

ANNOUNCEMENT OF FIRST HALF OF 2014 RESULTS

Jakarta, August 2014

Financial Highlights

Description (USD mn)	H1 2014	H1 2013	Change (%)
Revenue	909.2	1,109.2	-18.0
Cost of Revenues	881.8	1,001.3	-11.9
Gross Profit	27.4	107.9	-74.6
Operating Expenses	69.3	73.4	-5.6
Operating Income	(30.1)	44.5	-
EBITDA	8.1	88.2	-90.8
Profit Attributable to Owners of Parent Entity	(88.7)	10.6	-
EPS (USD/share)	(0.0056)	0.0007	-
Total Assets *	2,569.4	2,379.5	8.0
Interest Expenses	(21.5)	(23.5)	-8.7

Ratio	H1 2014	H1 2013
Gross Margin	3.02%	9.73%
Operating Margin	-3.31%	4.02%
Net Margin	-9.75%	0.96%
EBITDA Margin	0.86%	7.89%
Debt to Equity	125.64%	95.65%
Debt to Assets	47.04%	42.29%
Return on Equity (ROE) * **	-9.22%	1.01%
Return on Assets (ROA) * **	-3.46%	0.45%

* : Balance sheet items for period H1 2013 are based on FY 2013 figures

** : Return H1 2014 & H1 2013 in 6 months

- Sales volume of HRC, the company's backbone for revenue, increased 12.8% Year-on-Year (YoY) to 644,108 tons in H1 2014. However, total steel sales volume decreased 5.5% Year-on-Year (YoY) to 1,128,466 tons during the same period. The decline was attributed to a decrease in sales volume of the company's other steel products such as CRC (-15.8% YoY to 245,365 tons) and Wire Rod (-29.8% YoY to 78,335 tons). The CRC sales volume decreased due to limited raw materials as the company opted to optimize HRC sales. Regarding sales of WR product in the domestic market, local producers along with the company have called on the government for a safeguard to restrain unfair trade practices.
- Steel sales volume of subsidiaries also decreased, such as steel bars (-10.3% YoY to 108,382 tons), steel sections (-46.9% YoY to 23,902 tons), and pipes (-43.4% YoY to 28,323 tons). The decrease in sales volume of bars and sections was due to the influx of imported boron-content alloy steel in the local market. Alloy steel, which contains a very small amount of boron content, has benefitted from lower or free import duties, while steel products without the boron content are subject to tariff lines, which are regular import duties, anti-dumping duties and safeguard duties. However, the government through the Trade Ministry has issued a new rule (Kepmen No. 28 tahun 2014) to control the importation of boron-content alloy steel in a bid to curb such an unfair trade practice.
- The company also booked a decrease in average selling price of steel products, such as a 5.3% YoY decline in HRC average selling price. As a result, the company's net revenues declined 18.0% YoY to US\$909.2 million. The weak domestic and global steel market in H1 2014 contributed to the decline in the company's steel sales volume and average selling price.
- The decline in sales volume and average selling price caused a 74.6% YoY drop in gross profit to US\$27.4 million during the same period. A 11.9% YoY decrease in cost of revenues could not offset the impact of the decline in net revenues.
- The company posted operating loss of US\$30.1 million compared to operating profit of US\$44.5 million in the same period last year, in line with the decline in gross profit.

PT Krakatau Steel (Persero) Tbk.

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

Market Capitalization - as of June 30, 2014 (IDR million)

6,988,325

Issued shares - as of June 30, 2014 (million shares)

15,775

Share price (Closing), IDR

1 January 2014 : 500
30 June 2014 : 443
6 month high : 565
6 month low : 442

Shareholders composition - as of June 30, 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

Major Affiliated Company

PT Krakatau Posco

Website

<http://www.krakatausteel.com>

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.

- The company booked loss attributable to owners of the parent entity of US\$88.7 million in H1 2014 compared to a US\$10.6 million profit in H1 2013, in line with the decline in net revenues and the recording of operating loss. A share in loss of associates of US\$42.3 million contributed to the net loss, of which US\$42.2 million was incurred from PT Krakatau Posco (PTKP) as the mill was still in learning curve within the first 2.5 months of the year following operations startup at the end of December 2013, including a leak in hot metal production at its blast furnace in the early stage of operations. However, PTKP currently operates at a utilization rate close to its steel making production capacity. PTKP's slab and plate sales volume in H1 2014 were recorded at 385,000 tons and 135,000 tons, respectively.
- EBITDA declined 90.8% YoY to US\$8.1 million, in line with the operating loss.

Market Share

- Krakatau Steel has been able to maintain its position as leader in the Indonesian market in H1 2014 with 45% and 22% market share in HRC and CRC.

