



FOR IMMEDIATE RELEASE

June 30, 2009

KAZAKHSTAN KAGAZY PLC

UNAUDITED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2009

Almaty, Kazakhstan – June 30, 2009 – Kazakhstan Kagazy plc (the “Group” or “Kagazy”), Central Asia’s largest producer of paper, corrugated board and packaging, and a leading operator of commercial warehousing and industrial infrastructure facilities in Central Asia, today announced its unaudited consolidated financial results for the three months ended March 31, 2009. These results have been extracted from condensed consolidated financial statements.

HIGHLIGHTS FOR THE FIRST QUARTER 2009

- **Consolidated revenues of US\$ 15.1 million**
- **Gross profit up by 6.9% year on year to US\$ 6.2 million with gross profit margin of 41.1%**
- **EBITDA increased by 45.2% year on year to US\$ 4.5 million with EBITDA margin of 29.8%**
- **Profit from operations increased nearly by six times year on year to US\$ 10.4 million with operating profit margin of 68.9%**
- **Net loss amounted to US\$ 17.3 million**
- **Net profit of US\$ 7.2 million excluding foreign exchange losses of US\$ 24.5 million**

Yuriy Bogday, Chief Executive Officer of Kazakhstan Kagazy plc, commented: “Despite difficult market conditions, Kagazy generated revenue growth of 6.2% year on year, denominated in Kazakh tenge, in the first quarter. The Group’s net result was impacted by US\$ 24.5 million of foreign exchange losses, following the devaluation of the national currency in February 2009.

In the first quarter Kagazy maintained its leading position in the Central Asian paper market with our paper segment benefiting from import substitution. We saw an improvement in the performance of the segment since the year end. Commercial warehousing and container terminal segments’ contribution to consolidated revenues nearly tripled year on year to US\$ 2.8 million in the first quarter, following the acquisition of Astana Contract in April 2008.

We continue to expect the increase in production volumes of paper products in 2009, compared to 2008, due to the defensive nature of our local client base. We are encouraged by the results of the first quarter and we now expect this segment of our business to continue growing both in the

short and long term. We see a tremendous potential in the industrial infrastructure business and expect this segment to pick up in the medium to long term.”

FINANCIAL SUMMARY

<i>(US\$ millions)</i>	Q1 2009	Q1 2008	Year on Year Change
Revenues	15.1	16.4	(7.9%)
Gross profit	6.2	5.8	6.9%
Gross profit margin	41.1%	35.4%	
EBITDA	4.5	3.1	45.2%
EBITDA margin	29.8%	18.9%	
EBIT	10.4	1.5	593.3%
EBIT margin	68.9%	9.1%	
Net (Loss) / Profit	(17.3)	4.3	-

OPERATING REVIEW

Group

Kazakhstan Kagazy's consolidated revenues decreased by 7.9% year on year in the first quarter of 2009 primarily as a result of the fall of the average Kazakh tenge exchange rate against US dollar by 15.9% year on year during the quarter, following the devaluation of the Kazakh tenge by the National Bank of Kazakhstan from February 4, 2009. Consolidated revenues denominated in the Kazakh tenge increased by 6.2% year on year. The paper segment accounted for 82.1% of consolidated revenues in the first quarter.

Kagazy's gross profit increased by 6.9% year on year with gross profit margin of 41.1% compared to 35.4% in the previous period, largely as a result of the cost cutting programme which was initiated in 2008.

The Group EBITDA was up by 45.2% year on year with EBITDA margin of 29.8% compared to 18.9% in the first quarter of 2008.

Selling and administrative expenses decreased by 30.7% year on year to US\$ 2.9 million from US\$ 4.2 million a year ago, as a result of the Kazakh tenge devaluation.

Consolidated depreciation and amortization expense declined by 20% year on year to US\$ 1.2 million from US\$ 1.5 million in the previous period due to the Kazakh tenge devaluation.

The Group operating profit increased by nearly six times year on year, compared to the first quarter of 2008. Operating profit margin expanded to 68.9% in the first quarter from 9.1% a year ago, following the reduction in Selling and Administrative expenses and the contribution of US\$ 7.0 million from Other Income, which included foreign exchange gains on operating transactions and foreign currency denominated deposits.

Net finance costs, comprising interest expense and foreign exchange losses after the deduction of interest income and foreign exchange gains, amounted to US\$ 27.7 million in the first quarter of 2009, compared to net finance income of US\$ 2.9 million in the corresponding period of 2008.

Finance costs included foreign exchange losses of US\$ 24.5 million on Euro and US dollar denominated borrowings as a result of the Kazakh tenge devaluation in February of 2009.

