Steppe Cement Ltd
2 May 2014

Annual results (unaudited) for the year ended 31 December 2013

Key financials	Year ended 31-Dec-13	Year ended 31-Dec-12	Inc/(Dec) %
Sales (tonnes of cement)	1,366,678	1,349,561	1.3%
Consolidated turnover (USD Million)	128.0	120.2	6.5%
Consolidated profit before tax (USD Million)	13.0	12.0	8.3%
Consolidated profit after tax (USD Million)	10.5	8.4	25.0%
Profit per share (US cents)	4.8	4.6	4.3%
Shareholders' funds (USD Million)	154.6	149.2	3.6%
Average exchange rate (USD/KZT)	152.2	149.1	
Exchange rate as at year end (USD/KZT)	154.3	150.4	

In 2013 Steppe Cement posted a net profit of USD10.5 million with factory capacity utilization of 86%. Sales volume improved by 1% while selling prices increased by 5% in USD or 7% in KZT, which was above the overall inflation rate of 5% for the year. Steppe Cement's EBITDA rose to USD28.7 million compared with USD24.9 million in 2012.

During the year Steppe Cement completed the reconstruction and modernisation of dry line 5, taking its total capacity to 2 million tonnes of cement in the dry lines and 0.8 million tonnes in the wet lines. The project cost of reconstruction of the Line 5 project was USD105 million of which USD23 million was spent in 2013.

Although the wet lines worked at more than 74% capacity in 2013 and continue to work in 2014, we decided to start recognising impairment loss on depreciable fixed assets used in the wet lines' clinker production process. We plan to replace them progressively with the more cost efficient Line 5 but we shall maintain them in standby pending the future evolution of the market and competition. We decided to charge an impairment loss of USD4.1 million to the statement of profit and loss and we charged USD1 million (net of tax) to the revaluation reserve. At the current exchange rate of USD/KZT of 183, the impairment loss which may be recognised in the future amounts to USD3.2 million and the charge to the revaluation reserve is USD0.8 million.

The market volume increased by 13% in 2013 and we expect a 6% increase in 2014

The Kazakh cement market in 2013 was 8.1 million tonnes, an increase of 13% compared to 7.2 million tonnes in 2012. Our expectations are that overall market demand in 2014 will increase by 6% to 8.6 million tonnes. The increase in market size is mostly expected to be taken up by new production capacities coming on stream in 2013 and 2014, Steppe Cement, Kazakh Cement and Caspi Cement (Heidelberg group). Imports increased in 2013 as the local producers could not cope with the increased demand. The local producers' market share decreased from 87% in 2012 to 81% in 2013. We expect that in 2014 it will improve to 88%, especially in West Kazakhstan where Caspi Cement operates.

Steppe Cement's average cement selling prices increased by 5% during the year to USD94 per tonne delivered (equivalent to USD79 per tonne ex-factory). Steppe Cement had a market share of 17% in 2013 compared to 19% in 2012. In 2014 we expect to increase our share back to 20% in line with increased production capacity.

The outlook of the construction industry in Kazakhstan remains positive, mainly driven by the Expo 2017, road building programs and general infrastructure works.

Dry Line 6 continues to improve its performance while the wet lines will be used to cover the balance of demand until Line 5 produces at designed capacity

The four wet lines produced 593,425 tonnes in 2013, a slight increase as compared to 2012. The dry line contributed 778,040 representing 57% of total production of Steppe Cement. The production from the dry lines will increase significantly in 2014 to cover at least 75% of the total sales, resulting in a significant reduction in production costs per tonne.

Capital investment

During 2013 we concentrated our main capital investment on Line 5 and the completion of the electrical bypass. The bypass project allows Karcement JSC to connect directly to KEGOC (Kazakhstan Electricity Grid Operating Company). It will save in excess of 35% from the electricity costs associated with the dry lines. The total investment in this project was USD3 million and it is expected to save yearly KZT800 million or USD4.4 million at the current exchange rates.

Dry Line number 6 capital improvements and maintenance plans brought a 15% increase in clinker production and an 18% increase in running hours. The main capital investment included:

- Change of raw mill fans that brought a potential increase of 22% production in raw mills
- Cement silos dust plant
- New drag chains below the electrostatic precipitators
- New girth gear in one slag dryer.

