CEO STATEMENT

The 2015 results were significantly affected by the sharp devaluation of the Kazakhstan Tenge (KZT) against our reporting currency between August 2015 and January 2016. The relative strength of the KZT against the rouble until August forced local producers to lower their selling prices to fence off imports into Kazakhstan. As a result, our sales volume in tonnes increased only by 2% while the price in KZT decreased by 8%. After September imports slowed down significantly, but so did the economy as well as the cement consumption.

In 2015 we produced exclusively from the dry lines and, as a consequence, our cost of production was lowered more than our selling price, thereby increasing our gross margin. Steppe Cement operated Line 5 at 85% of its current capacity (1.1 million tonnes) and Line 6 at 87% of capacity (0.8 million tonnes). With small capital investments taking place in 2016 and 2017, we expect to increase the capacity to 1.2 million tonnes in Line 5 and 1.0 million tonnes in Line 6.

Steppe Cement was able to hedge some of the impact of the devaluation as it maintained a healthy cash balance in USD during the year and devoted most of its cash flow to repay term loan principal (USD13.2 million) and interest. Besides, the short-term credit lines available were increased to KZT3.8 billion as at end of the year.

Shareholders' funds reduced from USD117.7 million to USD56.7 million over the year due to the combined effect of a USD3.4 million loss for the year and a USD57.6 million charge against asset carrying values arising from the substantial devaluation of the KZT to the USD over the course of the year (from 182 to 339). However as most of the assets required to build a new cement factory are denominated in USD, the replacement cost for the cement plant would be relatively unchanged in USD terms.

Key financials	Year ended 31- Dec-15	Year ended 31-Dec-14	Inc/(Dec)%
Sales (tonnes of cement)	1,643,136	1,612,709	2%
Consolidated turnover (KZT million)	19,537	20,926	(7%)
Consolidated turnover (USD Million)	93.6	116.6	(20%)
Consolidated loss before tax (USD Million)	(8.8)	(8.1)	(9%)
Consolidated loss after tax (USD Million)	(3.4)	(7.9)	56%
Loss per share (US cents)	(1.5)	(3.6)	58%
Shareholders' funds (USD Million)	56.7	117.7	(52%)

Average exchange rate (USD/KZT)	222	179.5	(24%)
Exchange rate as at year end (USD/KZT)	339.5	182.3	(86%)

In 2015 Steppe Cement posted a net loss of USD3.4 million due to the foreign exchange loss of USD16.4 million. Steppe Cement's EBITDA increased to USD22.7 million from USD17.4 million in 2014 with a lower production cost amidst stable volumes, lower pricing and despite the KZT devaluation. The EBITDA calculated in 2015 includes the write back of USD1.9 million charged two years before as electricity expense and it has been reinstated in 2015 as the time for appeal of the court decision has expired.

The market volume increased by 14% in 2015 but we expect no growth in 2016

The Kazakh cement market in 2015 was 9.7 million tonnes, an increase of 14% compared to 8.5 million tonnes in 2014. The increase in market size was taken up by imports growing at 30%, Heidelberg, Standard Cement and Vicat. The local producers' market share decreased slightly to 86% from 87% in 2014.

Our expectations are that overall market demand in 2016 will be stable or decrease slightly. The demand depends upon the government investment plans and macroeconomic situation. The indication in the first months of 2016 is that, despite the drop in the oil price, the government remains committed 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.

After the sharp devaluation of KZT, imports have plummeted by 75% while exports from Kazakhstan increased. Therefore in 2016 the local cement factories should maintain at least similar volumes to 2015. Steppe Cement had a market share of 17% in 2015 compared to 19% in 2014. We expect to regain our market share in 2016 in line with higher capacity utilization.

Steppe Cement's average cement selling prices decreased by 8% in KZT and by 21% in USD to USD56.9 per tonne delivered (equivalent to USD48.4 per tonne ex-factory).

Line 5 produced 0.94 million tonnes of cement while Line 6 produced 0.70 million tonnes. The combined production of both dry lines was increased by 45% from 1.13 million tonnes in 2014 to 1.64 million in 2015 resulting in a significant reduction in production costs per tonne.

Limited capital investment in 2015

During 2015 capital investment was limited to USD2 million from USD21.8 million in 2014. In the second quarter we negotiated a capital investment credit facility of KZT1.69 billion 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 and the terminal in Astana.

Significant cost reduction in dry lines

Average cash production costs in the dry lines was reduced to USD30/tonne from USD38/tonne in 2014. Measured in KZT, production cost per tonne decreased by 8% despite inflation declared of 13.6% in 2015. We expect to contain cost increases in 2016.

Selling expenses, reflecting mostly cement delivery costs, were reduced to USD8/tonne from USD12/tonne in 2014. This is due to increasing deliveries to Astana and nearby construction sites, savings on wagon rental and the devaluation.

