

Steppe Cement Ltd
12 October 2012

Market Update for the Third Quarter ended 30 September 2012

Third quarter 2012 revenue of KZT 7,233 million was 28% higher than the corresponding quarter in 2011. For the 9 months ended 30 September 2012, Steppe Cement Ltd (“Steppe Cement” or “the Company”) recorded revenue of KZT 14,961 million compared with KZT 11,933 million in the corresponding 9 month period in 2011, representing a 25% improvement.

Sales volume of 518,433 tonnes was achieved during the third quarter, a 16% increase over the third quarter of 2011. For the first 9 months of 2012, the sales volume increased by 8% to 1,134,271 tonnes from 1,048,122 tonnes in the corresponding 9 month period in 2011.

Average price (ex-VAT) for delivered cement was 16% higher at KZT 13,190 per tonne in the first 9 months this year compared with KZT 11,385 per tonne in the corresponding period in 2011. For the 9 months to September 2012, the ex-factory price stood at KZT 11,119 per tonne representing USD74 per tonne based on current exchange rates.

For the first 9 months of 2012, the cement market in Kazakhstan increased by 13% compared to the corresponding period in 2011. Steppe Cement has therefore revised its estimate of the cement market consumption for 2012 from 6.8 million tonnes to 7.0 million tonnes. Imports into Kazakhstan declined to 13% from 15% in the corresponding 9-month period in 2011. Steppe Cement’s market share at 20% is similar compared with the corresponding 9-month period in 2011.

Line 5 update

In the first 9 months of 2012, Steppe Cement has spent approximately USD 6 million towards the completion of line 5 out of its cash flow. The Company continues to explore different options to fund the remaining USD 34 million including debt, internally generated cash flow and equity.

Central Asia Cement, a fully owned subsidiary of the Company, has registered two bonds with 5 and 6 year maturities with the Committee for the Control and Supervision of the Financial Market and Financial Organisations of the National Bank of the Republic of Kazakhstan (FMSC). We are proceeding to obtain a listing for these in the Kazakhstan Stock Exchange (KASE). The decision on final bond placement and its amount will depend on the yield that can be obtained. In parallel we have obtained preliminary terms from multilateral organizations.

The board intends to choose among the different sources of financing before the end of 2012 with a completion target for the project in the last quarter of 2013.

The Company's Nominated Adviser is RFC Ambrian Limited.
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