We will continue with a reduced capital investment program in the years ahead. The capex will be mostly used to improve the cement mills and cope with the additional clinker produced. Planned capital expenditure on the dry lines will be limited yearly to a maximum of USD5 million.

Wagons

In April 2014 we obtained financing to purchase up to 300 wagons of 72 tonnes capacity for USD50,000 each. They represent 40% of the current rented fleet and they have an expected lifespan of at least 30 years with minimum maintenance in the first 7 years. We currently rent similar but older wagons for USD10,500 each yearly. The financing has been designed so that the principal and interest payments in the first 5 years match the current rent. The purchase will allow us to secure the distribution of our increased volume and improve the bargaining power on the remaining rented wagons. A further purchase of 300 wagons is planned if the financing and purchase price continues to be attractive. This operation will initially increase the long term debt by USD15 million and the EBITDA by USD3 million yearly.

Cost of production in dry and wet lines

Cash production costs increased by 3% to USD50/tonne. There were significant increases in electricity, coal and transportation but they were compensated for by higher productivity, savings in electricity transportation and coal consumption. The increased costs in Central Asia Cement ("CAC") were balanced with lower cost of USD43/tonne in Line 6.

With the completion of Line 5 and the electrical bypass, 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, reduced slightly to USD14.5 per tonne in 2013. This was due to increasing deliveries by truck to Astana. During the high season we chose to maintain delivery to the markets closer to the factory. From 2014 our transportation costs per tonne are expected to decrease further as we invest in our own fleet of wagons.

General and administrative expenses

General and administrative expenses increased by 9% to USD12.7 million from USD11.7 million in 2012 mainly due to an increase in provision for slow-moving inventories of spare parts.

An impairment charge of USD4.1 million was made for the clinker workshop in CAC. While CAC continues to work as a company, its clinker will be progressively replaced by the one produced by Karcement. Even if the wet lines are stopped, they could be restarted again if the market conditions allow it. CAC will continue to operate all ancillary functions such as quarries, garage, locomotives, compressors, water, cement mills, administration, sales and marketing.

The labour count stood at 1,099 on 31 March 2014 compared with 1,025 on 31 March 2013. We now have 719 employees in the wet lines and administration and 380 in the dry lines to run both Lines 5 and 6.

Line 5

After the successful commissioning of Line 5, we expect it to operate at 80% capacity by this summer, in time for the high season. Line 5 is expected to contribute 35% of the total sales volumes in 2014. At full capacity, Line 5 will be able to produce 1.2 million tonnes of cement and the cash cost savings per tonne when compared to the wet lines are estimated at USD12/tonne.

Financial position

The last round of equity financing in late 2012 and the operational cash flows in 2013 allowed Steppe Cement to complete the reconstruction and modernisation of Line 5 while continuing to pay down its long term loans. During the year we reduced our long term debt by USD14.4 million. The reduction in long term debts is mainly due to principal repayments of USD12.2 million. As of 31 December 2013 we have loans of USD31.4 million denominated in USD and unsecured bonds of USD9.4 million denominated in KZT to be repaid in November 2017.

After a further principal repayment of USD2.1 million to HSBC in March 2014 and the devaluation of the KZT in February 2014, our total borrowings at the end of April 2014 stand at USD37.1 million of which USD29.3 million are denominated in USD and the balance of USD8.1 million are denominated in KZT.

In April 2014 we decided to refinance the USD denominated debts from EBRD and HSBC in order to spread the principal repayments evenly over 3 years, return the principal after the selling season to better fit our cash flows and reduce the need for working capital in the winter. The new loan bears interest at 6.2%, a rate comparable to the existing ones, and is repayable by November 2016. At the same time the refinancing will allow Steppe Cement to free some of the assets currently pledged.

We have renewed the revolving working capital credit line from Halyk Bank for KZT3 billion at 10.75% per annum and obtained an additional line of KZT750 million from HSBC. Together they represent approximately USD20 million at the 183 USD/KZT exchange rate.

In 2013 finance costs decreased to USD2.7 million from USD3.5 million in 2012 excluding the effect of interest capitalised for Line 5. Had the interest not been capitalized, the financial expenses would have been USD3.9 million in 2013 and USD4.3 million in 2012. From 1 January 2014 capitalisation of interests ceased as the physical construction activities of Line 5 were substantially completed.

