

ANNOUNCEMENT OF FIRST HALF OF 2015 RESULTS

Jakarta, August 2015

PT Krakatau Steel (Persero) Tbk.

IDX : KRAS
Reuters : KRAS.JK
Bloomberg : KRAS.IJ

Market Capitalization - as of June 30, 2015
(IDR million)
5,379,275

Issued shares - as of June 30, 2015
(million shares)
15,775

Share price (Closing), IDR

1 January 2015 483
30 June 2015 341
6 month high 484
6 month low 333

Shareholders composition - as of June 30, 2015

Government of Indonesia 80.00%
Public 20.00%

Board of Directors

President Director Sukandar
Production & Technology Director Hilman Hasyim
Finance Director Anggiasari Hindratmo
Marketing Director Dadang Danusiri
Logistics Director Ogi Rulino
Human Resources & Business Development Director Imam Purwanto

Consolidated Subsidiaries

PT Krakatau Wajatama
PT KHI Pipe Industries
PT Meratus Jaya Iron & Steel
PT Krakatau Daya Listrik
PT Krakatau Tirta Industri
PT Krakatau Bandar Samudera
PT Krakatau Industrial Estate Cilegon
PT Krakatau Engineering
PT Krakatau Information Technology
PT Krakatau Medika
PT Krakatau National Resources

Major Affiliated Company

PT Krakatau Posco

Website

<http://www.krakatausteel.com>

Financial Highlights

Description (USD mn)	H1 2015	H1 2014	Change (%)
Revenue	677.2	909.2	-25.5
Cost of Revenues	(716.1)	(881.7)	-18.8
Gross Profit	(38.9)	27.5	-
Operating Expenses	(74.2)	(70.3)	5.5
Operating Income (loss)	(107.4)	(33.5)	-
EBITDA	(58.1)	8.0	-
Profit (loss) Attributable to Owners of Parent Entity	(134.9)	(86.8)	-
EPS (USD/share)	(0.0086)	(0.0055)	-
Total Assets	2,525.5	2,604.4	-3.0
Interest Expenses	(40.1)	(21.5)	87.1

Ratio	H1 2015	H1 2014
Gross Margin	-5.74%	3.02%
Operating Margin	-15.86%	-3.69%
Net Margin	-19.92%	-9.55%
EBITDA Margin	-8.63%	0.88%
Debt to Equity	201.88%	151.30%
Debt to Assets	58.68%	51.47%
Return on Equity (ROE) ***	-18.38%	-9.80%
Return on Assets (ROA) ***	-5.26%	-3.48%

* : Balance sheet items for period H1 2014 are based on FY 2014 figures ** : Return H1 2015 & H1 2014 in 6 months

- Weak global and domestic steel market in H1 2015 continued to put pressure on PT Krakatau Steel (Persero) Tbk.'s operating and financial performances, as the company posted lower steel sales volume and average selling price during the period.
- The company booked loss attributable to owners of the parent entity of US\$134.9 million in H1 2015, of which US\$50.4 million (represent 30% ownership) from major affiliated company and US\$23.2 million from steel-based subsidiaries, on the back of weak steel demand. Lower steel prices as a result of excess supply from CIS countries also contributed to the losses from steel-related businesses. Subsidiaries in other sectors such as power generation, port operation, and industrial water businesses were able to book profits.
- The company's total steel sales volume decreased 25.7% Year-on-Year (YoY) to 837,113 tons, due to the decline in sales volume of steel products such as HRC (40.9% YoY to 380,856 tons), wire rod (19.5% YoY to 63,026 tons) and steel pipes (23.2% YoY to 20,367 tons). Furthermore, weak global and domestic steel market continued to push down the company's average steel selling price, which decreased between 9.4% and 17.4%. Prices of hot rolled coil/HRC and cold rolled coil/CRC decreased 15.8% to US\$ 558/ton and 14.5% to US\$672/ton respectively. Prices of wide rod dropped 17.4% to US\$525/ton, section steel declined 9.9% to US\$615/ton, and bar steel decreased 9.4% to US\$547/ton.
- From a sales point of view, the company booked a 25.5% YoY decline in net revenues to US\$677.2 million in H1 2015. An 18.8% YoY decline in cost of revenues to US\$716.1 million during the period could not offset the decrease in net revenues. The company booked allowance for decline in value of inventory of US\$42.4 million, which was incurred from Krakatau Steel (73%) and steel-related subsidiaries such as bars and sections (16%) and pipes (9%), as a result of declining steel selling prices. This resulted in a gross profit of -US\$38.9 million in H1 2015 compared to a gross profit of US\$27.5 million during the same period last year.
- Operating loss increased to US\$107.4 million in H1 2015 from US\$33.5 million in H1 2014 due to the loss at the top-line and a 5.5% YoY increase in operating expenses.

