

**PT Krakatau Steel (Persero) Tbk.**

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

**Market Capitalization - as of March 31, 2014  
(IDR million)**

8,124,125

**Issued shares - as of March 31, 2014  
(million shares)**

15,775

**Share price (Closing), IDR**

1 January 2014 500  
31 March 2014 515  
**3 month high 565**  
**3 month low 472**

**Shareholders composition - as of March 31, 2014**

Government of Indonesia 80.00%  
Public 20.00%

**Board of Directors**

President Director Irvan Kamal Hakim  
Production Director Hilman Hasyim  
Finance Director Sukandar  
Marketing Director Yerry  
Logistics Director Imam Purwanto  
Human Resources Director Dadang Danusiri  
Technology and Business Development Director Widodo Setiadharmaji

**Consolidated Subsidiaries**

PT Krakatau Wajutama  
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

**Website**

<http://www.krakatausteel.com>

**ANNOUNCEMENT OF FIRST QUARTER OF 2014 RESULTS**

**Financial Highlights**

Description (USD mn)	Q1 2014	Q1 2013	Change (%)
Revenue	459.5	616.0	-25.4
Cost of Revenues	448.9	564.0	-20.4
Gross Profit	10.6	51.9	-79.7
Operating Expenses	29.9	40.0	-25.3
Operating Income	(9.5)	15.6	-
EBITDA	18.6	51.1	-63.5
Profit Attributable to Owners of Parent Entity	(46.4)	9.1	-
EPS (USD/share)	(0.0029)	0.0006	-
Total Assets *	2,331.1	2,379.5	-2.0
Interest Expenses	(11.2)	(9.7)	15.8

Ratio	Q1 2014	Q1 2013
Gross Margin	2.30%	8.43%
Operating Margin	-2.07%	2.53%
Net Margin	-10.10%	1.48%
EBITDA Margin	4.06%	8.29%
Debt to Equity	105.81%	95.65%
Debt to Assets	44.45%	42.29%
Return on Equity (ROE) * **	-4.74%	0.86%
Return on Assets (ROA) * **	-1.90%	0.38%

\* : Balance sheet items for period Q1 2013 are based on FY 2013 figures

\*\* : Return Q1 2014 & Q1 2013 in 3 months

- The company's HRC sales volume remained stable at 335,417 tons in Q1 2014. However, total steel sales volume decreased 12.6% Year-on-Year (YoY) to 585,940 tons during the same period. The decline was attributed to a decrease in sales volume of CRC (-16.7% YoY to 137,143 tons), Wire Rod (-42.2% YoY to 35,001 tons), steel bars (-21.9% YoY to 46,074 tons), steel sections (-47.4% YoY to 12,876 tons), and pipes (-19.6% YoY to 19,378 tons). The company also booked a decrease in average selling price of steel products, such as a 9.2% YoY decline in HRC average selling price. As a result, the company's net revenues decreased 25.4% YoY to US\$ 459.5 million in Q1 2014 from US\$ 616.0 million in the same period last year. The weak domestic and global steel market in Q1 2014 contributed to the decline in the company's steel sales volume and average selling price.
- Gross profit decreased 79.7% YoY to US\$ 10.6 million. A 20.4% YoY decrease in cost of revenues, on the back of lower raw material cost by 2.8% YoY, could not offset the impact of the decline in average selling price.
- The company posted operating loss of US\$ 9.5 million compared to operating income of US\$ 15.6 million in Q1 2013, despite a 25.3% YoY decrease in operating expenses.
- The company booked loss attributable to owners of the parent entity of US\$ 46.4 million in Q1 2014, compared to a US\$ 9.1 million profit in Q1 2013, in line with the decline in net revenues and the recording of operating loss. A share in loss of associates of US\$ 20.9 million contributed to the net loss, of which US\$ 20.7 million was incurred from PT Krakatau Posco (PTKP) as the mill has yet to operate at normal capacity following operations startup at the end of December 2013. However, PTKP currently operates at a utilization rate of approximately 80% of its steel making production capacity.
- EBITDA declined 63.5% YoY to US\$ 18.6 million, in line with the operating loss.