General and administrative expenses

General and administrative expenses decreased by 34% to USD8 million from USD12.2 million in 2014 due mostly to management efforts and the effect of devaluation.

The labour count stood at 785 on 31 March 2016 compared with 926 on 31 March 2015. Of those 82 are in administration, 177 in the quarry and transportation departments and the balance in production. We will continue to optimize the labor count until the end of 2017.

Dry lines' improved operating performance

In 2015 Line 5 contributed 57% of sales and Line 6 the balance. In 2016 it is expected that Line 5 will contribute 59% and its production increase by at least 7%. Both lines should be operating at 90% capacity. Line 5's further target is to be able to produce 1.2 million tonnes of cement by 2017 and Line 6 1.0 million tonnes.

Financial position: Strong debt reduction and compliance with ratios

During the year we decreased our non-current portion of borrowings significantly from USD30.4 million to USD14.9 million. This comprised the repayment of USD13.2 million in principal to VTB Bank, the reduction in the value of the bond (denominated in KZT) from USD7.9 million to USD4.3 million and an increase in capital investment loan of USD1.3 million.

The current portion of borrowings was reduced from USD27.0 million to USD15.7 million as we controlled the draw down of the short-term lines and limited the cash position at the end of year to USD2.4 million from USD9.3 million at 31 December 2014. We consider the risk of further devaluation is now much lower and the cost of borrowing in KZT has come some way off its early 2016 high.

The liquidity ratio improved to 0.7 from 1.55 at 31 December 2014 and all covenants under the various credit lines have been met comfortably.

We have renewed the revolving working capital credit line from Halyk Bank of KZT3 billion until 2018 but the interest remains high (15-20% p.a.). Therefore we have been borrowing at 6% in USD during the first quarter of 2016. KZT0.5 billion from that line will remain in KZT at 6% under the government subsidized program. We have an additional credit line from Altyn Bank of KZT which will be increased to KZT0.9 billion and prolonged later in May 2016.

The KZT2.19 billion government subsidized loan that we negotiated covers KZT1.69 billion capital expenditure and replaces KZT0.5 billion of the working capital lines. Both lines are denominated in KZT, priced at 6% and have been substantially disbursed as of 31 March 2016.

In 2015 finance costs decreased to USD4.2 million from USD4.8 million in 2014 due to the continuous repayment of loan principals.

Depreciation decreased to USD10.7 million in 2015 from USD12.2 million in 2014 mostly due to the exchange rate.

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

Javier del Ser
Chief Executive Officer

2015 Annual Report and Annual General Meeting

Steppe Cement expects to release its 2015 Annual Report on its web site at www.steppecement.com during the week commencing 23 May 2016.

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, Friday, 10 June 2016 at 2.30 p.m.

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

Nominated Adviser contact: Stephen Allen or Oliver Morse 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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Revenue	93,632,720	116,634,875	100,000	4,247,325
Cost of sales	(60,383,321)	(80,925,733)	-	-
Gross profit	33,249,399	35,709,142	100,000	4,247,325
Selling expenses	(13,082,506)	(19,139,532)	-	-
General and administrative expenses	(8,037,254)	(12,151,311)	(383,830)	(531,641)
Interest income	40,584	8,245	-	-
Finance costs	(4,215,275)	(4,787,593)	-	-
Net foreign exchange (loss)/gain	(16,376,575)	(5,281,327)	72,203	29,391
Other (loss)/income, net	(94,795)	691,630	-	-
Impairment loss on investment	-	-	(4,000,001)	-
Impairment loss on property, plant and equipment, net of tax	(298,397)	(3,144,100)	-	-
(Loss)/Profit before income tax	(8,814,819)	(8,094,846)	(4,211,628)	3,475,075
Income tax credit/(expense)	5,433,161	154,161	-	(5,720)
(Loss)/Profit for the year	(3,381,658)	(7,940,685)	(4,211,628)	3,739,355
Attributable to:				
Shareholders of the Company	(3,381,658)	(7,940,685)	(4,211,628)	3,739,355
Loss per share:				
Basic and diluted (cents)	(1.5)	(3.6)		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
(Loss)/Profit for the year	(3,381,658)	(7,940,685)	(4,211,628)	3,739,355
Other comprehensive 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)	(481,777)	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations, net of tax	(57,566,026)	(24,936,678)	-	-
Total other comprehensive loss	(57,583,576)	(25,418,455)	-	-
Total other comprehensive (loss)/income for the year	(60,965,234)	(33,359,140)	(4,211,628)	3,739,355
Attributable to:				
Shareholders of the Company	(60,965,234)	(33,359,140)	(4,211,628)	3,739,355

