CEO STATEMENT

The 2016 results versus 2015 were conditioned by the sharp devaluation of the Kazakhstan Tenge (KZT) in August 2015 against our reporting currency. The weakness of the KZT against the rouble allowed to the market to cut the imports down and increase exports significantly. The overall domestic market went down by 6% and our sales volume decreased by 4% while the price in KZT decreased by 4%.

In 2016 we produced exclusively from the dry lines and our cost of production increased in line with official inflation of 8.5%.

Steppe Cement operated Line 5 at 84% of its current capacity (1.1 million tonnes) and Line 6 at 74% of capacity (0.8 million tonnes) as we took an extended repair period to increase its reliability and capacity for 2017. We expect to increase the capacity of Line 6 to 0.9 million tonnes.

Shareholders' funds increased marginally to USD58 million from USD56.7 million over the year. The assets remain many times undervalued compared to their replacement costs due to the devaluation of the local currency.

Key financials	Year ended 31- Dec-16	Year ended 31- Dec-15	Inc/(Dec)%
Sales (tonnes of cement)	1,570,140	1,643,136	(4%)
Consolidated turnover (KZT million)	17,941	19,537	(8%)
Consolidated turnover (USD Million)	52.5	93.6	(44%)
Consolidated profit/(loss) before tax (USD Million)	0.7	(8.8)	108%
Consolidated profit/(loss) after tax (USD Million)	0.2	(3.4)	106%
Profit/(Loss) per share (US cents)	0.1	(1.5)	107%
Shareholders' funds (USD Million)	58.0	56.7	2%
Average exchange rate (USD/KZT)	342	222	(54%)
Exchange rate as at year end (USD/KZT)	333	339	1%

In 2016 Steppe Cement posted a marginal net profit of USD 0.2 million. Steppe Cement's EBITDA decreased to USD 9.7 million from USD 22.7 million in 2015 mostly due to the devaluation of the KZT against the USD, lower pricing and the reversal of provision of electricity charges.

The overall market volume decreased by 6% in 2016 and we expect the trend to continue in 2017

The Kazakh cement market in 2016 was 9 million tonnes, a decrease of 6% compared to 9.6 million tonnes in 2015. The devaluation made imports decrease by 63% to 0.47 million tonnes and exports increase by 270% to 0.41 million tonnes. The local producers' market share increased to 94%.

Our expectations are that overall market demand in 2017 will decrease by 5 to 10%. The demand depends upon the government investment plans and macroeconomic situation. We expect the demand to drop in the Astana region with the completion of the Expo 2017 but grow in infrastructure and smaller cities development. Population continues to concentrate in the cities and population growth is occurring mostly in the southern regions and around Astana.

After the sharp devaluation of KZT, exports continue to increase from 0.1 million tonnes in 2015 to 0.4 million in 2016 helping local companies increase slightly their overall volumes. The companies that increased more were Standard Cement and Shymkent Cement both with new commissioned dry kilns.

In 2017 the local cement factories should increase significantly again their export levels to try to compensate the drop in domestic demand while imports will remain contained to regions near the Russian border.

Steppe Cement's average cement selling prices decreased by 4% in KZT and by 39% in USD (equivalent to 33.4 USD per tonne) due to the devaluation of the KZT.

Line 5 produced 923,243 tonnes of cement while Line 6 produced 594,429 tonnes as it was shut down for extended maintenance in the spring.

Capital investment in 2016 took advantage of the availability of subsidized credit line

During 2016 capital investment was increased to USD4.8 million from USD2 million in 2015. Steppe Cement obtained a credit facility of 1.69 billion denominated in KZT at 6% and repayable over 10 years. The facility was used mostly in the first four months of 2016 to improve the reliability of the milling department and in logistics i.e. silos, loading areas, bagging plant capacity increase and the terminal in Astana.

Cost were increased in line with inflation and were affected but the extended maintenance period of Line 6

Average cash production of cement in KZT increased in line with inflation but was reduced to USD21/tonne from USD30/tonne in 2015.

Selling expenses, reflecting mostly cement delivery costs, were reduced to USD 5/tonne from USD 8/tonne in 2015.

General and administrative expenses

General and administrative expenses decreased by 41% to USD 4.7 million from USD 8 million in 2015 due mostly to management efforts and the effect of devaluation.

The labour count stood at 724 on 31 March 2017 compared with 785 on 31 March 2016. We will continue to optimize the labor count until the end of 2017.

Dry lines' improved operating performance

In 2016 Line 5 contributed 60% of sales and Line 6 the balance. After the repairs in line 6 that took place in the spring, its capacity has increased and it will available for the summer 2017.

Line 5's current capacity is 1.1 million tonnes of cement and Line 6 is 0.9 million tonnes.

Financial position: Continuous debt reduction and compliance with ratios

During the year we maintained our non-current portion of borrowings from USD14.9 million to USD15.4 million. We repaid USD 7.3 million in principal to VTB Bank before we refinanced the balance of long term loans with Halyk Bank to save withholding tax. The effective interest rate in the long term loans in USD went down from 7.8% to 6.3%.

