

RNS Number : 3770Y  
Steppe Cement Limited  
02 September 2009

**Steppe Cement Ltd**  
**Interim Results for the Half Year Ended 30 June 2009**  
**and General Market Update**

**1. Interim Results**

Steppe Cement Ltd ("Steppe Cement") posted a consolidated loss after tax of USD18.8 million for the six months ended 30 June 2009.

Steppe Cement's operating results are summarised below:

	<b>6 months ended 30 June 09</b>	<b>6 months ended 30 June 08</b>	<b>% of change</b>
Sales (Tonnes)	<b>442,227</b>	412,042	<b>7%</b>
Consolidated turnover (USD Million)	<b>24.8</b>	52.2	<b>(54%)</b>
Consolidated (loss)/profit after tax (USD Million)	<b>(18.8)</b>	14.6	
(Loss)/earnings per share (Cents)	<b>(15.0)</b>	12.8	
Average exchange rate (USD/KZT)	<b>145.1</b>	120.5	

At the operational level, sales decreased by 44% in Tenge ("KZT") while volumes increased by 7%. The average sales price decreased from USD126/tonne to USD54 /tonne during the period or USD51/tonne based on the closing exchange rate as of 30 June 2009. Prices have been increasing since April through July 2009.

Production costs per tonne decreased by 18% in USD and by 2% in KZT, a level below the inflation rate in Kazakhstan. The decline can be attributed to savings in labor, transportation and material cost such as coal, metal and oil that offset the increases in electricity prices.

Steppe Cement had taken measures to significantly limit production and operational expenses during the first half of 2009 to preserve cash and, as a result of these initiatives, Steppe Cement managed to reduce approximately USD 1 million in labour costs during the first half. The number of employees declined from 1,546 to 1,199 as at the end of June 2009.

The financial performance has been affected mainly by:

- The devaluation of the KZT from 120.8 in December 2008 to 150.4 KZT/USD as at 30 June 2009. This caused book losses of USD 13.1 million after translation of USD denominated long term debts of USD 62 million.
- The lower price of cement from USD 126 /tonne to USD 54/tonne as a consequence of both the devaluation and the market contraction.

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

The Kazakhstan cement market decreased by 24% during the first half of the year. The imported cements' share has gone down from 33% to 15% of the total market while overall local production volume decreased by 2%.

Steppe Cement expects a market of 4.7 to 5 million tons in 2009 a decrease of 15% compared to 2008. The monthly figures for June and July suggest better volumes and prices better than were expected in the earlier part of the year. The monthly consumption pattern is reverting to the trend seen in 2005.

Prices are expected to increase in the second half of 2009 and volumes are anticipated to be similar to those of 2008. Cement imports will be reduced compared to those of 2008 as local factories increase or maintain their production levels

Bank lending to the construction sector is only resuming and projects started in 2007 and 2008 will be completed slowly.

As part of the effort to stimulate the economy, the Kazakhstan Government has made funds available to the two major banks. Samruk Kazina (the Government's main investment agency) has been mandated to complete significant projects in Astana and has signed a memorandum with the cement factories to supply one million tonnes of cement until the end of 2010. These quantities don't include the road projects that have been approved and are at the stage of design development.

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

Line 6 production started in October 2008 but weak market volumes, lower prices and increasing stocks forced Steppe Cement to take the decision to close it for two months in the first half of 2009. Production resumed in March 2009 and has been increasing monthly through July.

Line 6 reliability has improved although there are still improvements to be implemented in the cooler and kiln inlet areas. The crushers, mills and kiln have performed according to expectations.

During July Steppe Cement completed the commissioning of the second string of the pre-heater of line 6 and expects this to bring an increase in production from 1400 tonnes per day ("tpd") of clinker to between 1,700 to 2,000 tpd of clinker or the equivalent of 2100 to 2,500 tpd of cement.

The completion of the new chain system of kiln 1 in the wet lines in August has finally brought the expected increase of production to nearly 600 tonnes per day, however commissioning has taken longer than anticipated.

All the cement mills in the wet lines area are now in working condition and this will allow Steppe Cement to reduce or stop transportation of clinker from the wet to the dry lines as has been the case over the last few years.

Steppe Cement decided to defer the line 5 refurbishment until there is some visibility in the evolution of demand and prices in 2010.

#### **4. Financing**

Steppe Cement partially repaid the long term loans through short term facilities and a portion from the proceeds of USD15 million raised via the Offer for Subscription exercise completed in May. The Offer for Subscription was more than two times oversubscribed and 88% of the existing shareholders subscribed the new shares.

Steppe Cement will maintain the current cash balance as a reserve for the repayment of the principal of the long term loans from EBRD and HSBC. Steppe Cement will also devote its operating cash flows until the end of the year to reduce the short term debt that has already been reduced to USD 5 million in August 2009.

