Steppe Cement Ltd
15 May 2015

Annual results for the year ended 31 December 2014

The 2014 results were affected by the depreciation of the Kazakshtan Tenge in February, the subsequent devaluation of the Rouble and the lower oil price. Steppe Cement has long term USD-denominated loans but assets denominated in Tenge. During the year we ceased operating the clinker production in the old wet lines and took a full impairment against its remaining carrying value. We expensed full depreciation and interest costs for the dry line assets for the first time.

In order to facilitate the ramp up of the newly installed capacity we increased sales volume significantly (18%), partly at the expense of price (-9%). The additional market share will be meaningful in the coming years as we will reduce our production cost per tonne thanks to higher energy efficiency and capacity utilization.

Steppe Cement operated the 4 original wet lines until October 2014, Line 5 at 50% of its capacity and Line 6 at 85%. When their ramp up is completed, Lines 5 and 6 will be able to produce a combined 2 million tonnes per year.

Steppe Cement refinanced its long-term debt in April 2014 and purchased 330 rail wagons that will cover 40% of our yearly needs with a new long-term loan. The short term loan lines have been extended and increased allowing the company to maintain flexibility in production.

The full impact of the savings from the switch to the dry lines and the ramp up in production will be felt in 2015 and the change should allow Steppe Cement to maintain its leading position in the growing Kazakhstan cement market.

Key financials	**Year ended 31-Dec-14**	**Year ended 31-Dec-13**	**Inc/(Dec) %**
Sales (tonnes of cement)	1,612,709	1,366,678	18%
Consolidated turnover (KZT million)	20,926	19,469	7.5%
Consolidated turnover (USD Million)	116.6	128.0	(8.9%)
Consolidated (loss)/profit before tax (USD Million)	(8.1)	13.0	(162%)
Consolidated (loss)/profit after tax (USD Million)	(7.9)	10.5	(175%)
(Loss)/profit per share (US cents)	(3.6)	4.8	(175%)

Shareholders' funds (USD Million)	117.7	154.6	(24%)
Average exchange rate (USD/KZT)	179.5	152.2	(18%)
Exchange rate as at year end (USD/KZT)	182.35	154.3	(18%)

In 2014 Steppe Cement posted a net loss of USD7.9 million with factory capacity utilization of 57% on the dry lines and 52% on the wet lines. Effective dry line capacity will increase to 1.8 million tonnes in 2015 and 2 million tonnes in 2016. Sales volume improved by 18% while selling prices decreased by 9% in KZT and 23% in USD. Steppe Cement's EBITDA decreased to USD17.4 million from USD28.7 in 2013 due to KZT devaluation, lower pricing and still relatively higher costs as the wet lines were still running and Line 5 was operating at 50% capacity.

The wet lines were fully impaired in 2014 as we do not expect to operate them in the near future. We charged impairment loss of USD3.1 million to Income Statements and USD0.48 million (net of tax) to Revaluation Reserve.

We shall maintain them in a mothball condition pending the evolution of the market.
There should be no further impairment required in the future as the milling department, quarry and all auxiliary equipment will continue to work.

The market volume increased by 5% in 2014 and we expect a 3% increase in 2015

The Kazakh cement market in 2014 was 8.5 million tonnes, an increase of 5% compared to 8.1 million tonnes in 2013. The increase in market size was taken up by the ramp up of Steppe Cement, Caspi Cement (Heidelberg), Jambyl Cement (Vicat) and Kazakhcement (local ownership). The imports' share decreased from 19% of the market in 2013 to 13% in 2014.

Our expectations are that overall market demand in 2015 will increase by 3% to 8.8 million tonnes and the increase will be taken by the ramp up of Steppe Cement, Caspi Cement and imports depending on the exchange rate of the Rouble against the Tenge during the year.

Steppe Cement's average cement selling prices decreased by 9% in KZT and by 23% in USD to USD 72.3 per tonne delivered (equivalent to USD 60 per tonne ex-factory). Steppe Cement had a market share of 19% in 2014 compared to 17% in 2013. In 2015 we expect to maintain our share in line with increased production capacity.

Despite the drop in the oil price, the government remains commited to a strong infrastructure plan and the outlook of the construction industry in Kazakhstan remains positive driven by the Expo 2017 and road building programs.