In the first six months of 2016 we completed the draw down the subsidized investment capital loan of KZT 1.69 billion (equivalent to USD4.9 million) for 10 years at 6%.

The current portion of borrowings was reduced from USD 15.8 million in 2015 to USD11 million in 2016 as we controlled the draw down of the short-term lines and limited the cash position at the end of year to USD1 million from USD2.4 million at 31 December 2015. We consider the risk of further devaluation is now much lower and therefore we have chosen to borrow short term mostly in USD this winter as the interest differential was 10%. Therefore we have been borrowing at 6% in USD during the first quarter of 2017.

In KZT we maintain three short term credit lines available:

- A KZT 3 billion from Halyk Bank that includes a government subsidized program of KZT0.5 billion in KZT at 6%.
- A line of 0.9 billion KZT from Altyn Bank .
- A working capital loan from VTB Bank Kazakhstan for 1 billion at 12.5% signed in March 2017.

In 2016 finance costs decreased to USD2.8 million from USD4.2 million in 2015 due to the continuous repayment of loan principals.

All covenants under the various credit lines have been met comfortably.

Depreciation decreased to USD6.8 million in 2016 from USD10.7 million in 2015 mostly due to the exchange rate.

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

Javier del Ser
Chief Executive Officer

2016 Annual Report and Annual General Meeting

Steppe Cement expects to release its 2016 Annual Report on its web site at www.steppecement.com during the week commencing 23 May 2017.

The Company's Annual General Meeting is expected to take place at its Malaysian Office at Suite 10.1, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur Malaysia on, 14 June 2017 at 2.30 p.m.

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

Nominated Adviser contact: Stephen Allen or Andrew Thomson on +61 8 9480 2500.

Broker contact: Charlie Cryer at +44 20 3440 6800

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Revenue	52,479,370	93,632,720	100,000	100,000
Cost of sales	(36,870,866)	(60,383,321)	-	-
Gross profit	15,608,504	33,249,399	100,000	100,000
Selling expenses	(8,368,084)	(13,082,506)	-	-
General and administrative expenses	(4,759,148)	(8,037,254)	(290,771)	(383,830)
Interest income	5,205	40,584	-	-
Finance costs	(2,783,082)	(4,215,275)	-	-
Net foreign exchange gain/(loss)	657,937	(16,376,575)	164,559	72,203
Other income/(loss), net	320,449	(94,795)	-	-
Impairment loss on investment	-	-	-	(4,000,001)
Impairment loss on property, plant and equipment	-	(298,397)	-	-
Profit/(Loss) before income tax	681,781	(8,814,819)	(26,212)	(4,211,628)
Income tax (expense)/credit	(505,779)	5,433,161	-	-
Profit/(Loss) for the year	176,002	(3,381,658)	(26,212)	(4,211,628)
Attributable to:				
Shareholders of the Company	176,002	(3,381,658)	(26,212)	(4,211,628)
Earnings/(Loss) per share:				
Basic and diluted (cents)	0.1	(1.5)		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Profit/(Loss) for the year	176,002	(3,381,658)	(26,212)	(4,211,628)
Other comprehensive income/(loss):				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gain on porperty, plant and equipment, net of tax	-	124,531	-	-
Impairment loss on property, plant and equipment, net of tax	-	(142,081)	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations, net of tax	1,138,811	(57,566,026)	-	-
Total other comprehensive income/(loss)	1,138,811	(57,583,576)	-	-
Total comprehensive income/(loss) for the year	1,314,813	(60,965,234)	(26,212)	(4,211,628)
Attributable to:				
Shareholders of the Company	1,314,813	(60,965,234)	(26,212)	(4,211,628)

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
Assets				
Non-Current Assets:				
Property, plant and equipment	71,886,844	71,787,157	-	-
Investment in subsidiary companies	-	-	26,500,001	26,500,001
Advances	458,619	1,270,919	-	-
Other assets	1,439,233	2,442,499	-	-
Deferred taxes	47,097	549,669	-	-
Total Non-Current Assets	73,831,793	76,050,244	26,500,001	26,500,001
Current Assets				
Inventories	16,162,477	13,319,832	-	-
Trade and other receivables	3,168,763	2,290,736	-	-
Income tax recoverable	505,359	547,232	-	-
Loans and advances to subsidiary companies	-	-	39,710,120	39,845,904
Advances and prepaid expenses	1,076,849	1,432,447	9,128	6,582
Cash and cash equivalents	1,023,205	2,406,309	73,636	338,124
Total Current Assets	21,936,653	19,996,556	39,792,884	40,190,610
Total Assets	95,768,446	96,046,800	66,292,885	66,690,611

