Annual results (unaudited) for the year ended 31 December 2011

Steppe Cement Ltd ("Steppe Cement" or "the Company") is pleased to announce its annual results (unaudited) for the year ended 31 December 2011:

Key financials	Year ended 31-Dec-11	Year ended 31-Dec-10	Inc/(Dec) %
Sales (tonnes of cement)	1,229,288	1,153,874	7%
Consolidated turnover (USD Million)	96.1	72.8	32%
Consolidated profit/(loss) before tax (USD Million)	5.6	(6.9)	181%
Consolidated profit/(loss) after tax (USD Million)	3.3	(3.7)	189%
Profit/(loss) per share (US cents)	1.9	(2.4)	179%
Shareholders' funds (USD Million)	127.0	124.7	2%
Average exchange rate (USD/KZT)	146.7	147.4	
Exchange rate as at year end (USD/KZT)	148.5	147.4	

In 2011, sales continued to improve on the back of the cement market recovery which commenced in the 2nd half of 2009. In line with both price and volume increases of 24% and 7% respectively, Steppe Cement posted a net profit of USD3.3 million with higher capacity utilization at 80%. During the year, cement price increases coupled with operational efficiencies more than offset the rising cost of fuel, transportation and especially electricity.

Steppe Cement fully repaid its outstanding bonds in August 2011 and further de-leveraged its balance sheet. The cement market growth is expected to continue and Steppe Cement is evaluating the possibility of completing Line 5 refurbishment subject to availability of financing on attractive terms.

Market volume increased by 8% in 2011 and we expect continued growth in 2012

The Kazakh cement market in 2011 amounted to 6.2 million tonnes, an increase of 8% compared to 5.7 million tonnes in 2010. Our expectations are that overall market demand in 2012 will increase by 6% to 6.6 million tonnes. This increase in market size will mostly be taken up by the new entrants in 2010 and 2011 as well as ourselves, given that we have the spare capacity to do so.

Imports declined again in 2011 and the share of local producers increased from 80% to 86%. Average cement prices increased by 24% compared to the previous year. Prices stood at USD67 per tonne ex-factory or approximately USD78 per tonne delivered.

Steppe Cement managed to maintain a 20% share of the cement market in Kazakhstan in 2011. In 2012 Steppe Cement is seeking to again maintain our market share and increase prices although not as aggressively as last year.

The dry line continues to improve its performance while the wet lines will be used to cover the balance of demand

The four wet lines produced 614,386 tonnes in 2011, an increase of 3% as compared to 2010. The dry line contributed 614,902 tonnes, an increase of 10% over 2010. We expect the dry line production to increase to 55% of total production in 2012 and further contribute more once Line 5 is brought into production in the coming years.

The wet lines can produce up to 2,000 tonnes of clinker per day or 2,450 tonnes of cement per day. However preference is given to the dry line whenever technically possible.

Line 6 produced up to 2,400 tonnes of clinker per day in 2010 and it is now able to produce up to 2,700 tonnes of clinker per day or the equivalent of 3,350 tonnes of cement. Improvements in 2011 included modifications to the cyclones in the preheater and changes to kiln inlet slope. Together, these changes delivered a 16% increase in clinker production, an 8% saving in electrical consumption, a 5% increase in reliability and a reduction of off spec clinker to less than 2%.

In 2011 we improved the reliability of cement mills 2 and 3 in the dry lines. All mills together will allow production of up to 170,000 tonnes of cement per month in 2012. Steppe Cement intends to run the wet lines and Line 6 to their maximum capacity during the summer months and carry some stock during the winter months.

Full production costs increased in 2011 by 9% (above the inflation rate of 7.4%). Of those increases more than 88% were due to electricity and coal, while we were able to contain other costs. Increase in capacity utilization in 2011 has enabled us to bring down the fixed production cost per tonne.

Electricity tariffs, as set by a regulatory body, are set to increase more modestly in 2012. We shall endeavour to contain or possibly reduce electricity cost per tonne through further increase in capacity utilization and specific investments in improving electricity transportation. Meanwhile, coal cost is also expected to increase more slowly in 2012. The main reduction in coal cost per tonne will materialize once Line 5 is commissioned.