Market Analysis

- China's steel oversupply continued in H1 2014 as the country's steel production remained at 750-800 million tons per year level. China GDP grew at 7.4% during H1/2014. China's economy slightly improved along with government target of 7.5% growth for full year.
- Prices of flat products in Asia is at US\$525 – 540/ton in June, slightly weaker than beginning of 2014. Demand had not risen significant as would be normal for first half since the influence of prices and exports from China. However, Chinese market sentiment slightly improved in early July. Traders predict that world export prices will surge in the next quarter (Q3) due to positive sentiment and also by a concurrent rise of steel scrap.
- Domestic steel demand and prices remained stagnant in first half 2014, in line with no significant change of global market. 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 influence steel market.

OPERATIONAL RESULTS

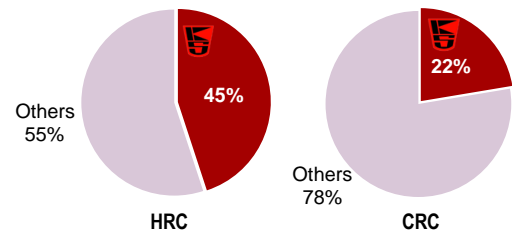
- Production of HRC in H1 2014 increased 1.5% YoY from 932,947 tons to 946,876 tons and utilization was slightly higher at 79%.
- Production of CRC, on the other hand, declined 14.7% YoY from 276,007 tons to 235,351 tons and capacity utilization of the Cold Rolling Mill (CRM) was lower at 55% in H1 2014, in line with the company's policy to optimize HRC sales.

MARKETING RESULTS

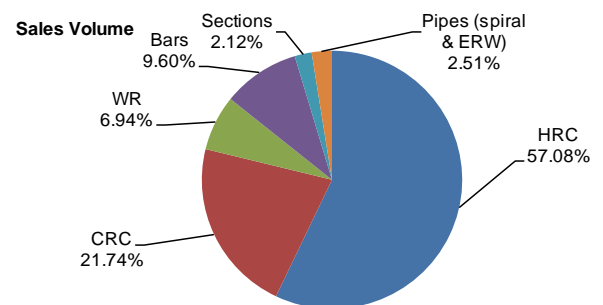
Steel Sales (tons)	H1 2014	H1 2013	Change (%)
HRC	644,108	570,875	12.8
CRC	245,365	291,403	-15.8
WR	78,335	111,597	-29.8
Bars	108,382	120,836	-10.3
Sections	23,902	45,045	-46.9
Pipes (spiral & ERW)	28,323	50,011	-43.4
Others	51	3,964	-98.7
Total	1,128,465	1,193,730	-5.5

Average Selling Price USD/ton	H1 2014	H1 2013	Change (%)
HRC	657	694	-5.3
CRC	784	834	-5.9
WR	634	701	-9.6
Bars	602	732	-17.7
Sections	681	770	-11.6
Pipes (spiral & ERW)	1,089	1,165	-6.5

Market Share H1 2014

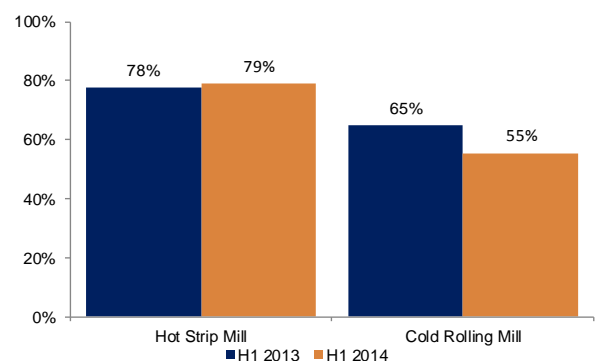


Source: Company data



Source: Company data

Capacity Utilization



BALANCE SHEET (in million US dollar)

