

## Annual results (unaudited) for the year ended 31 December 2010

Steppe Cement Ltd ("Steppe Cement" or "the Company") is pleased to announce its annual results (unaudited) for the year ended 31 December 2010:

Key financials	Year ended 31-Dec-10	Year ended 31-Dec-09	Inc/(Dec) %
Sales (tonnes of cement)	1,153,874	930,297	24
Consolidated turnover (USD Million)	72.8	59.1	23
Consolidated loss before tax (USD Million)	(6.9)	(19.0)	(64)
Consolidated loss after tax (USD Million)	(3.7)	(16.5)	(77)
Loss per share (US cents)	(2.4)	(12)	(80)
Shareholders' funds (USD Million)	124.7	102.0	22
Average exchange rate (USD/KZT)	147.4	147.8	0
Exchange rate as at year end (USD/KZT)	147.4	148.4	0

### CEO Statement

Steppe Cement continued to improve its volumes while the market confirmed the turnaround started in the second half of 2009, even though cement prices remained flat. Steppe Cement reduced its losses to USD 3.7 million, increased its capacity utilization to 75% and continued operational improvements that helped offset the effects of low cement prices and higher utility and transportation costs. Steppe Cement managed to successfully raise additional equity in November 2010 with proceeds mainly to be utilised towards the repayment of the bonds due in August 2011. Steppe Cement stands to benefit from both the deleveraging of its balance sheet and Tenge strength against the USD. The cement market continues to improve and Steppe Cement has started to reconsider the completion of line 5 subject to better outlook in market prices and financing.

### The market volume increased by 12% in 2010 and we expect continued growth in 2011

The Kazakh cement market demand in 2010 amounted to 5.7 million tonnes, an increase of 12% compared to 5.1 million tonnes in 2009, confirming the recovery announced in the second half of 2009. Our expectations are that overall market demand in 2011 will increase by 7% to 6.1 million tonnes, a level close to that achieved in 2006.

Imports declined again in 2010 and the share of local producers increased from 78% to 80%. Average cement prices were stable when compared to the previous year in Tenge and USD terms at USD 54 per tonne ex-factory or approximately USD 63 per tonne delivered.

Steppe Cement managed to increase its volumes by 24% and its market share from 18% to 20%. We are seeking to maintain our market share and increase prices in 2011.

**The dry line continues to improve its performance while wet lines costs have been optimised**

The four wet lines produced 597,513 tonnes in 2010, a reduction of 5% when compared to 2009. The dry line contributed 556,361 tonnes, an increase of 90% over 2009. This trend will continue in the coming years as the capacity of line 6 increases and line 5 is brought into production.

The wet lines can produce 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 2,100 tonnes of clinker per day in 2010 and it is now able to produce 2,500 tonnes per day of clinker or the equivalent of 3,100 tonnes of cement. Improvements in 2010 included pre heater fans, cooler, a new burner, modifications to the cooler, changes in the kiln inlet seal and the pre-heater.

We have improved the cement mills and they allow us to produce at least 150,000 tonnes of cement per month. We intend to run the wet lines and line 6 to their maximum capacity during the summer months and carry some stock during the winter months.

**Costs increased in 2010 driven by external inputs (electricity, coal and transport) but were partly offset by higher productivity and lower fuel consumption**

During 2010, we had increases in the cost of electricity, coal and transportation while we managed to reduce the labour cost and the fuel consumption per tonne. This allowed us to limit the cash cost increase from USD 37 to USD 38 per tonne.

Selling expenses reflecting mostly delivery costs increased from USD 8.2 per tonne in 2009 to USD 10.5 per tonne. This was due to a combination of higher wagon rental rates, rates charged by the Kazakhstan TemirZholy (the national railway company) and the fact that more cement was sold into markets further from the factory, such as Almaty, where a major sales effort was made.

General and administrative expenses increased by 4% from 2009 while the official inflation rate was 7.8% in 2010.

In 2011, we again expect increasing costs of electricity and transportation that will be partly offset by the increasing productivity from the dry line resulting in lower energy consumption per unit of production. We intend to start a number of projects to reduce the impact of the inflation in utility prices.

The labour count stands at 1,057 as of March 2011 compared with 1,125 in March 2010. We have 763 employees in the wet lines and administration and 294 in the dry line.

