

Steppe Cement Ltd
17 April 2014

Market update for the quarter ended 31 March 2014

In the first quarter of 2014, Steppe Cement Ltd (“Steppe Cement” or the “Company”) sold 198,607 tonnes of cement for 2,486 million Tenge, compared to 166,121 tonnes of cement for 2,272 million Tenge in the first quarter of 2013, representing an increase of 20% and 9% respectively.

The cement market in Kazakhstan during 1Q 2014 was similar to the corresponding quarter last year although the weather was colder than in 2013. The market share of Steppe Cement increased from 15% in the first quarter of 2013 to 17 % in the first quarter of 2014.

Average price for the current quarter for delivered cement was 12,516 Tenge per tonne (ex VAT) compared with 13,677 Tenge per tonne in the corresponding quarter of 2013, a decrease of 8%. This is the consequence of the volume over price strategy decided as Line 5 was coming into full operation against the strategy of higher prices in 2013 where production was limited.

Ex-factory price for the current quarter stood at 10,243 Tenge per tonne, compared to 10,850 Tenge per tonne in 1Q 2013, a decrease of 6%.

The Company estimates Kazakhstan’s cement market to be 8.6 million tonnes for 2014, representing an increase of 6% from the estimated 8.1 million tonnes in 2013.

On 11 April 2014, Karcement JSC (a fully owned subsidiary of Steppe Cement) signed a USD 30 million loan agreement with VTB Bank (Austria) AG and VTB Bank (France) SA (“VTB Banks”) to refinance the current debt owed to EBRD and HSBC. The new loan is repayable over 30 months with the principal installments falling on or after the high season. The interest rate is comparable to the current one. This operation will allow the company to reduce some of its short term borrowings in the coming winters and to pay dividends regularly upon shareholders’ approval.

In addition, the VTB Banks have provided an additional USD 15 million loan to purchase up to 300 cement wagons to be delivered in the coming four months and repaid in installments over 5 years. The wagons will replace 40% of the fleet currently rented by CAC JSC (a fully owned subsidiary of Steppe Cement). This operation is cash-neutral for the first five years, and is expected to be significantly cash-positive from the sixth year onward. The wagons have an expected life of at least 30 years with minimum maintenance anticipated within the first 7 years.

We expect the documentation on these loans to be completed before the middle of May 2014. The Company would like to welcome the opportunity to work with VTB Banks going forward.

From 16 April 2014, Karcement JSC has been connected directly to the National Electrical Grid operated by the Kazakhstan Electricity Grid Operating Company (“KEGOC”). This connection will guarantee a stable power supply and significant cost savings.

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