Annual results (unaudited) for the year ended 31 December 2012

Key financials	Year ended 31-Dec-12	Year ended 31-Dec-11	Inc/(Dec) %
Sales (tonnes of cement)	1,349,561	1,229,288	10%
Consolidated turnover (USD Million)	120.2	96.1	25%
Consolidated profit before tax (USD Million)	12.0	5.6	114%
Consolidated profit after tax (USD Million)	8.4	3.3	155%
Profit per share (US cents)	4.6	1.9	142%
Shareholders' funds (USD Million)	149.2	127.0	17%
Average exchange rate (USD/KZT)	149.1	146.7	
Exchange rate as at year end (USD/KZT)	150.4	148.5	

In 2012 Steppe Cement posted a net profit of USD8.4 million with higher capacity utilization at 85%. Sales volume improved by 10% while selling prices increased by 14%, which was well above the overall inflation rate of 6% for the year. Steppe Cement's EBITDA rose to USD24.9 million compared with USD19.9 million in 2011.

During the year Steppe Cement decided to pursue the completion of line 5, taking its total capacity to 2 million tonnes from the dry lines and 0.8 million tonnes from the wet lines. The total cost of the line 5 project is USD105 million of which USD65 million was spent in 2007 and 2008. To complete the financing, Steppe Cement issued bonds in November 2012 for USD10 million nominal amount with a 10% coupon maturing in November 2017 and also completed a share offer with 40 million new shares issued for trading on the AIM market of the London Stock Exchange in December 2012. The share offer was oversubscribed by existing shareholders and raised USD15.7 million net of expenses. The total amount of outstanding and fully paid shares now stands at 219 million. These proceeds, together with the surplus cash flow from operations in 2012 and 2013, will allow the company to fund the completion of line 5 by October 2013.

The market volume increased by 13% in 2012 and we expect a 10% increase in 2013

The Kazakh cement market in 2012 was 7 million tonnes, an increase of 13% compared to 6.2 million tonnes in 2011. Our expectations are that overall market demand in 2013 will increase by 10% to 7.7 million tonnes. This increase in market size will mostly be taken up by new entrants in 2011 and 2012. We expect our new line 5 to be commissioned in October 2013 after the high selling season, so it will not have an effect on our 2013 volumes.

Imports declined again in 2012 and the share of local producers increased from 85% to 87%. Steppe Cement's average cement selling prices increased by 14% to USD89 per tonne delivered (equivalent to USD75 per tonne ex-factory) when compared to the previous year.

Steppe Cement managed to maintain a market share of 19.3% in the cement market of Kazakhstan in 2012 (compared with 20% in 2011). In 2013 Steppe Cement expects to see its selling price increase but its market share drop as demand is increasing faster than our production capacity. We hope to recover our market share in 2014 as line 5 comes fully on stream.

The dry line continues to improve its performance while the wet lines will be used to cover the balance of demand until line 5 is commissioned.

The four wet lines produced 583,850 tonnes in 2012, a decrease of 5% as compared to 2011. The dry line contributed 765,711 tonnes, 57% of total sales of Steppe Cement and an increase of 25% over 2011. We expect to maintain similar levels of production in 2013 due to the extreme weather conditions experienced during the last winter. Once line 5 is brought into production in October 2013, we expect to see a sharp increase in the volume of cement produced from the dry lines resulting in a significant reduction in production costs per tonne.

The sharp increase in production from line 6 in 2012 was achieved through increased reliability of the equipment and a reduction in downtime. Reliability of line 6 in 2012 was 81%, 5% higher than 2011, resulting in an additional 248 operating hours. Major improvements in line 6 during the year included:

- Kiln tyres and rollers were grinded to remove all distortions and uneven load on kiln bearings and girth gear.
- A redesigned kiln inlet tongue that has increased its lifetime from 4 months to more than 8 months and the removal of the retainer ring at the kiln outlet.
- The replacement of the girth gear links.
- Raw mills iron ore hopper was modified to improve material flow especially during winter.
- The separator of cement mill 3 was completed. Its performance will be tested during 2013 and, depending on the outcome, we will replicate the project in the other cement mills in the dry line.
- Overall production in the cement mills in the dry line increased by 34% in 2012 in anticipation of a rise in sales beginning in 2014.

During 2013 we will concentrate most of our capital investment on line 5 but we plan to continue improving the cement mill section as well as replacing of the pre-heater fans with a target to increase production from line 6 by up to 5%. Planned capital expenditure on line 6 will be limited to USD3 million during the year, most of it to be shared with line 5.

We are aiming to complete an electricity bypass line to supply electricity directly from Kegoc (the Kazakhstan National electricity grid company) to Karcement JSC during 2013. The target is to reduce the electricity costs to the dry lines by 30%. The total investment is USD2.5 million and the initial savings is estimated at approximately USD3 million per year. Most of the capital investment was completed in the second half of 2012.

