



Steppe Cement Limited
Trading Results for the Half Year Ended 30 June 2006
and General Market Update

1. Interim Results

Steppe Cement Limited (“Steppe”) is pleased to announce a consolidated profit after tax for the six months ended 30 June 2006 of US\$8.0 million.

The restructure of Steppe in advance of its admission to AIM was completed on 29 July 2005 and therefore at a consolidated level there is no direct comparison with profitability for the first six months of 2005. The trading results of Steppe’s core operating subsidiary, Central Asia Cement JSC, for the six months ended have however shown a strong improvement over those experienced for the six months ended 30 June 2005. These operating results are summarized below:

	6 months ended 30-Jun-06	6 months ended 30-Jun-05	
Sales (tonnes)	365,443	320,809	14%
Exchange rate (tenge to the US\$)	118.7	136.3	
Sales (thousand tenge)	3,330,461	2,639,744	26%
Sales (US\$’000)	28,605	19,690	45%
Profit before tax (US\$’000)	11,553	7,648	51%
Profit after tax (US\$’000)	8,087	5,354	51%

At the operational level, sales have increased by 26% in tenge with the average sales price achieved rising from US\$60/tonnes to US\$75/tonne compared with the corresponding period.

On the cost side of the business, Steppe has noted that oil price increases have led to an increase in utilities and transportation cost. Steppe is in the process of implementing cost containment measures to contain further increases.

A copy of Central Asia Cement’s financial statements for the six months ended 30 June 2006 follows. These are also available at Steppe’s web site: www.steppecement.com

2. Update on the Kazakh Cement Market

The Kazakhstan cement market has grown by 30% over the first half of the year and Steppe’s directors expect it to grow by 20% by year end, taking its size to 6 million tons. The main markets remain Almaty and Astana.

Kazakhstan cement producers continue to struggle with the increased demand and as a result imports have nearly doubled such that they currently represent approximately 35% of the market. Due to this increasing demand both in Kazakhstan in Russia, the overall market price of cement in Kazakhstan has increased by approximately 20% in US\$ terms over the past year.

Steppe's main competition remains the factories located in Southern Siberia and other producers in northern Kazakhstan.

3. Personnel Appointments

Steppe is continuing to strengthen the management team on site with the following appointments:

- Stuart Elliot as chief operating officer with emphasis on the line 6 start up. Until 2005, Stuart was chief operating officer of Cimenterie Nationale in Lebanon and he has held senior operation roles for Rugby Cement UK.
- Ho Weng Keong – Mechanical engineer and maintenance manager of YTL Cement (Malaysia)
- Francis Teoh Boon Tee, electrical engineer before with Blue Circle UK and Malaysia
- Lee Gee Seng – Civil engineer (C Eng UK).

Together, these new managerial staff bring over 100 years experience in the cement industry.

Steppe expects to add another three members to the senior management team in the second half of 2006.

4. Plant Development

Steppe is continuing to successfully implement the improvements to the wet process lines that should see production capacity from the wet process lines reach 800,000 tonnes of cement for the 2006 (full year) and 850,000 tonnes of cement for 2007.

Steppe has awarded approximately 60% of the contracts for the dry line refurbishments, with the main contractors so far being FL Smidth (Denmark), ABB (Switzerland), GE (Germany). It is estimated that the remaining contracts (apart from mechanical erection) will be awarded during the summer 2006.

Mace has been appointed as project manager for the construction part of the project and now has a team on site.

Re-commissioning of the dry process lines remains on schedule for completion during the summers of 2007 and 2008.

5. Financing

The council of the Kazakhstan Stock Exchange approved Steppe's 2.7 billion tenge (US\$21.6 million) bond listing and the first auction took place on the 18 August 2006.

As of the 29 August 2006 Steppe had accepted bids for 710 million tenge (US\$5.7 million) at an average APR of 9.8% and as of the 4th September 2006, Halik Bank has agreed to subscribe the balance 1,990 million tenge at the same rate in three equal tranches to be disbursed at the end of September, October and November 2006.

Kazcommertz Bank has granted a credit line of US\$46 million to open letters of credit.