Production and costs

The four wet lines produced 465,879 tonnes of cement a decrease of 21% from 2013 before they were finally stopped in the fourth quarter. The dry lines contributed 1,134,197 tonnes representing 71% of total production of Steppe Cement. Line 5 and Line 6 contributed 35% and 39% of sales volumes respectively.

The production from the dry lines will increase significantly in 2015 to cover for the previous wet lines production plus the expected sales increase in line with the market. It is expected that Line 5 and L6 will contribute 57% and 43% of production volumes at 80% and 90% of capacity respectively. Line 5 design capacity is 1.2 million tonnes and Line 6 is 0.8 million tonnes.

Cash production costs in the dry lines was reduced to USD38/tonne from USD43/tonne in 2013. Once accounted for devaluation, cost increased in KZT in line with inflation. We expect cost to be reduced in 2015 as the utilization rate increases in Lines 5 and 6 and the utilities and services are optimized following the closure of the wet lines.

Selling expenses, reflecting mostly delivery costs, reduced to USD11.9/tonne from USD14.5 per tonne in 2013. This is a combination of the effects of the devaluation and the savings brought about in the second half of the year by the purchase of our own fleet of wagons, partly offset by the above-average increase in transportation rates.

Financial expenses and debt levels

In 2014 finance costs increased to USD4.8 million from a comparable USD3.9 million in 2013 (had the interest not been capitalized in 2013). The increase reflects the increase of long term debt to purchase the wagons and the increase of short term debt towards the end of the year to increase stocks and to hedge the expected currency fluctuations into 2015.

During the year we increased slightly our long term debt to USD30.4 million from USD27.1 million in 2013 as well as its maturity as we refinanced the previous EBRD and HSBC debt with a 2 year loan from VTB Austria and France. We negotiated a new USD15 million 5 year loan to purchase rail wagons.

At the end of the year, we decided to increase our cash position to USD 9.3 million to hedge against the potential devaluation of the KZT and to be able to increase our stocks levels through the winter. This decision pushed the short term liquidity ratio to 1.55 slightly above the bank requirement of 1.50 once the final EBITDA calculation was finalised in April 2015.

We have renewed the revolving working capital credit line from Halyk Bank for KZT3 billion at 10.75% per annum and we have increased the credit line from Altyn Bank (previously HSBC Kazakhstan) to KZT 1.65 billion. Together they represent approximately USD25 million.

We are currently negotiating a government subsidized loan in KZT to cover some of our capital expenditure, improve our distribution, replace part of the working capital lines and to purchase up to additional 100 rail wagons.

General and administrative expenses

General and administrative expenses decreased by 4% to USD12.2 million from USD12.7 million in 2013 mainly due to the KZT devaluation.

The labour count stood at 926 on 31 March 2015 compared with 1,099 on 31 March 2014. We now have 449 employees in the milling department, services, sales and administration (compared to 719 last year) and 477 in the dry lines to run both Lines 5 and 6 (compared to 380 last year). We will continue to optimize the labour count until the end of 2016.

Depreciation significantly increased to USD 12.2 million in 2014 from USD 9 million despite the devaluation as we accounted for the first time the full investment in Line 5.

The statutory corporate income tax rate remains at 20% in Kazakhstan.

Capital investment and rail wagons

During 2014 we completed the outstanding payments for investment in respect of Line 5 (USD 4.5 million).

We changed the preheater fan motors in Dry Line number 6 at a cost of USD0.26 million and with a payback of 1.2 years due to lower electrical consumption.

From April to July 2014 we purchased 330 new rail wagons of 72 tonnes capacity for USD15 million. They represent 40% of our needs and allow us to avoid renting wagons four months a year. The purchase was fully financed with a loan from VTB Bank. The return on this investment is approximately 23%.

We will focus the capex next year on increasing the milling capacity, logistics, packing and distribution. We will limit our yearly capital expenditure depending on the market conditions and the availability of financing in KZT.

Javier del Ser
Chief Executive Officer

2014 Annual Report and Annual General Meeting

Steppe Cement expects to release its 2014 Annual Report on its web site at www.steppecement.com during the week commencing 25 May 2015.