Investor Relations

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DISCLAIMER

This document contains financial conditions and result of operation, and may also contain certain projections, plans, strategies, and objectives of the Company, which would be treated as forward looking statements within the meaning of applicable law. Forward looking statements, by their nature, involve risk and uncertainty that could cause actual results and development to differ materially from those expressed or implied in these statements. PT Krakatau Steel (Persero) Tbk does not guarantee that any action, which should have been taken in reliance on this document will bring specific results as expected.

- Interest expenses increased to US\$40.1 million in H1 2015 from US\$21.5 million in H1 2014 mainly due to high IDR denominated working capital loan of IDR4.7 trillion with high interest rate (9.5% p.a. – 11.0% p.a.). However, the company also recognized foreign exchange gain for this IDR denominated working capital loan of US\$ 25.3 million in H1 2015.
- The company has implemented a number of measures to improve its cash flows. Such measures include increasing steel sales volume from the company's inventory and prioritizing slabs supply from PTKP in order to lower cash to cash cycle.
- As a result of challenging business environment over the past 3 years, the company needs to improve its current ratio. The company has reached an agreement with 3 major state-owned banks and in the process to have US\$395 million long term facility will be used to reposition company's short term debt and hence will improve the current ratio. The facility will also enable company to optimize its operation to meet growing steel demand in the country.
- The company is pursuing to implement synergy among state-owned enterprises (SOEs) in infrastructure development projects, such as a 46,000 km electricity power transmission circuit which may require approximately 2 million tons of section steel for 5 – 6 years of construction.

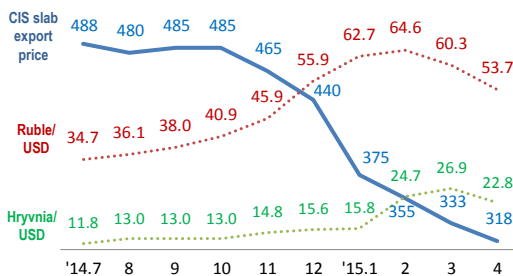
Market Share

- Krakatau Steel's HRC market share dropped to 34% in H1 2015 from 45% in H1 2014, as a result of the weak global and domestic steel market.
- On the other hand, CRC market share increased to 26% from 22% during the same period.

Market Analysis

- Steel prices in China (domestic) and CFR East Asia import prices continued to decline in January – June 2015.
- The downward trend in steel prices was also seen in the domestic market as demand remained stagnant in the first half of this year. Steel demand in the domestic market is expected to improve in last quarter of 2015 on expectation that the government starts to spend its budget on infrastructure.
- Global steel demand in 2015 remain weak, as crude steel production forecast decline about 3.5% this year.
- Slab export prices from CIS countries have mainly dropped due to weakening currency.