Health and safety

In 2012, our subsidiary Karcement JSC embarked on preparations to be certified on ISO 14001 (environmental management system) and BS OHSAS 18001 (occupational health and safety management systems). In January 2013, two separate compliance audits were carried out by TUV Germany & Rastama Cert Kazakhstan that approved Karcement JSC as complying with these standards. We will extend progressively these certifications to the other operating subsidiaries.

Cost of production in dry and wet lines

Full production costs increased in 2012 by 12% (above the annual inflation rate of 6%). The major elements were the increases in electricity, coal and transportation costs. Once line 5 and the electrical bypass are completed, we expect our overall variable production cost to decrease in 2014 by at least 10%. The continuing increase in capacity utilization has also enabled us to bring down fixed production costs per tonne.

Selling expenses, reflecting mostly delivery costs, increased from USD12 per tonne in 2011 to USD14.7 per tonne in 2012. This is a combination of higher wagon rental rates and rates charged by the national railway company as well as direct deliveries by truck to clients in the area surrounding the factory. The regional market mix of sales was more focused in the central and northern regions during 2012. In 2013 transportation tariffs will increase again but we expect to pass these costs to customers.

General and administrative expenses increased by 4% in 2012

The labour count stood at 1,025 on 31 March 2013 compared with 1,030 on 31 March 2012. We now have 706 employees in the wet lines and administration and 319 in the dry line.

Line 5 project

Due to the improving market and our financial position, we decided to pursue the completion of line 5 within an additional budget of USD40 million. As of April 2013 we are on track to complete on or below budget, and on time for October 2013. The commissioning will be done through the winter of 2013 and we expect line 5 to replace most of the production from the wet lines by the summer of 2014, with its extra capacity going towards meeting increased sales.

Line 5 will have a total capacity of 1.2 million tonnes of cement and the cash cost savings per tonne when compared to the wet lines are preliminarily estimated at USD15/tonne.

Financing

After discussions with our existing banks (EBRD and HSBC) that held most of the assets under pledge, the board decided to finance the expansion through the issue of bonds and a share issue:

- The company raised KZT1.49 billion in unsecured bonds with a 10% coupon on the Kazakhstan Stock Exchange in November 2012. The net proceeds were KZT1,426 million (approximately USD9.5 million). The bonds mature in November 2017.
- In December 2012 Steppe Cement issued 40 million new shares at 25p per share raising GBP9.7 million net of expenses (approximately USD15.5 million). We would like to thank our shareholders for the continuous support they have given us over the years and this issue was no exception as it was oversubscribed and 83% of existing shareholders participated. The current total number of shares on issue stands at 219 million.

The balance USD15 million will come from internally generated cash flows from operations during 2012 and 2013.

At the end of 2012, we had outstanding loans with EBRD and HSBC of USD30.1 million and USD13.4 million respectively that mature in stages till September 2015, where the average interest charged was 6-month USD Libor + 5.9% per annum.

We have secured a revolving working capital credit line from Halyk Bank for USD20 million at 10.75% per annum. It will be used to build stocks in the coming winters. By the end of 2012 only USD1.7 million from this short-term line was used.

In 2012 finance costs decreased to USD3.5 million from USD4.9 million in 2011 after we paid down loans during most of the year before issuing the bonds to finance line 5 in November and USD0.8 million of finance costs was capitalised into property, plant and equipment since project line 5 resumed active development from 1 July 2012. We will continue to pay down the existing loans in 2013. Depreciation remained stable at USD9.4 million during 2012.

The cash balance (including short-term investments) on 31 December 2012 was USD20 million and the total indebtedness (bank borrowings plus bonds) was USD55 million on the same date.

The statutory corporate income tax rate remains at 20% in Kazakhstan but Karcement JSC, our wholly owned subsidiary, will enjoy its last year of 0% income tax rate under tax holiday in 2013. In 2014, we may consider merging our subsidiaries Central Asia Cement (wet lines) and Karcement (dry lines) if it results in net administrative savings after taking into account tax considerations.

Javier del Ser
Chief Executive Officer

2012 Annual Report and Annual General Meeting

Steppe Cement expects to release its 2012 Annual Report on its web site www.steppecement.com during the week commencing 6 May 2013.

The Company's Annual General Meeting is expected to take place in its Malaysian Office at Suite 10, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur Malaysia on, 3 June 2013 at 2.30 p.m.

Steppe Cement's AIM nominated adviser is RFC Ambrian Ltd.