The Group generated a net loss in the first quarter, following the impact from foreign exchange losses. Excluding losses from foreign exchange Kagazy generated a net profit of US\$ 7.2 million in the first quarter.

Paper

Kazakhstan Kagazy is the largest producer of paper, corrugated board and packaging products in Central Asia.

<i>Production Volume</i>	Q1 2009	Q1 2008	Year on Year Change
Corrugated packaging (square metres) ('000)	15,297	15,581	(1.8%)
Container board (tons)	7,117	11,375	(37.4%)
Cut fine paper (tons)	-	568	-

The paper business accounted for the majority of Kazakhstan Kagazy's consolidated revenues and performed ahead of management expectations in the first quarter of 2009. Segment revenue declined by 19.5% year on year to US\$ 12.4 million in the first quarter of 2009, compared to US\$ 15.4 million for the corresponding period of 2008. Segment revenue decreased by 7.3% year on year in the Kazakh tenge terms. Paper revenues were further impacted by the decline in sales of the paper trading division following the fall in domestic demand as a result of the crisis and higher import costs.

Segment production volume of corrugated packaging remained relatively stable, decreasing by just 1.8% year on year. Kagazy has benefited from import substitution of food and pharmaceuticals, following the devaluation of the national currency and the increased demand for domestic products by consumers. Kagazy enjoys a strong competitive advantage over its domestic peers as it is capable of producing packaging and boxes with a higher margin complex cutting, which is increasingly used for automated packaging by its clients. The production of container board was down 37.4% year on year in the first quarter due to a high level of inventory at the beginning of the period. Kagazy discontinued the production of cut fine paper in the fourth quarter of 2008.

Commercial Warehousing and Industrial Infrastructure

PEAK, one of the leading operators of commercial warehousing and industrial infrastructure facilities in Central Asia, has contributed US\$ 0.9 million of revenue to Kagazy's results in the first quarter of 2009, compared to US\$ 1.0 million in the first quarter of 2008.

Container Terminal Business with Warehousing

Astana Contract contributed US\$ 1.9 million of revenue to Kagazy's consolidated results in the first quarter of 2009, following its acquisition in April 2008.

In February 2009, Kazakhstan Kagazy signed an additional agreement for the acquisition of Astana Contract with a net amount payable to the sellers having been reduced from US\$ 31.8

million to US\$ 15 million, with US\$ 2 million being deferred for one year and US\$ 13 million payable immediately.

FINANCIAL REVIEW

Net cash generated by operating activities increased to US\$ 20.9 million in the first quarter of 2009, compared to US\$ 5.9 million for the corresponding period of 2008, as a result of changes in working capital.

Net cash used in investing activities totalled US\$ 16.8 million in first quarter of 2009, and included US\$ 14.8 million of capital expenditure, compared to US\$ 26.8 million of net cash used in investing activities, including US\$ 23.9 million of capital expenditure, for the corresponding period of 2008.

Net cash used in financing activities amounted to US\$ 1.1 million in the first quarter of 2009, compared to US\$ 11.2 million outflow in the corresponding period of 2008.

The Group's cash balances totalled US\$ 47.5 million as at March 31, 2009, as compared to US\$ 79.7 million at March 31, 2008. Net debt amounted to US\$ 188.4 million as at March 31, 2009, compared to US\$ 68.0 million as at March 31, 2008.

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Kazakhstan Kagazy plc runs Central Asia's largest producer of paper, corrugated board and packaging products. It also operates one of the leading developers of commercial warehousing and industrial infrastructure facilities in Kazakhstan through PEAK LLP, which owns approximately 769 hectares of prime land, strategically located in newly created industrial zones in Almaty, Astana and Aktyubinsk. The Group's assets totalled approximately US\$ 690.7 million as at March 31, 2009 and consolidated revenues amounted to approximately US\$ 15.1 million for the first quarter of 2009. Kazakhstan Kagazy Plc's securities are listed under the symbol "KAG" on the London Stock Exchange.

This interim statement contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Kazakhstan Kagazy plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this interim statement should be construed as a profit forecast.