Steppe Cement's is benefiting from the current low interest rates as its long term debts are indexed to LIBOR.

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 is RFC Corporate Finance Ltd. Contact Stephen Allen or Trinity McIntyre at +61 8 94802500.

## SUMMARY OF INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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](http://www.steppecement.com) to view the full interim financial statements.

### STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)

### AND ITS SUBSIDIARY COMPANIES

#### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2009 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30.6.09 USD'000	30.6.08 USD'000	30.6.09 USD'000	30.6.08 USD'000
Revenue	24,844	52,269	50	50
Cost of sales	(18,320)	(20,305)	-	-
Gross profit	6,524	31,964	50	50
Selling expenses	(3,826)	(3,114)	-	-
General and administrative expenses	(5,407)	(6,754)	(314)	(344)
Operating (loss)/profit	(2,709)	22,096	(264)	(294)
Investment income	59	3	1	-
Finance costs	(3,640)	(1,048)	-	-
Other income/(expense), net	(13,204)	80	-	11
(Loss)/profit before tax	(19,494)	21,131	(263)	(283)
Income tax credit/(expense)	697	(6,531)	-	-
(Loss)/profit for the period	(18,797)	14,600	(263)	(283)
Attributable to:				
Shareholders of the company	(18,797)	14,600	(263)	(283)
(Loss)/earnings per share:				
Basic (cents)	(15)	12.8		

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2009 (UNAUDITED)**

	<b>The Group</b>		<b>The Company</b>	
	<b>6 months ended</b>		<b>6 months ended</b>	
	<b>30.6.09</b>	<b>30.6.08</b>	<b>30.6.09</b>	<b>30.6.08</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
(Loss)/profit for the period	(18,797)	14,600	(263)	(283)
Other comprehensive (loss)/income:				
Exchange differences arising on translation of foreign subsidiary companies	(27,370)	27	-	-
	-----	-----	-----	-----
Total comprehensive (loss)/income for the period	(46,167)	14,627	(263)	(283)
Attributable to:				
Shareholders of the company	(46,167)	14,627	(263)	(283)
	-----	-----	-----	-----

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2009 (UNAUDITED)**

	<b>The Group</b>		<b>The Company</b>	
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30.6.09</b>	<b>31.12.08</b>	<b>30.6.09</b>	<b>31.12.08</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	136,464	172,250	-	-
Investment in subsidiary companies	-	-	26,500	26,500
Advances paid	6,182	9,146	-	-
Other assets	25,562	33,492	-	-
	-----	-----	-----	-----
<b>Total Non-Current Assets</b>	<b>168,208</b>	<b>214,888</b>	<b>26,500</b>	<b>26,500</b>
	-----	-----	-----	-----
<b>Current Assets</b>				
Inventories, net	14,286	20,509	-	-
Trade receivable, net	704	958	-	-
Amount owing by subsidiary companies	-	-	6,064	747
Other receivables, advances and prepaid expenses	8,803	8,950	9	4
Short-term investments	2,102	2,391	-	-
Cash and bank balances	10,824	730	8,762	135
	-----	-----	-----	-----
<b>Total Current Assets</b>	<b>36,719</b>	<b>33,538</b>	<b>14,835</b>	<b>886</b>
	-----	-----	-----	-----
<b>Total Assets</b>	<b>204,927</b>	<b>248,426</b>	<b>41,335</b>	<b>27,386</b>
	-----	-----	-----	-----

	<b>The Group</b>		<b>The Company</b>	
	<b>Unaudited</b> <b>As at</b> <b>30.6.09</b> <b>USD'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.08</b> <b>USD'000</b>	<b>Unaudited</b> <b>As at</b> <b>30.6.09</b> <b>USD'000</b>	<b>Audited</b> <b>As at</b> <b>31.12.08</b> <b>USD'000</b>
<b>Equity and Liabilities</b>				
<b>Capital and Reserves</b>				
Share capital	1,540	1,140	1,540	1,140
Share premium	41,296	26,647	41,296	26,647
Revaluation reserve	3,365	3,365	-	-
Translation reserve	(21,970)	5,400	-	-
Retained earnings/(Accumulated losses)	73,572	92,369	(2,631)	(2,368)
	-----	-----	-----	-----
<b>Total Equity</b>	<b>97,803</b>	<b>128,921</b>	<b>40,205</b>	<b>25,419</b>
	-----	-----	-----	-----
<b>Non-Current Liabilities</b>				
Bonds	18,378	22,871	-	-
Loans	49,081	55,090	-	-
Deferred tax liabilities, net	9,113	9,547	-	-
	-----	-----	-----	-----
<b>Total Non-Current Liabilities</b>	<b>76,572</b>	<b>87,508</b>	<b>-</b>	<b>-</b>
	-----	-----	-----	-----
<b>Current Liabilities</b>				
Trade payable	7,521	12,341	-	-
Other payables and accrued liabilities	4,476	2,856	679	666
Loans	18,096	14,988	-	-
Amount owing to subsidiary companies	-	-	451	1,301
Taxes payable	459	1,812	-	-
	-----	-----	-----	-----
<b>Total Current Liabilities</b>	<b>30,552</b>	<b>31,997</b>	<b>1,130</b>	<b>1,967</b>
	-----	-----	-----	-----
<b>Total Liabilities</b>	<b>107,124</b>	<b>119,505</b>	<b>1,130</b>	<b>1,967</b>
	-----	-----	-----	-----
<b>Total Equity and Liabilities</b>	<b>204,927</b>	<b>248,426</b>	<b>41,335</b>	<b>27,386</b>
	-----	-----	-----	-----