**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.

## MARKETING RESULTS

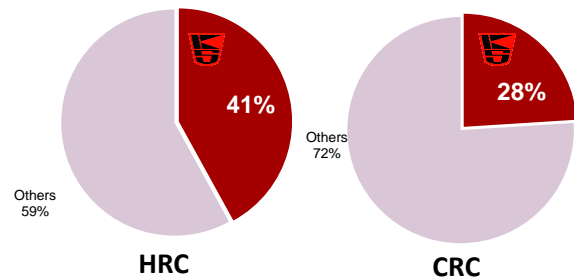
Steel Sales (tons)	Q1 2014	Q1 2013	Change (%)
HRC	335,417	334,485	0.3
CRC	137,143	164,554	-16.7
WR	35,001	60,598	-42.2
Bars	46,074	58,984	-21.9
Sections	12,876	24,492	-47.4
Pipes (spiral & ERW)	19,378	24,106	-19.6
Others	51	3,123	-98.4
<b>Total</b>	<b>585,940</b>	<b>670,342</b>	<b>-12.6</b>

Average Selling Price USD/ton	Q1 2014	Q1 2013	Change (%)
HRC	651	716	-9.2
CRC	775	818	-5.2
WR	641	719	-10.8
Bars	617	718	-14.1
Sections	692	784	-11.6
Pipes (spiral & ERW)	735	1,205	-39.0

### Market Share

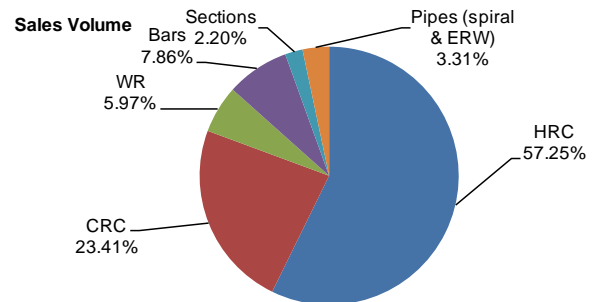
- Krakatau Steel has been able to maintain its position as leader in the Indonesian market in 2013 with 41% and 28% market share in HRC and CRC. As a comparison, none of its peers in Japan and South Korea has more than 30% of market share.

### Market Share FY 2013



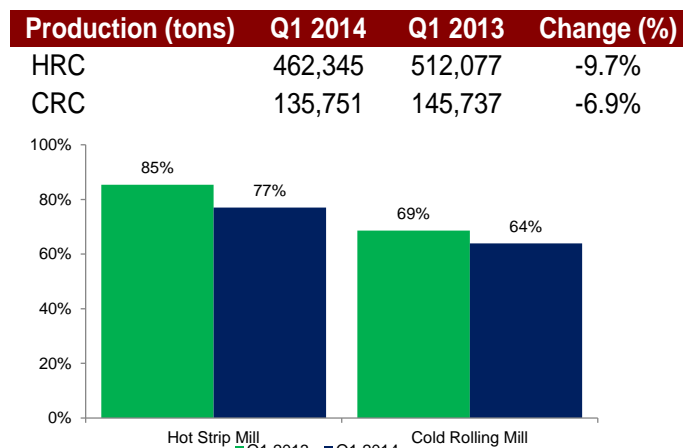
### Market Analysis

- China's steel oversupply continued in Q1 2014 as the country's steel production remained at 700-750 million tons per year level. Weak steel demand in China due to the country's economic slowdown put pressure on global steel prices in the past 8 months.
- Prices of flat products in Asia remained low at US\$ 529 – 559/ton in Q1 2014. The weak steel demand in Asia (excluding China) is expected to continue until first half of the year. Prices of long products in Asia also declined due to lower demand from China, oversupply and weak market sentiment.
- Domestic steel demand and prices remained weak, in line with the slowing global steel demand. A wait-and-see stance in the domestic market for recovery of steel demand in China, fluctuations in the rupiah exchange rate against the US dollar, and legislative and presidential elections held in Indonesia this year were among the factors that caused the weak steel market sentiment.