	The Group		The Company	
	2016	2015	2016	2015
	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	3,062,343	3,443,582	-	-
Translation reserve	(106,985,770)	(108,124,581)	-	-
Retained earnings/ (Accumulated loss)	88,203,360	87,646,119	(8,454,098)	(8,427,886)
Total Equity	58,040,857	56,726,044	65,306,826	65,333,038
Non-Current Liabilities				
Borrowings	15,453,251	14,857,018	-	-
Deferred income	1,525,359	517,778	-	-
Provision for site restoration	59,003	51,265	-	-
Total Non-Current Liabilities	17,037,613	15,426,061	-	-
Current liabilities				
Trade and other payables	7,577,986	4,485,684	-	-
Accrued and other liabilities	1,918,230	3,084,812	986,059	1,357,573
Borrowings	10,963,824	15,822,258	-	-
Taxes payable	229,936	501,941	-	-
Total Current Liabilities	20,689,976	23,894,695	986,059	1,357,573
Total Liabilities	37,727,589	39,320,756	986,059	1,357,573
Total Equity and Liabilities	95,768,446	96,046,800	66,292.885	66,690,611

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

The Group	Share capital USD	Revaluation reserve USD	Translation reserve USD	Distributable Retained earnings USD	Total USD
Balance as at 1 January 2016	73,760,924	3,443,582	(108,124,581)	87,646,119	56,726,044
Profit for the year	-	-	-	176,002	176,002
Other comprehensive income	-	-	1,138,811	-	1,138,811
Total comprehensive income for the year	-	-	1,138,811	176,002	1,314,813
Other transactions impacting equity:					
Transfer on revaluation reserve relating to property, plant and equipment through use	-	(381,329)	-	381,239	-
Balance as at 31 December 2016	73,760,924	3,062,343	(106,985,770)	88,203,360	58,040,857

The Group	Share capital USD	Revaluation reserve USD	Translation reserve USD	Distributable Retained earnings USD	Total USD
Balance as at 1 January 2015	73,760,924	3,986,065	(50,558,555)	90,502,844	117,691,278
Loss for the year	-	-	-	(3,381,658)	(3,381,658)
Other comprehensive loss	-	(17,550)	(57,566,026)	-	(57,583,576)
Total comprehensive loss for the year	-	(17,550)	(57,566,026)	(3,381,658)	(60,965,234)
Other transactions impacting equity:					
Transfer on revaluation reserve relating to property, plant and equipment through use	-	(524,933)	-	524,933	-
Balance as at 31 December 2015	73,760,924	3,443,582	(108,124,581)	87,646,119	56,726,044

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016	2015	2016	2015
	USD	USD	USD	USD
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before income tax	681,781	(8,814,819)	(26,212)	(4,211,628)
Adjustments for:				
Depreciation of property, plant and equipment	6,834,012	10,685,978	-	-
Amortisation of quarry stripping costs	17,966	-	-	-
Amortisation of site restoration costs	1,580	2,430	-	-
Loss on disposal of property, plant and equipment	65,760	545,175	-	-
Impairment loss on investment	-	-	-	4,000,001
Impairment loss on property, plant and equipment	-	298,397	-	-
Interest income	(5,205)	(40,584)	-	-
Finance costs	2,783,082	4,215,275	-	-
Net foreign exchange (gain)/loss	(657,937)	16,376,575	(164,559)	(68,172)
Provision for obsolete inventories	379,408	395,646	-	-
Provision for doubtful receivables	4,720	33,502	-	-
Provision for advances paid to third parties	2,400	39,347	-	-
Recovery of doubtful receivables	(252)	-	-	-
Reversal of provision on advances paid to third parties	(31,045)	-	-	-
Reversal of accrued unused leaves	-	(6,799)	-	-
Reversal of provision for electricity charges	(613,563)	(1,922,083)	-	-
Deferred income	(5,299)	-	-	-
Operating Profit/(Loss) Before Working Capital Changes	9,457,408	21,808,040	(190,771)	(279,799)
Movement in working capital:				
(Increase)/Decrease in:				
Inventories	(2,923,072)	(2,324,878)	-	-
Trade and other receivables	495,396	1,844,366	135,784	531,165
Loans and advances to subsidiary companies	-	-	-	-
Advances and prepaid expenses	254,623	(909,535)	(2,546)	(851)

Increase/(Decrease) in:				
Trade and other payables	3,016,254	452,420	-	-
Accrued and other liabilities	(655,754)	1,462,067	(206,955)	90,977
Net Cash From/(Used In) Operations	9,644,855	22,332,480	(264,488)	341,492
Income tax paid	(106,731)	(398,712)	-	(5,480)
Net Cash From/(Used In) Operating Activities	9,538,124	21,933,768	(264,488)	336,012
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,810,425)	(1,831,446)	-	-
Purchase of other assets	(48,749)	(26,002)	-	-
Proceeds from disposal of property, plant and equipment	2,190	-	-	-
Interest received	5,205	40,584	-	-
Net Cash Used In Investing Activities	(4,851,779)	(1,816,864)	-	-
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from bank borrowings	36,522,283	20,184,000	-	-
Repayment of bank borrowings	(39,840,598)	(38,853,006)	-	-
Interest paid	(2,755,206)	(4,073,196)	-	-
Net Cash Used In Financing Activities	(6,073,521)	(22,742,262)	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,387,176)	(2,625,358)	(264,488)	336,012
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	4,072	(4,263,772)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,406,309	9,295,439	338,124	2,112
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,023,205	2,406,309	73,636	338,124