Selling expenses, mostly reflecting delivery costs, increased from USD10.5 per tonne in 2010 to USD12 per tonne in 2011. This is due to a combination of higher wagon rental rates and rates charged by the Kazakhstan Temir Zholy (the national railway company) while the regional market mix of sales was similar to the previous year. In 2012 transportation tariffs will increase significantly, but we expect to transfer those to customers.

General and administrative expenses increased by USD0.9 million from 2010 while the official inflation rate was 7.4% in 2011.

The labour count stands at 1,030 as of March 2012 compared with 1,057 in March 2011. We have 723 employees in the wet lines and administration and 307 in the dry line.

Kazak economic environment

The Kazakh economy has continued to rebound helped by higher commodity prices. According to the National Bank of Kazakhstan the Gross Domestic Product grew by 7% in 2011. The government continues its program of road and railway construction and infrastructure investment.

As the main Kazakh banks and pension funds have been increasing liquidity, we expect the credit lending to the real economy to accelerate during 2012.

The VAT and corporate income tax rate remain at 12% and 20% respectively and it seems that further revisions are unlikely during 2012. Karcement, the wholly owned subsidiary of Steppe Cement, enjoys a 0% income tax rate until 31 December 2013.

Finance cost and loans

In 2011, depreciation and finance costs amounted to USD9.3 million and USD4.9 million respectively.

The Company repaid the KZT2.7 billion bonds listed in the Kazakhstan Stock Exchange in August 2011.

At the end of 2011, we had outstanding loans from EBRD and HSBC of USD32.4 million and USD20.3 million respectively, that mature from May 2012 to September 2015 and the average interest charged was Libor (6 months USD) + 5.9% from Libor.

We have secured credit lines from Center Credit Bank and Halyk Bank for USD4.8 million and USD10 million respectively. Only USD0.8 million was used as of 31 December 2011.

As of 31 December 2011, the total indebtedness decreased to USD54.6 million, down from USD73.7 million in 2010. On 1 April 2012, the cash balance and stocks of clinker and cement exceeded USD18 million.

We have completed the budget for refurbishment of Line 5 and we are in negotiations with various institutions to finance the construction. We estimate we will need to borrow USD34 million to complete it.

There were no changes to the total number of shares outstanding at 179 million.

Dividends will not be proposed in respect of the 2011 financial year. Neither is it expected that a dividend will be proposed in respect of the 2012 financial year.

Javier del Ser
Chief Executive Officer

Annual Report and Annual General Meeting 2012

Steppe Cement expects to release its 2011 Annual Report on its web site www.steppecement.com during the week commencing 21 May 2012.

The Company's Annual General Meeting will take place in its Malaysian Office at Suite 10, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur, Malaysia on 12 June 2012 at 10.30 a.m.

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

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 2011

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Revenue	96,109,784	72,848,722	100,000	100,000
Cost of sales	(59,026,335)	(51,829,026)	-	-
Gross profit	37,083,449	21,019,696	100,000	100,000
Selling expenses	(14,789,840)	(12,094,165)	-	-
General and administrative expenses	(11,165,193)	(10,252,237)	(493,411)	(486,140)
Operating profit/(loss)	11,128,416	(1,326,706)	(393,411)	(386,140)
Investment income	24,956	2,407	-	52
Finance costs	(4,970,899)	(6,239,700)	-	-
Other (expense)/income, net	(628,312)	644,796	(3,963)	104,115
Profit/(Loss) before income tax	5,554,161	(6,919,203)	(397,374)	(281,973)
Income tax (expense)/credit	(2,221,231)	3,181,440	-	-
Profit/(Loss) for the year	3,332,930	(3,737,763)	(397,374)	(281,973)
Attributable to:				
Shareholders of the Company	3,332,930	(3,737,763)	(397,374)	(281,973)
Loss per share:				
Basic (cents)	1.9	(2.4)		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Profit/(Loss) for the year	3,332,930	(3,737,763)	(397,374)	(281,973)
Other comprehensive income/(loss):				
Revaluation of property, plant and equipment	-	12,681,224	-	-
Deferred tax assets from revaluation of property, plant and equipment	-	(2,536,249)	-	-
Effects of change in tax rate on revaluation reserve	-	(1,069,542)	-	-
Exchange differences arising on translation of foreign subsidiary companies	(1,064,445)	1,919,194	-	-
Total comprehensive income/(loss) for the year	2,268,485	7,256,864	(397,374)	(281,973)
Attributable to:				
Shareholders of the Company	2,268,485	7,256,864	(397,374)	(281,973)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2011