The Kazakh economy has continued to rebound in 2010, helped by higher commodity prices. According to National Bank of Kazakhstan the Gross Domestic Product grew by 7% in 2010.

The government has maintained its program of road and railway construction and infrastructure investment in the main cities.

Some of the main Kazakh banks have completed the restructuring of their debts and cut sharply the credit to the construction sector and the economy at large. We are now seeing signs of increased lending activity although the recovery will probably only be felt in 2012.

The VAT and corporate income tax rate remain at 12% and 20% respectively and it seems that further revisions are unlikely during 2011. Karcement, the wholly owned subsidiary of Steppe Cement, enjoys a 0% income tax rate until 2014.

### **Finance cost and loans**

In 2010, depreciation and finance costs amounted to USD 9.3 million and USD 6.2 million respectively.

During 2010, we successfully renegotiated the EBRD and HSBC loans. The loan's maturity was extended by two years to September 2015 and the interest increased to an average of Libor (6 months USD) + 5.9% from Libor (6 months USD) + 4.7%.

In November 2010, Steppe Cement issued 25 million new shares in the AIM market of the London Stock Exchange at 40 pence per share that raised GBP 9.7 million net of expenses. The total number of outstanding shares stands at 179 million reflecting a stronger capital base. The proceeds were kept in cash or used to reduce short-term loans.

Steppe Cement expects to repay the KZT 2.7 billion bonds listed in the Kazakhstan Stock Exchange in August 2011.

As of 31 December 2010, the total indebtedness decreased to USD 73.7 million down from USD 80.7 million in 2009 and the cash reserves stood at USD 9.5 million. As of 8 June 2011, the cash balance exceeded USD 15 million.

Steppe Cement undertook a revaluation of the land and buildings during 2010 in line with the practice of revaluing the properties every five years. The result has been an increase of the value of properties by USD 12.7 million that is reflected in the fixed assets and equity.

We have restarted the budgeting and evaluation of the pending works to complete the refurbishment of line 5. The decision of the continuation will be made based on the evolution of the market, the competition, and the availability of long term financing.

Dividends will not be proposed in respect of the 2010 financial year. Neither is it expected that a dividend will be proposed in respect of the 2011 financial year.

Javier del Ser  
Chief Executive Officer

## **Annual Report and Annual General Meeting 2011**

Steppe Cement expects to release its 2011 Annual Report on its web site [www.steppecement.com](http://www.steppecement.com) during the week commencing 20 June 2011.

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, 4 July 2011 at 2.30 p.m.

Steppe Cement's AIM nominated adviser is RFC Corporate Finance 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 2010

	The Group		The Company	
	2010	2009	2010	2009
	USD	USD	USD	USD
Revenue	72,848,722	59,128,534	100,000	100,000
Cost of sales	<u>(51,829,026)</u>	<u>(41,301,565)</u>	-	-
Gross profit	21,019,696	17,826,969	100,000	100,000
Selling expenses	(12,094,165)	(7,600,633)	-	-
General and administrative expenses	<u>(10,252,237)</u>	<u>(9,864,821)</u>	<u>(486,140)</u>	<u>(550,667)</u>
Operating (loss)/profit	(1,326,706)	361,515	(386,140)	(450,667)
Investment income	2,407	88,945	52	406
Finance costs	(6,239,700)	(6,825,090)	-	-
Other income/(expense), net	644,796	(12,625,398)	104,115	61,582
Loss before income tax	(6,919,203)	(19,000,028)	(281,973)	(388,679)
Income tax credit	<u>3,181,440</u>	<u>2,483,108</u>	-	-
Loss for the year	<u>(3,737,763)</u>	<u>(16,516,920)</u>	<u>(281,973)</u>	<u>(388,679)</u>
Attributable to: Shareholders of the Company	(3,737,763)	(16,516,920)	(281,973)	(388,679)
Loss per share:				
Basic (cents)	<u>(2)</u>	<u>(12)</u>		

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010

	The Group		The Company	
	2010	2009	2010	2009
	USD	USD	USD	USD
Loss for the year	(3,737,763)	(16,516,920)	(281,973)	(388,679)
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	(1,069,542)	810,328	-	-
Exchange differences arising on translation of foreign subsidiary companies	1,919,194	(26,263,752)	-	-
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Total comprehensive income/(loss) for the year	7,256,864	(41,970,344)	(281,973)	(388,679)
Attributable to:				
Shareholders of the Company	7,256,864	(41,970,344)	(281,973)	(388,679)
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STATEMENTS OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2010