KAZAKHSTAN KAGAZY PLC
UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009 AND AUDITED
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008
(Amounts in thousands of U.S. dollars)

	31 Mar 2009	31 Dec 2008
	Unaudited	Audited
Assets		
Non-current assets		
Property, plant and equipment	402,528	485,727
Investment property	91,904	115,213
Intangible assets	2,801	3,565
Prepayments	21,975	15,049
Other loans	3,786	3,614
VAT recoverable	15,106	18,178
Other non-current assets	69	1,652
	<u>538,169</u>	<u>642,998</u>
Current assets		
Inventories	69,929	89,128
Prepayments	15,225	32,483
Other current assets	848	1,720
Trade and other receivables	19,051	13,874
Cash and cash equivalents	47,474	62,736
	<u>152,527</u>	<u>199,941</u>
Total assets	<u>690,696</u>	<u>842,939</u>
Equity and liabilities		
Equity		
Share capital	10,470	10,470
Share premium	244,340	244,340
Revaluation reserve	85,762	85,755
Other reserves	81,181	81,181
Translation reserve	(96,414)	5,275
Retained earnings	44,933	62,337
	<u>370,272</u>	<u>489,358</u>
Non-current liabilities		
Interest bearing loans and borrowings	214,790	234,527
Deferred tax liabilities	31,841	32,601
Deferred consideration	28,629	29,038
	<u>275,260</u>	<u>296,166</u>
Current liabilities		
Interest bearing loans and borrowings	21,087	34,589
Trade and other payables	18,339	20,338
Corporate income tax payable	347	512
Other tax liabilities	1,576	1,942
Other current liabilities	3,815	34
	<u>45,164</u>	<u>57,415</u>
Total liabilities	<u>320,424</u>	<u>353,581</u>
Total equity and liabilities	<u>690,696</u>	<u>842,939</u>

KAZAKHSTAN KAGAZY PLC
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THREE MONTHS ENDED 31 MARCH 2009 AND 31 MARCH 2008
(Amounts in thousands of U.S. dollars)

	31 Mar 2009 Unaudited	31 Mar 2008 Unaudited
Revenue	15,121	16,414
Cost of sales	(8,925)	(10,593)
Gross profit	<u>6,196</u>	<u>5,821</u>
Selling expenses	(1,199)	(1,291)
Administrative expenses	(1,716)	(2,915)
Other operating (expenses)/income	7,080	(123)
Profit from operations	<u>10,361</u>	<u>1,492</u>
Finance income	1,107	4,882
Finance costs	(28,829)	(2,012)
Profit before taxation	<u>(17,361)</u>	<u>4,362</u>
Income tax expense	(43)	(80)
Profit for the year	<u><u>(17,404)</u></u>	<u><u>4,282</u></u>
Attributable to:		
Equity holders of the parent	(17,404)	4,282
Earnings per share attributable to the equity holders of the parent during the year – basic and diluted (2009: US cents per share/ 2008: US cents per share)	<u><u>(17)</u></u>	<u><u>4</u></u>

KAZAKHSTAN KAGAZY PLC
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THREE MONTHS ENDED 31 MARCH 2009 AND 31 MARCH 2008
(Amounts in thousands of U.S. dollars)

	31 Mar 2009	31 Mar 2008
	Unaudited	Unaudited
Profit before taxation	(17,047)	4,362
Adjustments for:		
Non cash items		
Depreciation of property, plant and equipment	1,216	1,486
Loss on disposal of PP&E and intangible assets	65	100
Foreign exchange differences	-	2,502
Other items		
Finance income	(1,053)	(616)
Finance costs	28,532	2,001
	11,713	9,835
Working capital changes		
(Increase)/decrease in trade and other receivables	(8,121)	(26)
(Increase)/decrease in inventories	1,272	(2,194)
(Increase)/decrease in other current assets	1,423	(144)
(Increase)/decrease in prepayment for goods and construction contracts	(10,650)	(2,395)
Increase/(decrease) in non-current assets	12,378	(324)
Increase/(decrease) in other tax liabilities	(153)	2,831
Increase/(decrease) in trade and other payables	9,761	2,406
Increase/(decrease) in non-current liabilities	3,256	(4,131)
Net cash inflow from operating activities	20,879	5,857
Interest paid	(5,904)	(2,713)
Income tax paid	(82)	(70)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,574)	(18,388)
Purchase of intangible assets	(1)	-
Proceeds from sale of property, plant and equipment and construction in progress	37	(50)
Expenditure on construction in progress including advance payments in respect of construction contracts	(144)	(1,825)
Borrowing costs on construction in progress	(2,319)	(3,711)
Increase in VAT recoverable in respect of construction contracts	-	(2,795)
Interest received	913	20
Change in deferred tax assets	(659)	
Net cash outflow from investing activities	(16,747)	(26,749)
Cash flows from financing activities		
Proceeds from issue of bonds	8,658	-
Settlement of bank loans	(18,745)	(11,657)
Payment for leasing	(533)	(615)
Receipt of bank loans	9,529	1,108
Net cash inflow/(outflow) from financing activities	(1,091)	(11,164)
Net increase/(decrease) in cash and cash equivalents	(2,945)	(34,839)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(12,317)	(727)
Cash and cash equivalents at the beginning of the period	62,736	115,305
Cash and cash equivalents at the end of the period	47,474	79,739