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Assets				
Non-Current Assets:				
Property, plant and equipment	134,760,868	142,509,056	-	-
Investment in subsidiary companies	-	-	26,500,001	26,500,001
Advances paid	993,326	322,467	-	-
Other assets	28,162,496	32,434,084	-	-
Total Non-Current Assets	163,916,690	175,265,607	26,500,001	26,500,001
Current Assets				
Inventories, net	21,373,261	15,333,961	-	-
Trade receivables, net	2,582,376	2,135,095	-	-
Amount owing by subsidiary companies	-	-	29,151,422	28,589,870
Other receivables, advances and prepaid expenses	11,391,034	8,576,274	-	987
Cash and bank balances	493,601	9,531,530	103,478	964,171
Total Current Assets	35,840,272	35,576,860	29,254,900	29,555,028
Total Assets	199,756,962	210,842,467	55,754,901	56,055,029

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Equity and Liabilities				
Capital and Reserves				
Share capital	58,298,542	58,298,542	58,298,542	58,298,542
Share premium	-	-	-	-
Revaluation reserve	9,477,390	10,940,027	-	-
Translation reserve	(20,008,866)	(18,944,421)	-	-
Retained earnings/ (Accumulated loss)	79,220,635	74,425,068	(3,436,220)	(3,038,846)
Total Equity	126,987,701	124,719,216	54,862,322	55,259,696
Non-Current Liabilities				
Loans	43,212,391	52,462,014	-	-
Deferred tax liabilities, net	6,176,157	4,687,225	-	-
Total Non-Current Liabilities	49,388,548	57,149,239	-	-
Current liabilities				
Trade payables	7,840,918	4,465,134	-	-
Other payables and accrued liabilities	3,660,604	3,315,168	892,579	795,333
Bonds	-	18,257,495	-	-
Loans	11,434,750	2,248,456	-	-
Amount owing to subsidiary companies	-	-	-	-
Taxes payable	444,441	687,759	-	-
Total Current Liabilities	23,380,713	28,974,012	892,579	795,333
Total Liabilities	72,769,261	86,123,251	892,579	795,333
Total Equity and Liabilities	199,756,962	210,842,467	55,754,901	56,055,029

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

The Group	Share capital USD	Non-distributable Share Premium USD	Revaluation reserve USD	Translation reserve USD	Distributable Retained earnings USD	Total/Net USD
Balance as at 1 January 2010	1,540,000	41,296,193	3,023,894	(20,863,615)	77,003,531	102,000,003
Loss for the year	-	-	-	-	(3,737,763)	(3,737,763)
Revaluation of property, plant and equipment	-	-	12,681,224	-	-	12,681,224
Deferred tax assets from revaluation of property, plant and equipment	-	-	(2,536,249)	-	-	(2,536,249)
Effects of change in tax rate	-	-	(1,069,542)	-	-	(1,069,542)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	1,919,194	-	1,919,194
Total comprehensive income/(loss) for the year	-	-	9,075,433	1,919,194	(3,737,763)	7,256,864
Issue of shares	250,000	15,724,957	-	-	-	15,974,957
Share issue expenses	-	(512,608)	-	-	-	(512,608)
Conversion to no par value shares	56,508,542	(56,508,542)				
Transfer on revaluation reserve relating to property, plant and equipment through use	-	-	(1,159,300)	-	1,159,300	-
Balance as at 31 December 2010	58,298,542	-	10,940,027	(18,944,421)	74,425,068	124,719,216

The Group	Share capital USD	Non-distributable Share Premium USD	Revaluation reserve USD	Translation reserve USD	Distributable Retained earnings USD	Total/Net 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 income/(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