Depreciation was slightly reduced to USD9 million during 2013. The statutory corporate income tax rate remains at 20% in Kazakhstan. Karcement JSC, our wholly owned subsidiary, enjoyed its last year of income tax exemption under 5-year tax holiday and will start normal tax payments in 2014.

I would like to thank the efforts of our employees, which were essential to complete these projects. We expect to collect the fruits of this work in coming years. Finally, I want to thank all the shareholders for their patience and their contributions in the past.

Javier del Ser
Chief Executive Officer

2013 Annual Report and Annual General Meeting

Steppe Cement expects to release its 2013 Annual Report on its web site at www.steppecement.com during the week commencing 19 May 2014.

The Company's Annual General Meeting is expected to take place at its Malaysian Office at Suite 10, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur Malaysia on, 13 June 2014 at 2.30 p.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 2013

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
Revenue	127,981,763	120,165,706	100,000	100,000
Cost of sales	(74,194,003)	(72,201,346)	-	-
Gross profit	53,787,760	47,964,360	100,000	100,000
Selling expenses	(19,799,639)	(19,859,692)	-	-
General and administrative expenses	(12,696,958)	(11,666,123)	(523,094)	(568,518)
Operating profit/(loss)	21,291,163	16,438,545	(423,094)	(468,518)
Interest income	68,401	-	-	-
Finance costs	(2,689,949)	(3,476,788)	-	-
Other expenses	(1,604,046)	(923,130)	(16,740)	(35,312)
Impairment loss on property, plant and equipment	(4,089,167)	-	-	-
Profit/(Loss) before income tax	12,976,402	12,038,627	(439,834)	(503,830)
Income tax expense	(2,525,429)	(3,678,393)	-	-
Profit/(Loss) for the year	10,450,973	8,360,234	(439,834)	(503,830)
Attributable to:				
Shareholders of the Company	10,450,973	8,360,234	(439,834)	(503,830)
Profit per share:				
Basic (cents)	4.8	4.6		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
Profit/(Loss) for the year	10,450,973	8,360,234	(439,834)	(503,830)
Other comprehensive loss: *Items that will not be reclassified subsequently to profit or loss*:				
Impairment loss on property, plant and equipment, net of tax	(1,022,132)	-	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign subsidiary companies	(3,977,068)	(1,635,943)	-	-
Total comprehensive loss	(4,999,200)	6,724,291	(439,834)	(503,830)
Attributable to:				
Shareholders of the Company	5,451,773	6,724,291	(439,834)	(503,830)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
Assets				
Non-Current Assets:				
Property, plant and equipment	167,164,899	135,442,394	-	-
Investment in subsidiary companies	-	-	30,500,002	30,500,002
Advances and prepaid expenses	678,285	2,385,323	-	-
Other assets	17,124,247	40,575,352	-	-
Total Non-Current Assets	184,967,431	178,403,069	30,500,002	30,500,002
Current Assets				
Inventories	20,466,479	18,247,651	-	-
Trade and other receivables	7,122,772	6,779,161	-	-
Loans and advances to subsidiary companies	-	-	39,908,676	37,509,853
Advances and prepaid expenses	4,275,356	4,934,256	8,887	6,091
Short term investments	-	5,997,607	-	-
Cash and cash equivalents	4,299,183	14,015,751	238,111	2,923,334
Total Current Assets	36,163,790	49,974,426	40,155,674	40,439,278
Total Assets	221,131,221	228,377,495	70,655,676	70,939,280

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
Equity and Liabilities				
Capital and Reserves				
Share capital	73,760,924	73,760,924	73,760,924	73,760,924
Revaluation reserve	5,603,756	8,033,718	-	-
Translation reserve	(25,621,877)	(21,644,809)	-	-
Retained earnings/ (Accumulated loss)	100,883,344	89,024,541	(4,379,884)	(3,940,050)
Total Equity	154,626,147	149,174,374	69,381,040	69,820,874
Non-Current Liabilities				
Loans	27,064,821	40,663,029	-	-
Deferred tax liabilities	9,357,535	8,518,666	-	-
Total Non-Current Liabilities	36,422,356	49,181,695	-	-
Current liabilities				
Trade and other payables	9,051,771	8,025,685	-	-
Accrued and other liabilities	6,801,926	7,079,815	1,274,636	1,118,406
Borrowings	13,729,079	14,527,492	-	-
Taxes payable	499,942	388,434	-	-
Total Current Liabilities	30,082,718	30,021,426	1,274,636	1,118,406
Total Liabilities	66,505,074	79,203,121	1,274,636	1,118,406
Total Equity and Liabilities	221,131,221	228,377,495	70,655,676	70,939,280