CIS Export Price & Currency



Source: CRU, KCIF

OPERATIONAL RESULTS

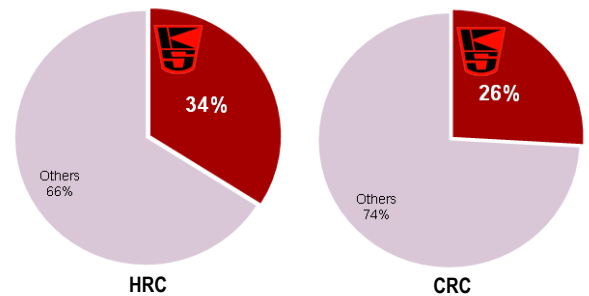
- Production of HRC in H1 2015 declined 31.8% YoY from 946,876 tons to 645,846 tons and utilization dropped to 54%, in line with the weak demand in the domestic market.
- Production of CRC, on the other hand, increased 18.7% YoY from 235,351 tons to 279,415 tons and capacity utilization of the Cold Rolling Mill (CRM) was higher at 66% during the same period.

MARKETING RESULTS

Steel Sales (tons)	H1 2015	H1 2014	Change (%)
HRC	380,856	644,108	-40.9
CRC	241,141	245,365	-1.7
WR	63,026	78,335	-19.5
Bars	100,923	108,382	-6.9
Sections	30,799	23,902	28.9
Pipes (spiral & ERW)	20,367	26,515	-23.2
Others	0	0	
Total	837,113	1,126,657	-25.7

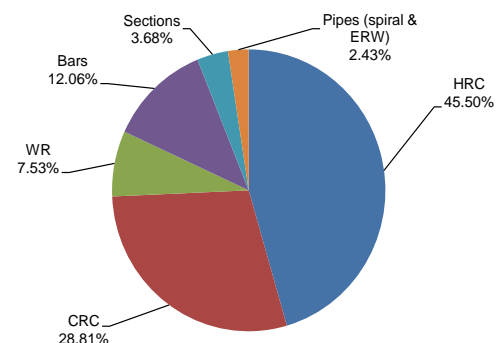
Average Selling Price USD/ton	H1 2015	H1 2014	Change (%)
HRC	558	663	-15.8
CRC	672	787	-14.5
WR	525	635	-17.4
Bars	547	604	-9.4
Sections	615	683	-9.9
Pipes (spiral & ERW)	956	1,171	-18.3

Market Share H1 2015

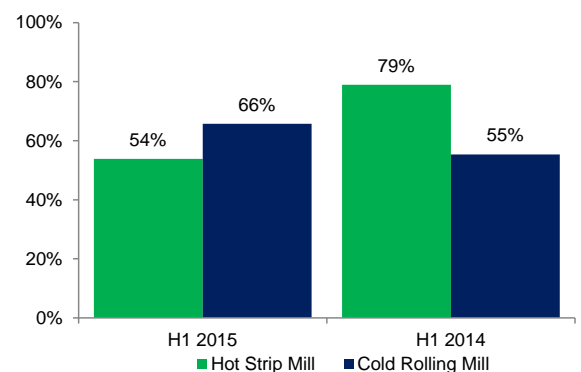


Source: Company data

Sales Volume



Capacity Utilization



BALANCE SHEET (in million US dollar)

NERACA	6/30/2015 12/31/2014		BALANCE SHEET
	Unaudited	Audited	
ASET			ASSETS
ASET LANCAR			CURRENT ASSETS
Kas dan setara kas	134.0	236.7	Cash & cash equivalents
Investasi jangka pendek	40.1	-	Short-term investments
Deposito yang dibatasi penggunaannya	0.0	20.2	Restricted time deposits
Piutang Usaha - bersih	210.6	248.8	Trade receivables (net)
Piutang lain-lain - bersih	33.6	31.2	Other receivables (net)
Persediaan - bersih	399.8	480.9	Inventories (net)
Uang muka dan biaya dibayar dimuka	48.6	33.5	Advances and prepaid expenses
Pajak dibayar dimuka	15.9	7.4	Prepaid taxes
Jumlah Aset Lancar	882.7	1,058.6	Total Current Assets
ASET TIDAK LANCAR			NON CURRENT ASSETS
Taksiran tagihan pajak	61.3	58.4	Estimated claims for tax refund
Investasi pada saham - bersih	171.6	213.1	Investments in shares of stock (net)
Aset pajak tangguhan - bersih	113.8	84.7	Deferred tax assets (net)
Aset tetap - bersih	1,197.1	1,097.4	Fixed Asset (net)
Aset tidak digunakan dalam operasi	1.4	2.0	Assets not used in operations
Aset real estat	13.4	14.4	Real estate assets
Deposito yang dibatasi penggunaannya	33.6	28.2	Restricted time deposits
Aset lain-lain	50.6	47.5	Other assets
Jumlah Aset Tidak Lancar	1,642.7	1,545.7	Total Non Current Assets
JUMLAH ASET	2,525.5	2,604.4	TOTAL ASSETS