## OPERATIONAL RESULTS

- Production of HRC in Q1 2014 decreased 9.7% YoY to 462,345 tons and utilization was lower at 77%. Despite the lower production, HRC sales volume remained stable as the company opted to sell a portion of its steel products in inventory to meet demand. This contributed to an 18.2% YoY decrease in inventory to US\$ 424.8 million.
- Capacity utilization of the Cold Rolling Mill (CRM) was lower at 64% in Q1 2014, in line with the decline in CRC sales volume.



## BALANCE SHEET (in million US dollar)

NERACA	3/31/2014 Unaudited	12/31/2013 Audited	BALANCE SHEET
<b>ASET</b>			<b>ASSETS</b>
<b>ASET LANCAR</b>			<b>CURRENT ASSETS</b>
Kas dan setara kas	194.1	190.2	Cash & cash equivalents
Investasi jangka pendek	8.3	7.8	Short-term investments
Deposito yang dibatasi penggunaannya	0.0	0.0	Restricted time deposits
Piutang Usaha - bersih	290.8	276.2	Trade receivables (net)
Piutang lain-lain - bersih	46.1	57.0	Other receivables (net)
Persediaan - bersih	424.8	519.1	Inventories (net)
Uang muka dan biaya dibayar dimuka	32.8	35.5	Advances and prepaid expenses
Pajak dibayar dimuka	43.3	9.4	Prepaid taxes
<b>Jumlah Aset Lancar</b>	<b>1,040.3</b>	<b>1,095.2</b>	<b>Total Current Assets</b>
<b>ASET TIDAK LANCAR</b>			<b>NON CURRENT ASSETS</b>
Taksiran tagihan pajak	63.8	54.4	Estimated claims for tax refund
Investasi pada saham - bersih	256.0	255.4	Investments in shares of stock (net)
Aset pajak tangguhan - bersih	48.9	38.0	Deferred tax assets (net)
Aset tetap - bersih	873.5	855.5	Fixed Asset (net)
Aset lain-lain	48.6	80.9	Other assets
<b>Jumlah Aset Tidak Lancar</b>	<b>1,290.8</b>	<b>1,284.3</b>	<b>Total Non Current Assets</b>
<b>JUMLAH ASET</b>	<b>2,331.1</b>	<b>2,379.5</b>	<b>TOTAL ASSETS</b>
<b>LIABILITAS DAN EKUITAS</b>			<b>LIABILITIES</b>
<b>LIABILITAS LANCAR</b>			<b>Current Liabilities</b>
Hutang bank jangka pendek	793.1	800.5	Short-term bank loans
Hutang usaha	146.4	179.9	Trade payables
Hutang lain-lain	18.4	19.8	Other payables
Hutang pajak	42.4	12.9	Taxes payable
Biaya yang masih harus dibayar	26.0	24.2	Accrued expenses
Liabilitas imbalan kerja jangka pendek	5.5	9.2	Short-term employee benefits liabilities
Uang muka penjualan dan lainnya	30.9	31.2	Sales and other advances
Bagian pinjaman jk panjang yg jth tempo 1 th	19.1	59.8	Current portion of LT loans
Bagian liabilitas jk panjang yg jth tempo 1 th	0.2	0.7	Current portion of LT liability
<b>Jumlah Liabilitas Lancar</b>	<b>1,082.2</b>	<b>1,138.1</b>	<b>Total Current Liabilities</b>
<b>LIABILITAS TIDAK LANCAR</b>			<b>NON CURRENT LIABILITIES</b>
Liabilitas pajak tangguhan - bersih	1.8	4.3	Deferred tax liabilities, net
Uang muka konstruksi, bagian jangka panjang	-	-	Advance for construction, long term portion
Pinjaman jk panjang stl dikurangi jth tempo 1 th	223.9	146.0	LT loans, net of current portion
Liabilitas jk panjang stl dikurangi jth tempo 1 th	8.4	7.7	LT liabilities, net of current portion
Liabilitas imbalan kerja jangka panjang	35.5	31.2	LT employee benefits liabilities
<b>Jumlah Liabilitas Tidak Lancar</b>	<b>269.6</b>	<b>189.3</b>	<b>Total Non Current Liabilities</b>
<b>JUMLAH LIABILITAS</b>	<b>1,351.8</b>	<b>1,327.5</b>	<b>TOTAL LIABILITIES</b>
<b>EKUITAS</b>			<b>SHAREHOLDER'S EQUITY</b>
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, 2010 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 dan 31/12/2010
2.000.000 saham pada 31 Maret 2010			2.000.000 shares in 31 Maret 2010
Tambahan modal disetor	117.2	117.2	Additional paid-in capital, net
Pendapatan komprehensif lainnya	(78.7)	(55.6)	Other comprehensive income
Saldo laba			Retained earnings
Dicadangkan	146.8	146.8	Appropriated
Tidak dicadangkan	(78.8)	(32.3)	Unappropriated
Saldo laba, net	68.1	114.5	Retain Earning, net
Kepentingan Non Pengendali	16.7	20.0	Non-controlling interest
<b>Total Ekuitas</b>	<b>979.3</b>	<b>1,052.1</b>	<b>Equities, net</b>
<b>JUMLAH LIABILITAS DAN EKUITAS</b>	<b>2,331.1</b>	<b>2,379.5</b>	<b>TOTAL LIABILITIES AND EQUITY</b>