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before income tax	12,976,402	12,038,627	(439,834)	(503,830)
Adjustments for:				
Depreciation of property, plant and equipment	8,968,434	9,369,956	-	-
Amortisation of quarry stripping costs	37,539	85,612	-	-
Finance costs	2,689,949	3,476,788	-	-
Unrealised foreign exchange loss	859,390	1,169,109	17,214	32,326
Interest income	(68,401)	-	-	-
Provision for doubtful receivables	137,331	115,116	-	-
Provision for doubtful advances paid to third parties	145,777	73,591	-	-
Loss on disposal of property, plant and equipment	223,238	45,659	-	-
Provision for obsolete inventories	1,897,712	648,936	-	-
Impairment of property, plant and equipment	4,089,167	-	-	-
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	31,956,538	27,023,394	(422,620)	(471,504)
(Increase)/Decrease in:				
Inventories	(2,174,486)	(12,149,426)	-	-
Trade and other receivables	(466,816)	2,597,124	-	-
Loans and advances to subsidiaries	-	-	(2,398,823)	(12,358,432)
Advances and prepaid expenses	533,120	(1,900,042)	(2,796)	(6,091)
			-	-
Increase/(Decrease) in:				
Trade and other payables	1,026,095	184,767	-	-
Accrued and other liabilities	(79,659)	3,447,693	139,016	193,501
Cash Generated From/(Used In)	30,794,792	19,203,510	(2,685,223)	(12,642,526)

Operations				
Income tax paid	(1,317,586)	(1,420,371)	-	-
Interest paid	(3,892,302)	(4,678,268)	-	-
Net Cash From/(Used In) Operating Activities	25,584,904	13,104,871	(2,685,223)	(12,642,526)
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	106,482	-	-
Purchase of property, plant and equipment	(16,590,568)	(10,150,160)	-	-
Purchase of non-current assets	(10,793,001)	-	-	-
Payment for quarry stripping costs	(21,436)	(100,665)	-	-
Proceeds from short-term investment	5,997,607	-	-	-
Purchase of short-term investment	-	(5,997,607)	-	-
Interest received	68,401	-	-	-
Net Cash Used In Investing Activities	(21,338,997)	(16,141,950)	-	-
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	-	15,980,000	-	15,980,000
Share issue costs	-	(517,618)	-	(517,618)
Proceeds from bonds issued	-	9,583,695	-	-
Bonds issue costs	-	(99,043)	-	-
Proceeds from bank loans	15,621,961	13,163,387	-	-
Repayment of bank loans	(29,487,286)	(21,547,873)	-	-
Net Cash (Used In)/ From Financing Activities	(13,865,325)	16,562,548	-	15,462,382
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(9,619,418)	13,525,469	(2,685,223)	2,819,856
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(97,150)	(3,319)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,015,751	493,601	2,923,334	103,478

CASH AND CASH EQUIVALENTS AT END OF YEAR	4,299,183	14,015,751	238,111	2,923,334

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

The Group	Share capital USD	Revaluation reserve USD	Translation reserve USD	Distributable Retained earnings USD	Total USD
Balance as at 1 January 2013	73,760,924	8,033,718	(21,644,809)	89,024,541	149,174,374
Profit for the year	-	-	-	10,450,973	10,450,973
Other comprehensive loss	-	(1,022,132)	(3,977,068)	-	(4,999,200)
Total comprehensive income/(loss) for the year	-	(1,022,132)	(3,977,068)	10,450,973	5,451,773
Other transactions impacting equity:					
Transfer on revaluation reserve relating to property, plant and equipment through use	-	(1,407,830)	-	1,407,830	-
Balance as at 31 December 2013	73,760,924	5,603,756	(25,621,877)	100,883,344	154,626,147

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