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2015

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Assets				
Non-Current Assets:				
Property, plant and equipment	71,787,157	151,695,517	-	-
Investment in subsidiary companies	-	-	26,500,001	30,500,002
Advances and prepaid expenses	1,270,919	50,666	-	-
Other assets	2,442,499	7,021,239	-	-
Deferred taxes	549,669	-	-	-
Total Non-Current Assets	76,050,244	158,767,422	26,500,001	30,500,002
Current Assets				
Inventories	13,319,832	22,112,879	-	-
Trade and other receivables	2,290,736	3,949,124	-	-
Income tax recoverable	547,232	1,211,045	-	-
Loans and advances to subsidiary companies	-	-	39,845,904	40,377,069
Advances and prepaid expenses	1,432,447	2,514,290	6,582	5,731
Cash and cash equivalents	2,406,309	9,295,439	338,124	2,112
Total Current Assets	19,996,556	39,082,777	40,190,610	40,384,912
Total Assets	96,046,800	197,850,199	66,690,611	70,884,914

	The Group		The Company	
	2015	2014	2015	2014
	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	3,443,582	3,986,065	-	-
Translation reserve	(108,124,581)	(50,558,555)	-	-
Retained earnings/ (Accumulated loss)	87,646,119	90,502,844	(8,427,886)	(4,216,258)
Total Equity	56,726,044	117,691,278	69,333,038	69,544,666
Non-Current Liabilities				
Loans	14,857,018	30,363,401	-	-
Deferred taxes	-	7,399,794	-	-
Deferred income	517,778	-	-	-
Provision for site restoration	51,265	84,458	-	-
Total Non-Current Liabilities	15,426,061	37,847,653	-	-
Current liabilities				
Trade and other payables	4,485,684	7,658,755	-	-
Accrued and other liabilities	3,084,812	6,638,802	1,357,573	1,334,528
Borrowings	15,822,258	27,088,698	-	-
Taxes payable	501,941	925,013	-	5,720
Total Current Liabilities	23,894,695	42,311,268	1,357,573	1,340,248
Total Liabilities	39,320,756	80,158,921	1,357,573	1,340,248
Total Equity and Liabilities	96,046,800	197,850,199	66,690,611	70,884,914

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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 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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(8,814,819)	(8,094,846)	(4,211,628)	3,745,075
Adjustments for:				
Depreciation of property, plant and equipment	10,685,978	12,239,764	-	-
Amortisation of quarry stripping costs	-	15,699	-	-
Amortisation of site restoration costs	2,430	-	-	-
Loss on disposal of property, plant and equipment	545,175	237,877	-	-
Impairment loss on investment	-	-	4,000,001	-
Impairment loss on property, plant and equipment	298,397	3,144,100	-	-
Dividend income	-	-	-	(4,147,325)
Interest income	(40,584)	(8,245)	-	-
Finance costs	4,215,275	4,787,593	-	-
Net foreign exchange loss/(gain)	16,376,575	5,284,714	(68,172)	(66,613)
Provision for obsolete inventories	395,646	1,750,864	-	-
Provision for doubtful receivables	33,502	103,630	-	-
Provision for advances paid to third parties	39,347	119,956	-	-
Accrued unused leaves	-	19,359	-	-
Reversal of accrued unused leaves	(6,799)	(55,688)	-	-
Reversal of provision for electricity charges	(1,922,083)	-	-	-
Operating Profit/(Loss) Before Working Capital Changes	21,808,040	19,544,777	(279,799)	(468,863)
Movement in working capital:				
(Increase)/Decrease in:				
Inventories	(2,324,878)	(3,619,182)	-	-
Trade and other receivables	1,844,366	1,069,568	(851)	3,156
Loans and advances to subsidiaries	-	-	(531,165)	(468,393)
Advances and prepaid expenses	(909,535)	1,505,920	-	-

Increase/(Decrease) in:				
Trade and other payables	452,420	(169,749)	-	-
Accrued and other liabilities	1,462,067	1,483,330	90,977	126,905
Net Cash From/(Used In) Operations	22,332,480	19,814,664	341,492	(807,595)
Income tax paid	(398,712)	(1,448,896)	(5,480)	-
Interest paid	(4,073,196)	(4,806,663)	-	-
Net Cash From/(Used In) Operating Activities	17,860,572	13,559,105	336,012	(807,595)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,831,446)	(21,834,528)	-	-
Purchase of other assets	(26,002)	(356,421)	-	-
Dividends received	-	-	-	4,147,325
Interest received	40,584	8,245	-	-
Net Cash (Used In)/From Investing Activities	(1,816,864)	(22,182,704)	-	4,147,325
CASH FLOW FROM FINANCING ACTIVITIES				
Dividends paid	-	(3,575,729)	-	(3,575,729)
Proceeds from bank loans	20,184,000	89,745,890	-	-
Repayment of bank loans	(38,853,006)	(71,954,803)	-	-
Net Cash (Used In)/From Financing Activities	(18,669,066)	14,215,358	-	(3,575,729)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,625,358)	5,591,759	336,012	(235,999)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(4,263,772)	(595,503)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,295,439	4,299,183	2,112	238,111
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,406,309	9,295,439	338,124	2,112