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	3/31/2014 Unaudited	3/31/2013 Unaudited	PROFIT & LOSS STATEMENT
Pendapatan bersih	459.5	616.0	Net Revenues
Beban pokok pendapatan	448.9	564.0	Cost of Revenues
<b>Laba (rugi) kotor</b>	<b>10.6</b>	<b>51.9</b>	<b>Gross Profit</b>
Beban penjualan	(9.1)	(14.2)	Selling expenses
Beban umum dan administrasi	(20.8)	(25.8)	General and administrative expenses
Penjualan limbah produksi	4.9	3.0	Sales of waste products
Laba pengalihan aset tetap	-	-	Gain on transfer of fixed asset
Laba pematangan tanah	-	-	Gain on site preparation work
Pendapatan lain-lain	5.1	1.3	Other income
Beban lain-lain	(0.2)	(0.6)	Other expenses
<b>Laba operasi</b>	<b>(9.5)</b>	<b>15.6</b>	<b>Income from Operations</b>
Bagian laba (rugi) dari entitas asosiasi	(21.0)	(1.6)	Share in profit (loss) of associates
Pendapatan keuangan	1.6	1.3	Finance income
Laba selisih kurs, neto	(14.4)	8.5	Gain on foreign exchange, net
Beban keuangan	(11.2)	(9.7)	Finance expenses
<b>Laba sebelum beban (manfaat) pajak</b>	<b>(54.4)</b>	<b>14.2</b>	<b>Income Before Tax</b>
Beban (manfaat) pajak - bersih	(4.7)	5.9	Tax Expense (Benefit)
<b>Laba (rugi) tahun berjalan</b>	<b>(49.7)</b>	<b>8.3</b>	<b>Profit (loss) for the year</b>
<b>Pendapatan komprehensif lain</b>			<b>Other comprehensive income</b>
Selisih kurs karena penjabaran laporan keuangan			Difference in foreign currency translation
Entitas Anak - neto	(23.1)	2.8	of the financial statements of Subsidiaries
<b>Total pendapatan (rugi) komprehensif</b>	<b>(72.8)</b>	<b>11.1</b>	<b>Total comprehensive income (loss)</b>
<b>Total laba (rugi) yang dapat diatribusikan kepada:</b>			<b>Total profit (loss) attributable to:</b>
Pemilik entitas induk	(46.4)	9.1	Owners of the parent entity
Kepentingan non pengendali	(3.2)	(0.8)	Non-controlling interests
<b>Total</b>	<b>(49.7)</b>	<b>8.3</b>	
<b>Laba Per Saham Dasar dan Dilusian</b> (dalam Dolar AS penuh)	<b>(0.0029)</b>	<b>0.0006</b>	<b>Basic Income Per Share</b> (in full US Dollar amount)

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