See accompanying notes to consolidated financial statements, which form an integral part of the consolidated financial statements.

BALANCE SHEET (in million US dollar)

NERACA	6/30/2015	12/31/2014	BALANCE SHEET
	Unaudited	Audited	
LIABILITAS DAN EKUITAS			LIABILITIES
LIABILITAS LANCAR			Current Liabilities
Hutang bank jangka pendek	1,160.3	1,037.1	Short-term bank loans
Hutang usaha	149.0	202.9	Trade payables
Hutang lain-lain	15.8	37.5	Other payables
Hutang pajak	10.7	14.7	Taxes payable
Biaya yang masih harus dibayar	39.2	33.8	Accrued expenses
Liabilitas imbalan kerja jangka pendek	7.3	8.5	Short-term employee benefits liabilities
Uang muka penjualan dan lainnya	25.3	23.3	Sales and other advances
Bagian pinjaman jk panjang yg jth tempo 1 th	83.9	55.4	Current portion of LT loans
Bagian liabilities jk panjang yg jth tempo 1 th	0.0	0.0	Current portion of LT liability
Jumlah Liabilitas Lancar	1,491.5	1,413.3	Total Current Liabilities
LIABILITAS TIDAK LANCAR			NON CURRENT LIABILITIES
Liabilities pajak tangguhan - bersih	0.1	0.2	Deferred tax liabilities, net
Uang muka konstruksi, bagian jangka panjang	5.5	8.3	Advance for construction, long term portion
Pinjaman jk panjang stl dikurangi jth tempo 1 th	237.8	247.8	LT loans, net of current portion
Liabilities jk panjang stl dikurangi jth tempo 1 th	13.8	6.4	LT liabilities, net of current portion
Liabilitas imbalan kerja jangka panjang	42.6	42.5	LT employee benefits liabilities
Jumlah Liabilitas Tidak Lancar	299.8	305.1	Total Non Current Liabilities
JUMLAH LIABILITAS	1,791.3	1,718.4	TOTAL LIABILITIES
EKUITAS			SHAREHOLDER'S EQUITY
Modal saham			Share capital
nominal Rp.500 (angka penuh) per saham pada tanggal 30 September 2010 dan 31 Desember 2010			Par value Rp.500 (full amount) per share as of September 30, 2011 and December 31, 2010
nominal Rp.1.000.000 (angka penuh) per saham pada tanggal 1 Januari 2010/31 Desember 2009			par value Rp.1,000,000 (full amount) per share as of January 1, 2010/December 31, 2009
Modal dasar			Authorized capital
40.000.000.000 saham pada tahun 2011 dan 2010			40.000.000.000 shares in 31/3/2011 and 31/12/2010
8.000.000.000 saham pada 31 Maret 2010			8.000.000.000 shares in 31 Maret 2010
Modal ditempatkan dan disetor penuh	856.0	856.0	Issued and fully paid
15.775.000.000 saham pada tahun 2011 dan 2010			15.775.000.000 shares in 31/3/2011 and 31/12/2010
2.000.000 saham pada 31 Maret 2010			2.000.000 shares in 31 Maret 2010
Tambahan modal disetor	116.3	116.3	Additional paid-in capital, net
Pendapatan komprehensif lainnya	(69.9)	(58.2)	Other comprehensive income
Saldo laba			Retained earnings
Dicadangkan	146.8	146.8	Appropriated
Tidak dicadangkan	(325.3)	(187.9)	Unappropriated
Saldo laba, net	(178.5)	(41.1)	Retain Earning, net
Kepentingan Non Pengendali	10.3	13.0	Non-controlling interest
Total Ekuitas	734.2	885.9	Equities, net
JUMLAH LIABILITAS DAN EKUITAS	2,525.5	2,604.4	TOTAL LIABILITIES AND EQUITY

