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Steppe Cement Limited  
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Annual results, update on operations  
and progress with cement plant refurbishment

Results

Steppe Cement is pleased to announce its preliminary annual results for the year ended 31 December 2006:

	Year ended 31-Dec-06
----- Sales (tonnes) -----	740,322
Consolidated turnover (US\$'000)	55,625
Consolidated profit before tax (US\$'000)	21,483
Consolidated Profit after tax (US\$'000)	14,375
Shareholders' funds (US\$'000)	69,185
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Exchange rate (Tenge to the US\$)	126.0
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Turnover CAC (Tenge '000)	7,007,037
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Profit after tax CAC (Tenge '000)	1,942,672
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2006 saw sales volumes increase by 4% and selling prices by 11% in Tenge over the previous year. Gross profit grew 11% for the operating company, CAC (Central Asia Cement JSC).

During 2006 the Company completed the refurbishment of three of the four wet kilns and, despite the prolonged shutdowns, production for the year was 740,000 tonnes of cement, representing a 4% increase over the previous year. The remaining wet kiln was refurbished during February and March of 2007, and with all wet lines now fully operational, the total capacity of the Company's wet lines is expected to be approximately 670,000 tonnes of clinker (for 860,000 tonnes of cement per annum). Total clinker production from the wet lines during 2006 was 602,000 tonnes.

The consolidated profit after tax reduced from the US\$16.7 million achieved during 2005 to US\$14.4 million. The 2005 consolidated result included a positive restructuring adjustment of US\$12.4 m and the 2006 result includes the impact of

foreign exchange losses of US\$0.4 million incurred on holding of foreign currency and a charge of US\$0.24 million for a number of costs associated with the refurbishment of the dry lines which were not capitalized as plant and equipment.

As required by IFRS, the Group revalued its plant during the year by US\$12.6 million and this resulted in an increase to the depreciation charge of US \$1.4 million. The revaluation surplus was taken directly to the revaluation reserve account.

#### Dry Line Refurbishment

Steppe Cement has expanded the scope of refurbishment work of the two dry lines at its Karaganda cement plant as follows:

- Line 5 and 6 - raw materials, cement milling, dispatching areas, compressors, boilers and quarry equipment that were not included in the original scope
- Line 6 - upgrade the filters to improve environmental standards together with the pre-heater, kiln, cooler and coal feed equipment

The contracts for additional work are expected to be signed by June 2007.

With the expanded scope of works, the capital cost of the dry line upgrades are now expected to be US\$81 million for line 5 and US\$39 million for line 6 for a total of US\$120 million. The original estimates before the expansion to the scope of works were US\$73 million and US\$20 million respectively with a total of US\$93 million.

The expected annual cement production following re-commissioning will be 1.4 million tonnes for line 5 and 1.0 million tonnes for line 6. Line 6 will however have capacity to produce 1.3 million tonnes of cement per annum if demand warrants this level of production.

Line 5 is expected to be re-commissioned during the summer 2008 and line 6 during the summer 2007.

Monthly picture updates of the refurbishment work are posted on the web site [www.cac.kz](http://www.cac.kz) .

#### Financing

The additional scope of works is being financed by an increase in the EBRD loan facility (originally signed in December 2005) from US\$35 million to US\$65 million and improved operational cash flows. The facility includes a local bank.

#### Kazakh bond issue

On 1 December 2006, the last tranche of the bond issue was disbursed. The total

amount raised was 2.7 billion Tenge (approximately US\$21 million). All the proceeds have been used in the refurbishment.

#### Market

The second half of 2006 confirmed a strong market with total Kazakh cement sales exceeding 6.3 million tonnes for the year.

#### Personnel

Since December, Steppe Cement has welcomed an additional eleven expatriate professionals for the re-commissioning of line 6, with a further ten expected to be engaged by the end of July. 125 workers from the wet line operations have been transferred to the dry line operations where they have commenced training.

#### Announcement of 2006 Results

Steppe Cement expects to release its 2006 annual report in its web site [www.steppecement.com](http://www.steppecement.com) in second week of May 2007.

The Company's Annual General Meeting will again take place in London at Hanson Westhouse offices in One Angel Court, London EC2R 7HJ on 24 May 2007 at 2:30pm.

This information is provided by RNS  
The company news service from the London Stock Exchange