The Company's Annual General Meeting is expected to take place at its Malaysian Office at Suite 8.4, 8th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur Malaysia on, 10 June 2015 at 2.30 p.m.

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

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Steppe Cement's Broker is Westhouse Securities Limited

Contact Henry Willcocks or Martin Davison on +44 (0)20 7601 6100

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 2014

	The Group		The Company	
	2014 USD	2013 USD	2014 USD	2013 USD
Revenue	116,634,875	127,981,763	4,247,325	100,000
Cost of sales	(80,925,733)	(74,194,003)	-	-
Gross profit	35,709,142	53,787,760	4,247,325	100,000
Interest income	8,245	68,401	-	-
Selling expenses	(19,139,532)	(19,799,639)	-	-
General and administrative expenses	(12,151,311)	(12,696,958)	(531,641)	(523,094)
Finance costs	(4,787,593)	(2,689,949)	-	-
Impairment loss on property, plant and equipment	(3,144,100)	(4,089,167)	-	-
Other expenses, net	(4,589,697)	(1,604,046)	29,391	(16,740)
(Loss)/Profit before income tax	(8,094,846)	12,976,402	3,475,075	(439,834)
Income tax credit/(expense)	154,161	(2,525,429)	(5,720)	-
(Loss)/Profit for the year	(7,940,685)	10,450,973	3,739,355	(439,834)
Attributable to:				
Shareholders of the Company	(7,940,685)	10,450,973	3,739,355	(439,834)
(Loss)/Profit per share:				
Basic and diluted (cents)	(3.6)	4.8		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
(Loss)/Profit for the year	(7,940,685)	10,450,973	3,739,355	(439,834)
Other comprehensive loss: *Items that will not be reclassified subsequently to profit or loss*:				
Impairment loss on property, plant and equipment, net of tax	(481,777)	(1,022,132)	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations, net of tax	(24,936,678)	(3,977,068)	-	-
Total other comprehensive loss	(25,418,455)	(4,999,200)	-	-
Total other comprehensive (loss)/income for the year	(33,359,140)	5,451,773	3,739,355	(439,834)
Attributable to: Shareholders of the Company	(33,359,140)	5,451,773	3,739,355	(439,834)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
Assets				
Non-Current Assets:				
Property, plant and equipment	151,695,517	167,164,899	-	-
Investment in subsidiary companies	-	-	30,500,002	30,500,002
Advances and prepaid expenses	50,666	678,285	-	-
Other assets	7,021,239	17,124,247	-	-
Total Non-Current Assets	158,767,422	184,967,431	30,500,002	30,500,002
Current Assets				
Inventories	22,112,879	20,466,479	-	-
Trade and other receivables	3,949,124	7,114,144	-	-
Income tax recoverable	1,211,045	8,628	-	-
Loans and advances to subsidiary companies	-	-	40,377,069	39,908,676
Advances and prepaid expenses	2,514,290	4,275,356	5,731	8,887
Cash and cash equivalents	9,295,439	4,299,183	2,112	238,111
Total Current Assets	39,082,777	36,163,790	40,384,912	40,155,674
Total Assets	197,850,199	221,131,221	70,884,914	70,655,676

	The Group		The Company	
	2014	2013	2014	2013
	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	3,986,065	5,603,756	-	-
Translation reserve	(50,558,555)	(25,621,877)	-	-
Retained earnings/ (Accumulated loss)	90,502,844	100,883,344	(4,216,258)	(4,379,884)
Total Equity	117,691,278	154,626,147	69,544,666	69,381,040
Non-Current Liabilities				
Loans	30,363,401	27,064,821	-	-
Deferred taxes	7,399,794	9,357,535	-	-
Provision for site restoration	84,458	-	-	-
Total Non-Current Liabilities	37,847,653	36,422,356	-	-
Current liabilities				
Trade and other payables	7,658,755	9,051,771	-	-
Accrued and other liabilities	6,638,802	6,801,926	1,334,528	1,274,636
Borrowings	27,088,698	13,729,079	-	-
Taxes payable	925,013	499,942	5,720	-
Total Current Liabilities	42,311,268	30,082,718	1,340,248	1,274,636
Total Liabilities	80,158,921	66,505,074	1,340,248	1,274,636
Total Equity and Liabilities	197,850,199	221,131,221	70,884,914	70,655,676