NERACA	6/30/2014	12/31/2013	BALANCE SHEET
	Unaudited	Audited	
ASET			ASSETS
ASET LANCAR			CURRENT ASSETS
Kas dan setara kas	207.7	190.2	Cash & cash equivalents
Investasi jangka pendek	-	7.8	Short-term investments
Deposito yang dibatasi penggunaannya	0.0	0.0	Restricted time deposits
Piutang Usaha - bersih	286.7	276.2	Trade receivables (net)
Piutang lain-lain - bersih	39.8	57.0	Other receivables (net)
Persediaan - bersih	610.4	519.1	Inventories (net)
Uang muka dan biaya dibayar dimuka	52.1	35.5	Advances and prepaid expenses
Pajak dibayar dimuka	21.7	9.4	Prepaid taxes
Jumlah Aset Lancar	1,218.4	1,095.2	Total Current Assets
ASET TIDAK LANCAR			NON CURRENT ASSETS
Taksiran tagihan pajak	41.6	54.4	Estimated claims for tax refund
Investasi pada saham - bersih	235.5	255.4	Investments in shares of stock (net)
Aset pajak tangguhan - bersih	54.4	38.0	Deferred tax assets (net)
Aset tetap - bersih	936.4	857.7	Fixed Asset (net)
Aset lain-lain	83.1	78.7	Other assets
Jumlah Aset Tidak Lancar	1,351.0	1,284.3	Total Non Current Assets
JUMLAH ASET	2,569.4	2,379.5	TOTAL ASSETS
LIABILITAS DAN EKUITAS			LIABILITIES
LIABILITAS LANCAR			Current Liabilities
Hutang bank jangka pendek	927.6	800.5	Short-term bank loans
Hutang usaha	251.5	179.9	Trade payables
Hutang lain-lain	19.5	19.8	Other payables
Hutang pajak	9.4	12.9	Taxes payable
Biaya yang masih harus dibayar	35.2	24.2	Accrued expenses
Liabilitas imbalan kerja jangka pendek	14.4	9.2	Short-term employee benefits liabilities
Uang muka penjualan dan lainnya	27.5	31.2	Sales and other advances
Bagian pinjaman jk panjang yg jth tempo 1 th	57.5	59.8	Current portion of LT loans
Bagian liabilities jk panjang yg jth tempo 1 th	0.6	0.7	Current portion of LT liability
Jumlah Liabilitas Lancar	1,343.2	1,138.1	Total Current Liabilities
LIABILITAS TIDAK LANCAR			NON CURRENT LIABILITIES
Liabilities pajak tangguhan - bersih	2.9	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	223.5	146.0	LT loans, net of current portion
Liabilities jk panjang stl dikurangi jth tempo 1 th	5.6	7.7	LT liabilities, net of current portion
Liabilitas imbalan kerja jangka panjang	32.1	31.2	LT employee benefits liabilities
Jumlah Liabilitas Tidak Lancar	264.2	189.3	Total Non Current Liabilities
JUMLAH LIABILITAS	1,607.4	1,327.5	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 dan 31/12/2010
2.000.000 saham pada 31 Maret 2010			2.000.000 shares in 31 Maret 2010
Tambahan modal disetor	117.1	117.2	Additional paid-in capital, net
Pendapatan komprehensif lainnya	(52.6)	(55.6)	Other comprehensive income
Saldo laba			Retained earnings
Dicadangkan	146.8	146.8	Appropriated
Tidak dicadangkan	(121.0)	(32.3)	Unappropriated
Saldo laba, net	25.8	114.5	Retain Earning, net
Kepentingan Non Pengendali	15.8	20.0	Non-controlling interest
Total Ekuitas	962.0	1,052.1	Equities, net
JUMLAH LIABILITAS DAN EKUITAS	2,569.4	2,379.5	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	6/30/2014 Unaudited	6/30/2013 Unaudited	PROFIT & LOSS STATEMENT
Pendapatan bersih	909.2	1,109.2	Net Revenues
Beban pokok pendapatan	881.8	1,001.3	Cost of Revenues
Laba (rugi) kotor	27.4	107.9	Gross Profit
Beban penjualan	(16.0)	(24.9)	Selling expenses
Beban umum dan administrasi	(53.3)	(48.5)	General and administrative expenses
Penjualan limbah produksi	2.4	2.9	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	9.1	10.5	Other income
Beban lain-lain	(4.7)	(3.3)	Other expenses
Laba operasi	(30.1)	44.5	Income from Operations
Bagian laba (rugi) dari entitas asosiasi	(42.3)	(3.0)	Share in profit (loss) of associates
Pendapatan keuangan	2.4	3.6	Finance income
Laba selisih kurs, neto	(11.5)	(4.3)	Gain on foreign exchange, net
Beban keuangan	(21.5)	(23.5)	Finance expenses
Laba sebelum beban (manfaat) pajak	(102.9)	17.4	Income Before Tax
Beban (manfaat) pajak - bersih	(9.9)	7.5	Tax Expense (Benefit)
Laba (rugi) tahun berjalan	(93.0)	9.9	Profit (loss) for the year
Pendapatan komprehensif lain			Other comprehensive income
Selisih kurs karena penjabaran laporan keuangan			Difference in foreign currency translation
Entitas Anak - neto	3.0	(5.1)	of the financial statements of Subsidiaries
Total pendapatan (rugi) komprehensif	(90.0)	4.8	Total comprehensive income (loss)
Total laba (rugi) yang dapat diatribusikan kepada:			Total profit (loss) attributable to:
Pemilik entitas induk	(88.7)	10.6	Owners of the parent entity
Kepentingan non pengendali	(4.4)	(0.7)	Non-controlling interests
Total	(93.0)	9.9	
Laba Per Saham Dasar dan Dilusian (dalam Dolar AS penuh)	(0.00562)	0.00067	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.