See accompanying notes to consolidated financial statements, which form an integral part of the consolidated financial statements.

INCOME STATEMENT (in million US dollar)

LAPORAN LABA RUGI	6/30/2015	6/30/2014	PROFIT & LOSS STATEMENT
	Unaudited	Unaudited	
Pendapatan bersih	677.2	909.2	Net Revenues
Beban pokok pendapatan	716.1	881.7	Cost of Revenues
Laba (rugi) kotor	(38.9)	27.5	Gross Profit
Beban penjualan	(14.5)	(16.0)	Selling expenses
Beban umum dan administrasi	(59.7)	(54.3)	General and administrative expenses
Penjualan limbah produksi	1.1	2.4	Sales of waste products
Laba pengalihan aset tetap	-	4.8	Gain on transfer of fixed asset
Laba pematangan tanah	-	-	Gain on site preparation work
Pendapatan lain-lain	10.9	9.1	Other income
Beban lain-lain	(6.4)	(7.0)	Other expenses
Laba operasi	(107.4)	(33.5)	Income from Operations
Bagian laba (rugi) dari entitas asosiasi	(51.7)	(42.3)	Share in profit (loss) of associates
Pendapatan keuangan	3.1	2.4	Finance income
Laba selisih kurs, neto	34.0	(11.6)	Gain on foreign exchange, net
Beban keuangan	(40.1)	(21.5)	Finance expenses
Laba sebelum beban (manfaat) pajak	(162.1)	(106.4)	Income Before Tax
Beban (manfaat) pajak - bersih	(24.5)	(15.2)	Tax Expense (Benefit)
Laba (rugi) tahun berjalan	(137.6)	(91.2)	Profit (loss) for the year
Pendapatan komprehensif lain			Other comprehensive income
Akun-akun yang tidak akan direklasifikasi ke laba rugi			Items that will not be reclassified to profit or loss
Kerugian pengukuran kembali imbalan pasti - setelah pajak tangguhan	(3.2)	(3.6)	Loss from remeasurement of defined benefits program after deferred tax
Pajak penghasilan terkait akun-akun yang tidak akan direklasifikasi ke laba rugi	0.8	0.9	Income tax relating to items that will not be reclassified
Akun-akun yang akan direklasifikasi ke laba rugi			Items that will be reclassified to profit or loss
Selisih kurs karena penjabaran laporan keuangan Entitas Anak - neto	(11.7)	2.5	Difference in foreign currency translation of the financial statements of Subsidiaries
Total pendapatan (rugi) komprehensif	(151.8)	(91.4)	Total comprehensive income (loss)
Total laba (rugi) yang dapat diatribusikan kepada:			Total profit (loss) attributable to:
Pemilik entitas induk	(134.9)	(86.8)	Owners of the parent entity
Kepentingan non pengendali	(2.7)	(4.4)	Non-controlling interests
Total	(137.6)	(91.2)	
Laba Per Saham Dasar dan Dilusian (dalam Dolar AS penuh)	(0.0086)	(0.0055)	Basic Income Per Share (in full US Dollar amount)

See accompanying notes to consolidated financial statements, which form an integral part of the consolidated financial statements.