Contact Stephen Allen or Trinity McIntyre on +61 8 9480 2500.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Revenue	120,165,706	96,109,784	100,000	100,000
Cost of sales	(72,201,346)	(59,026,335)	-	-
Gross profit	47,964,360	37,083,449	100,000	100,000
Selling expenses	(19,859,692)	(14,789,840)	-	-
General and administrative expenses	(11,666,123)	(11,165,193)	(568,518)	(493,411)
Operating profit/(loss)	16,438,545	11,128,416	(468,518)	(393,411)
Interest income	-	24,956	-	-
Finance costs	(3,476,788)	(4,970,899)	-	-
Other losses	(923,130)	(628,312)	(35,312)	(3,963)
Profit/(Loss) before income tax	12,038,627	5,554,161	(503,830)	(397,374)
Income tax expense	(3,678,393)	(2,221,231)	-	-
Profit/(Loss) for the year	8,360,234	3,332,930	(503,830)	(397,374)
Attributable to:				
Shareholders of the Company	8,360,234	3,332,930	(503,830)	(397,374)
Profit per share:				
Basic (cents)	4.6	1.9		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Profit/(Loss) for the year	8,360,234	3,332,930	(503,830)	(397,374)
Other comprehensive loss:				
Exchange differences arising on translation of foreign subsidiary companies	(1,635,943)	(1,064,445)	-	-
Total comprehensive profit/(loss) for the year	6,724,291	2,268,485	(503,830)	(281,973)
Attributable to:				
Shareholders of the Company	6,724,291	2,268,485	(503,830)	(281,973)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2012

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Assets				
Non-Current Assets:				
Property, plant and equipment	135,442,394	134,760,868	-	-
Investment in subsidiary companies	-	-	30,500,002	26,500,001
Advances and prepaid expenses	2,385,323	993,326	-	-
Other assets	40,575,352	28,162,496	-	-
Total Non-Current Assets	178,403,069	163,916,690	30,500,002	26,500,001
Current Assets				
Inventories	18,247,651	21,373,261	-	-
Trade and other receivables	6,779,161	9,486,902	-	-
Amount owing by subsidiary companies	-	-	37,509,853	29,151,422
Advances and prepaid expenses	4,934,256	4,486,508	6,091	-
Short term investments	5,997,607	-	-	-
Cash and cash equivalents	14,015,751	493,601	2,923,334	103,478
Total Current Assets	49,974,426	35,840,272	40,439,278	29,254,900
Total Assets	228,377,495	199,756,962	70,939,280	55,754,901

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Equity and Liabilities				
Capital and Reserves				
Share capital	73,760,924	58,298,542	73,760,924	58,298,542
Revaluation reserve	8,033,718	9,477,390	-	-
Translation reserve	(21,644,809)	(20,008,866)	-	-
Retained earnings/ (Accumulated loss)	89,024,541	79,220,635	(3,940,050)	(3,436,220)
Total Equity	149,174,374	126,987,701	69,820,874	54,862,322
Non-Current Liabilities				
Loans	40,663,029	43,212,391	-	-
Deferred tax liabilities	8,518,666	6,176,157	-	-
Total Non-Current Liabilities	49,181,695	49,388,548	-	-
Current liabilities				
Trade and other payables	8,025,685	7,840,918	-	-
Accrued and other liabilities	7,079,815	3,660,604	1,118,406	892,579
Borrowings	14,527,492	11,434,750	-	-
Taxes payable	388,434	444,441	-	-
Total Current Liabilities	30,021,426	23,380,713	1,118,406	892,579
Total Liabilities	79,203,121	72,769,261	1,118,406	892,579
Total Equity and Liabilities	228,377,495	199,756,962	70,939,280	55,754,901

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

The Group	Share capital USD	Revaluation reserve USD	Translation reserve USD	Distributable Retained earnings USD	Total USD
Balance as at 1 January 2012	58,298,542	9,477,390	(20,008,866)	79,220,635	126,987,701
Profit for the year	-	-	-	8,360,234	8,360,234
Exchange differences arising on translation of foreign subsidiary companies	-	-	(1,635,943)	-	(1,635,943)
Total comprehensive profit/(loss) for the year	-	-	(1,635,943)	8,360,234	6,724,291
Issue of shares	15,462,382	-	-	-	15,462,382
Transfer on revaluation reserve relating to property, plant and equipment through use	-	(1,443,672)	-	1,443,672	-
Balance as at 31 December 2012	73,760,924	8,033,718	(21,644,809)	89,024,541	149,174,374

The Group	Share capital USD	Revaluation reserve USD	Translation reserve USD	Distributable Retained earnings USD	Total USD
Balance as at 1 January 2011	58,298,542	10,940,027	(18,944,421)	74,425,068	124,719,216
Profit for the year	-	-	-	3,332,930	3,332,930
Exchange differences arising on translation of foreign subsidiary companies	-	-	(1,064,445)	-	(1,064,445)
Total comprehensive profit/(loss) for the year	-	-	(1,064,445)	3,332,930	2,268,485
Transfer on revaluation reserve relating to property, plant and equipment through use	-	(1,462,637)	-	1,462,637	-
Balance as at 31 December 2011	58,298,542	9,477,390	(20,008,866)	79,220,635	126,987,701