of 2010.
- For the full year 2011 the volumes from the dry line are expected to exceed those of the wet lines.
- The main cost increases are driven by electricity tariffs and the Company is taking measures to limit the impact in the coming year.

### **4. Financing**

- Steppe Cement's net debt was reduced to USD52 million after the redemption of the KZT2.7 billion bond and coupon in August.
- Steppe Cement is currently negotiating to secure financing to complete line 5 in view of the more stable outlook for the market and the production cost benefits that will accrue over the existing wet process.

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

Steppe Cement's AIM nominated adviser is RFC Corporate Finance Ltd.  
Contact Stephen Allen or Trinity McIntyre at +61 8 94802500.

SUMMARY OF INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2011 (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 2011 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2011 USD'000	30 June 2010 USD'000	30 June 2011 USD'000	30 June 2010 USD'000
Revenue	43,059	31,556	50	50
Cost of sales	<u>(30,757)</u>	<u>(23,946)</u>	<u>-</u>	<u>-</u>
Gross profit	12,302	7,610	50	50
Selling expenses	(7,886)	(5,083)	-	-
General and administrative expenses	<u>(4,573)</u>	<u>(4,802)</u>	<u>(261)</u>	<u>(298)</u>
Operating loss	(157)	(2,275)	(211)	(248)
Investment income	17	<sup>^</sup>	-	<sup>^</sup>
Finance costs	(2,673)	(3,062)	-	-
Other (expense)/income, net	<u>(25)</u>	<u>736</u>	<u>(19)</u>	<u>54</u>
Loss before income tax	(2,838)	(4,601)	(230)	(194)
Income tax credit	<u>600</u>	<u>717</u>	<u>-</u>	<u>-</u>
Loss for the period	<u>(2,238)</u>	<u>(3,884)</u>	<u>(230)</u>	<u>(194)</u>
Attributable to: Shareholders of the Company	(2,238)	(3,884)	(230)	(194)
Loss per share:				
Basic (cents)	<u>(1.3)</u>	<u>(2.5)</u>		

<sup>^</sup> - Insignificant amount

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2011 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2011 USD'000	30 June 2010 USD'000	30 June 2011 USD'000	30 June 2010 USD'000
Loss for the period	(2,238)	(3,884)	(230)	(194)
Other comprehensive income:				
Exchange differences arising on translation of foreign subsidiary companies	1,357	758	-	-
Total comprehensive loss for the period	(881)	(3,126)	(230)	(194)
Attributable to: Shareholders of the Company	(881)	(3,126)	(230)	(194)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011 (UNAUDITED)

	The Group		The Company	
	Unaudited 30 June 2011 USD'000	Audited 31 Dec 2010 USD'000	Unaudited 30 June 2011 USD'000	Audited 31 Dec 2010 USD'000
Assets				
Non-Current Assets:				
Property, plant and equipment	140,759	142,509	-	-
Investment in subsidiary companies	-	-	26,500	26,500
Advances paid	808	322	-	-
Other assets	32,700	32,434	-	-
Total Non-Current Assets	174,267	175,265	26,500	26,500
Current Assets				
Inventories, net	13,919	15,334	-	-
Trade receivables, net	2,549	2,135	-	-
Amount owing by subsidiary companies	-	-	28,940	28,590
Other receivables, advances and prepaid expenses	8,832	8,576	-	1
Cash and bank balances	19,755	9,532	491	964
Total Current Assets	45,055	35,577	29,431	29,555
Total Assets	219,322	210,842	55,931	56,055

	The Group		The Company	
	Unaudited 30 June 2011 USD'000	Audited 31 Dec 2010 USD'000	Unaudited 30 June 2011 USD'000	Audited 31 Dec 2010 USD'000
Equity and Liabilities				
Capital and Reserves				
Share capital	58,298	58,298	58,298	58,298
Revaluation reserve	10,940	10,940	-	-
Translation reserve	(17,587)	(18,944)	-	-
Retained earnings/ (Accumulated loss)	72,187	74,425	(3,268)	(3,038)
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Total Equity	<u>123,838</u>	<u>124,719</u>	<u>55,030</u>	<u>55,260</u>
Non-Current Liabilities				
Loans	51,458	52,462	-	-
Deferred tax liabilities, net	4,099	4,687	-	-
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Total Non-Current Liabilities	<u>55,557</u>	<u>57,149</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	6,975	4,465	-	-
Other payables and accrued liabilities	6,617	3,315	901	795
Bonds	18,441	18,258	-	-
Loans	6,978	2,248	-	-
Taxes payable	916	688	-	-
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Total Current Liabilities	<u>39,927</u>	<u>28,974</u>	<u>901</u>	<u>795</u>
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Total Liabilities	<u>95,484</u>	<u>86,123</u>	<u>901</u>	<u>795</u>
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Total Equity and Liabilities	<u>219,322</u>	<u>210,842</u>	<u>55,931</u>	<u>56,055</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2011 (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 2010	1,540	41,296	3,024	(20,864)	77,004	102,000
Loss for the period	-	-	-	-	(3,884)	(3,884)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	758	-	758
Total comprehensive income/(loss) for the period	-	-	-	758	(3,884)	(3,126)
Balance as at 30 June 2010	<u>1,540</u>	<u>41,296</u>	<u>3,024</u>	<u>(20,106)</u>	<u>73,120</u>	<u>98,874</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 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 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 2010	1,540	41,296	(2,756)	40,080
Total comprehensive loss for the period	-	-	(194)	(194)
Balance as at 30 June 2010	<u>1,540</u>	<u>41,296</u>	<u>(2,950)</u>	<u>39,886</u>
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>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2011 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2011 USD'000	30 June 2010 USD'000	30 June 2011 USD'000	30 June 2010 USD'000
<b>OPERATING ACTIVITIES</b>				
Loss before tax	(2,838)	(4,601)	(230)	(194)
Adjustments for non-cash items	6,621	6,615	-	(38)
Operating Profit/(Loss) Before Working Capital Changes	3,783	2,014	(230)	(232)
(Increase)/ Decrease in:				
Inventories	1,411	(990)	-	-
Trade receivables	(414)	(533)	-	-
Other receivable and prepaid expenses	(1,399)	(1,653)	1	4
Amount owing by subsidiary companies	-	-	(350)	(3,599)
Increase/ (Decrease) in:				
Trade payables	1,531	(965)	-	-
Other payables and accrued liabilities	4,840	(161)	106	(37)
Cash Generated From/(Used In) Operations	9,752	(2,288)	(473)	(3,864)
Income tax paid	(107)	(303)	-	-
Interest paid	(2,343)	(2,938)	-	-
Net Cash Generated From/(Used In) Operating Activities	7,302	(5,529)	(473)	(3,864)
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	^	7	-	-
Purchase of property, plant and equipment	(280)	(442)	-	-
Purchase of non-current assets	(162)	-	-	-
Interest received	17	^	-	-
Net Cash Used In Investing Activities	(425)	(435)	-	-
<b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings	6,171	16,219	-	-
Repayment from borrowings	(2,910)	(15,128)	-	-
Net Cash From by Financing Activities	3,261	1,091	-	-

NET INCREASE/(DECREASE)/ IN CASH AND CASH EQUIVALENTS	10,138	(4,873)	(473)	(3,864)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	85	6	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	9,532	6,545	964	3,886
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	19,755	1,678	491	22

^ - Insignificant amount