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2009 (UNAUDITED)**

The Group	Sharecapital	Sharepremium	Non-distributable Revaluation reserve	Translation reserve	Distributable Retained earnings	Total/Net
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance as at 1 January 2008	1,140	26,647	4,602	5,590	72,490	110,469
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	27	-	27
Profit for the period	-	-	-	-	14,600	14,600
Total comprehensive income for the period	-	-	-	27	14,600	14,627
Balance as at 30 June 2008	1,140	26,647	4,602	5,617	87,090	125,096



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2009 (UNAUDITED)**

<b>The Company</b>	<b>Sharecapital</b>	<b>Non-distributable Sharepremium</b>	<b>Accumulated Losses</b>	<b>Total/Net</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Balance as at 1 January 2008	1,140	26,647	(1,879)	25,908
Loss for the period	-	-	(283)	(283)
Total comprehensive loss for the period	-	-	(283)	(283)
Balance as at 30 June 2008	1,140	26,647	(2,162)	25,625
Balance as at 1 January 2009	1,140	26,647	(2,368)	25,419
Loss for the period	-	-	(263)	(263)
Total comprehensive loss for the period	-	-	(263)	(263)
Issue of shares	400	14,688	-	15,088
Share issue expenses	-	(39)	-	(39)
Balance as at 30 June 2009	1,540	41,296	(2,631)	40,205

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2009 (UNAUDITED)**

	<b>The Group</b>		<b>The Company</b>	
	<b>6 months ended</b>		<b>6 months ended</b>	
	<b>30.6.09</b>	<b>30.6.08</b>	<b>30.6.09</b>	<b>30.6.08</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>OPERATING ACTIVITIES</b>				
(Loss)/profit before tax	(19,494)	21,131	(263)	(283)
Adjustments for non-cash items	19,259	2,886	-	-
	-----	-----	-----	-----
Operating (Loss)/Profit Before Working Capital Changes	(235)	24,017	(263)	(283)
 (Increase)/ Decrease in:				
Inventories	6,222	(264)	-	-
Trade receivables	254	(348)	-	-
Other receivable and prepaid expenses	147	3,210	(6)	(40)
Amount owing by subsidiary companies	-	-	(5,317)	-
 Increase/ (Decrease) in:				
Trade payables	(4,820)	5,503	-	-
Other payables and accrued liabilities	1,620	2,261	12	(46)
Amount owing to subsidiary companies	-	-	(849)	408
	-----	-----	-----	-----
Cash Generated From/ (Used In) Operations	3,188	34,379	(6,423)	39
Income tax paid	(1,090)	(8,301)	-	-
Interest paid	(3,617)	(1,006)	-	-
	-----	-----	-----	-----
Net Cash (Used In)/From Operating Activities	(1,519)	25,072	(6,423)	39
	-----	-----	-----	-----
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	3	1	-	-
Purchase of property, plant and equipment	(505)	(54,185)	-	-
Proceeds from short-term investments	289	-	-	-
Purchase of non-current assets	-	(2,206)	-	-
Interest received	59	3	-	-
	-----	-----	-----	-----
Net Cash Used In Investing Activities	(154)	(56,387)	-	-

	-----	-----	-----	-----
<b>FINANCING ACTIVITIES</b>				
Proceeds from issue of shares	15,088	-	15,088	-
Share issue expenses	(39)	-	(39)	-
(Net Repayment)/Proceeds from borrowings	(3,216)	32,708	-	-
	-----	-----	-----	-----
Net Cash From by Financing Activities	11,833	32,708	15,049	-
	-----	-----	-----	-----
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	10,160	1,393	8,626	39
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>	(66)	3	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	730	5,573	136	169
<b>CASH AND CASH EQUIVALENTS AT END PERIOD</b>	10,824	6,969	8,762	208
	-----	-----	-----	-----

END

This information is provided by RNS  
The company news service from the London Stock Exchange.