	The Group		The Company	
	2010	2009	2010	2009
	USD	USD	USD	USD
Assets				
Non-Current Assets:				
Property, plant and equipment	142,509,056	135,126,257	-	-
Investment in subsidiary companies	-	-	26,500,001	26,500,001
Advances paid	322,467	6,704,505	-	-
Other assets	<u>32,434,084</u>	<u>28,181,945</u>	<u>-</u>	<u>-</u>
Total Non-Current Assets	<u>175,265,607</u>	<u>170,012,707</u>	<u>26,500,001</u>	<u>26,500,001</u>
Current Assets				
Inventories, net	15,333,961	14,275,514	-	-
Trade receivables, net	2,135,095	825,764	-	-
Amount owing by subsidiary companies	-	-	28,589,870	10,889,037
Other receivables, advances and prepaid expenses	8,576,274	7,483,068	987	3,836
Short-term investments	-	-	-	-
Cash and bank balances	<u>9,531,530</u>	<u>6,545,329</u>	<u>964,171</u>	<u>3,885,860</u>
Total Current Assets	<u>35,576,860</u>	<u>29,129,675</u>	<u>29,555,028</u>	<u>14,778,733</u>
Total Assets	<u>210,842,467</u>	<u>199,142,382</u>	<u>56,055,029</u>	<u>41,278,734</u>

	The Group		The Company	
	2010	2009	2010	2009
	USD	USD	USD	USD
Equity and Liabilities				
Capital and Reserves				
Share capital	58,298,542	1,540,000	58,298,542	1,540,000
Share premium	-	41,296,193	-	41,296,193
Revaluation reserve	10,940,027	3,023,894	-	-
Translation reserve	(18,944,421)	(20,863,615)	-	-
Retained earnings/ (Accumulated loss)	74,425,068	77,003,531	(3,038,846)	(2,756,873)
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Total Equity	<u>124,719,216</u>	<u>102,000,003</u>	<u>55,259,696</u>	<u>40,079,320</u>
Non-Current Liabilities				
Bonds	-	18,034,674	-	-
Loans	52,462,014	43,031,506	-	-
Deferred tax liabilities, net	4,687,225	6,420,953	-	-
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Total Non-Current Liabilities	<u>57,149,239</u>	<u>67,487,133</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade payables	4,465,134	6,445,945	-	-
Other payables and accrued liabilities	2,617,740	3,213,763	795,333	747,793
Bonds	18,954,923	-	-	-
Loans	2,248,456	19,682,609	-	-
Amount owing to subsidiary companies	-	-	-	451,621
Taxes payable	687,759	312,929	-	-
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Total Current Liabilities	<u>28,974,012</u>	<u>29,655,246</u>	<u>795,333</u>	<u>1,199,414</u>
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Total Liabilities	<u>86,123,251</u>	<u>97,142,379</u>	<u>795,333</u>	<u>1,199,414</u>
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Total Equity and Liabilities	<u>210,842,467</u>	<u>199,142,382</u>	<u>56,055,029</u>	<u>41,278,734</u>



STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010

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 2009	1,140,000	26,646,982	3,364,936	5,400,137	92,369,081	128,921,136
Loss for the year	-	-	-	-	(16,516,920)	(16,516,920)
Effects of change in tax rate	-	-	810,328	-	-	810,328
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	(26,263,752)	-	(26,263,752)
Total comprehensive income/(loss) for the year	-	-	810,328	(26,263,752)	(16,516,920)	(41,970,344)
Transfer on revaluation reserve relating to property, plant and equipment through use	-	-	(1,151,370)	-	1,151,370	-
Issue of shares	400,000	14,688,578	-	-	-	15,088,578
Share issue expenses	-	(39,367)	-	-	-	(39,367)
Balance as at 31 December 2009	<u>1,540,000</u>	<u>41,296,193</u>	<u>3,023,894</u>	<u>(20,863,615)</u>	<u>77,003,531</u>	<u>102,000,003</u>

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	<u>58,298,542</u>	<u>-</u>	<u>10,940,027</u>	<u>(18,944,421)</u>	<u>74,425,068</u>	<u>124,719,216</u>