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

The Group	Share capital USD	Revaluation reserve USD	Translation reserve USD	Distributable Retained earnings USD	Total USD
Balance as at 1 January 2014	73,760,924	5,603,756	(25,621,877)	100,883,344	154,626,147
Loss for the year	-	-	-	(7,940,685)	(7,940,685)
Other comprehensive loss	-	(481,777)	(24,936,678)	-	(25,418,455)
Total comprehensive income/(loss) for the year	-	(481,777)	(24,936,678)	(7,940,685)	(33,359,140)
Other transactions impacting equity:					
Dividends	-	-	-	(3,575,729)	(3,575,729)
Transfer on revaluation reserve relating to property, plant and equipment through use	-	(1,135,914)	-	1,135,914	-
Balance as at 31 December 2014	73,760,924	3,986,065	(50,558,555)	90,502,844	117,691,278

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014	2013	2014	2013
	USD	USD	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(8,094,846)	12,976,402	3,745,075	(439,834)
Adjustments for:				
Depreciation of property, plant and equipment	12,239,764	8,968,434	-	-
Impairment of property, plant and equipment	3,144,100	4,089,167	-	-
Dividend income	-	-	(4,147,325)	-
Foreign exchange loss/(gain)	5,284,714	842,564	(66,613)	17,214
Finance costs	4,787,593	2,689,949	-	-
Provision for obsolete inventories	1,750,864	1,897,712	-	-
Provision for doubtful advances paid to third parties	119,956	145,777	-	-
Provision for doubtful receivables	103,630	137,331	-	-
Loss on disposal of property, plant and equipment	237,877	223,238	-	-
Amortisation of quarry stripping costs	15,699	37,539	-	-
Accrued unused leaves	19,359	21,627		
Reversal of accrued unused leaves	(55,688)	(7,108)	-	-
Provision for electricity charges	-	210,629	-	-
Interest income	(8,245)	(68,401)	-	-
Operating Profit/(Loss) Before Working Capital Changes	19,544,777	32,164,860	(468,863)	(422,620)
Movement in working capital:				
(Increase)/Decrease in:				
Inventories	(3,619,182)	(2,174,486)	-	-
Trade and other receivables	1,069,568	(466,814)	3,156	-
Loans and advances to subsidiaries	-	-	(468,393)	(2,398,823)
Advances and prepaid expenses	1,505,920	2,240,157	-	(2,796)
Other Assets	-	3,071,875	-	-
Increase/(Decrease) in:				
Trade and other payables	(169,749)	1,026,086	-	-

Accrued and other liabilities	1,483,330	(304,807)	126,905	139,016
Cash Generated From/(Used In) Operations	19,814,664	35,556,871	(807,595)	(2,685,223)
Income tax paid	(1,448,896)	(1,317,587)	-	-
Interest paid	(4,806,663)	(3,892,302)	-	-
Net Cash From/(Used In) Operating Activities	13,559,105	30,346,982	(807,595)	(2,685,223)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(21,834,528)	(16,590,562)	-	-
Purchase of other assets	(356,421)	(15,571,913)	-	-
Payment for quarry stripping costs	-	(21,436)	-	-
Proceeds from short-term investment	-	5,997,607	-	-
Dividends received	-	-	4,147,325	-
Interest received	8,245	68,401	-	-
Net Cash (Used In)/From Investing Activities	(22,182,704)	(26,117,903)	4,147,325	-
CASH FLOW FROM FINANCING ACTIVITIES				
Dividends paid	(3,575,729)	-	(3,575,729)	-
Proceeds from bank loans	89,745,890	15,621,961	-	-
Repayment of bank loans	(71,954,803)	(29,470,458)	-	-
Net Cash From/(Used In) Financing Activities	14,215,358	(13,848,497)	(3,575,729)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,591,759	(9,619,418)	(235,999)	(2,685,223)
FFECTS OF FOREIGN EXCHANGE RATE CHANGES	(595,503)	(97,150)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,299,183	14,015,751	238,111	2,923,334
CASH AND CASH EQUIVALENTS AT END OF YEAR	9,295,439	4,299,183	2,112	238,111