



TICKERS		MARKET CAPITALIZATION	ISSUED SHARES	SHARE PRICE			SHAREHOLDERS		
IDX	KRAS	(IDR million, as of 12/31/2016)	(million shares, as of 12/31/2016)	(closing, IDR/share)			Government	80%	
Bloomberg	KRAS.IJ	14,896,726	19,346	1 January 2016	285	12 month high	905	Public	20%
Reuters	KRAS.JK			31 December 2016	770	12 month low	280		

Giant Leap on KRAS' Operating Performance

Jakarta, March 2017

Krakatau Steel Reports Full Year Results

Year-to-Date KRAS Share Price Chart



- **Krakatau Steel's total steel sales volume grew 15.25% YoY on stronger demand, with HRC sales volume increasing 29.30% YoY. HRC market share increased to 44% in FY 2016 from 39% in FY 2015.**
- **The company managed to turn to positive operating profit in full-year performance for the first time in four years of US\$4.39 million, improved from negative US\$183.55 million. It also managed to book positive operating cash flow in FY 2016 of US\$67.22 million, highly improved from deficit US\$73.92 million in previous year.**
- **EBITDA turned to positive US\$103.24 million as a result of improved gross and operating profit compared to negative US\$91.93 million in FY 2015.**
- **Krakatau Steel held a rights issue of 3,571,396,900 new shares worth Rp. 1.874.983.372.500,- (gross) in Nov. 2016.**
- **The company is expected to make first delivery of steel products for the Jakarta – Cikampek (Japek II) 36 km elevated toll road project in May 2017 which will need approximately 225,000 tons of steel in total.**
- **Krakatau Steel's HSM#2 project is being done and the construction project progress has reached 4.97% as of 31 January 2017. The company is also in the final stage for the Blast Furnace Complex construction.**
- **Construction of PT Krakatau Osaka Steel (KOS) was completed in December 2016, while the construction progress of PT Krakatau Nippon Steel Sumikin (KNSS) has reached 76.31% as of 31 January 2017 and is expected to be completed by 2nd semester 2017.**

Latest Updates:

- Krakatau Steel held a rights issue of 3,571,396,900 new shares in November 2016. The company received Rp. 1.874.983.372.500,- gross proceeds from the rights issue. Of the proceeds, 66% will be used to fund project equity for the construction of HSM#2 and 34% will be used as equity for the coal-fired steam power plant 1 x 150 MW project. The government (Ministry of State Owned Enterprises/MSOE) subscribed 2,857,117,520 shares in the rights issue (80% of total new shares) through capital injection (PMN) of Rp. 1.5 trillion, while public shareholders subscribed the remaining 20% of Rp 375 billion.
- The company is expected to make first delivery of steel products for the Jakarta-Cikampek (Japek II) 36 km elevated toll road project in May 2017. The company is currently finalizing the supply agreement together with its consortium partner for the project.
- Construction of HSM#2 project has reached overall progress of 4.87% as of 31 January 2017, mainly for the piling of main bay area.

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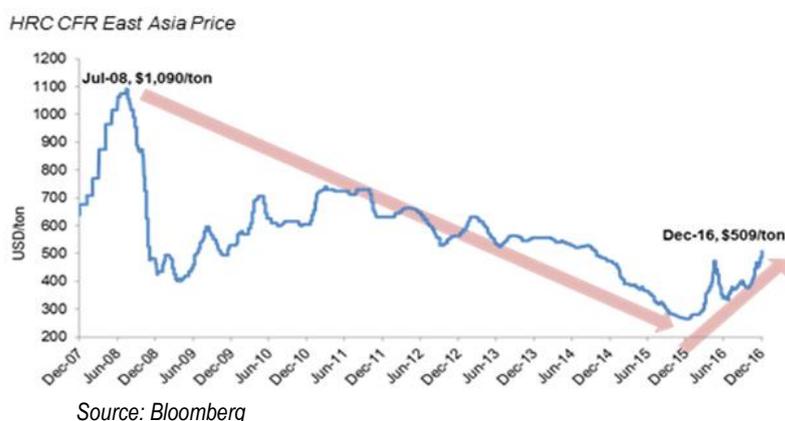
- Krakatau Steel is in the final stage for the Blast Furnace Complex construction, overall project reaching 98.60% as of 31 January 2017. It is expected that in this March, good steam will be produced from the boiler so that Coke Oven Plant will be able to initiate the first pushing of coke. Within 7 days after the first pushing, Sinter plant will also be ready for operation. Meanwhile, the company is also concentrating on the completion of Blast Furnace plant.
- Construction of PT Krakatau Osaka Steel (KOS) which produces rebar, section and flat bar for automotive springs, a joint venture between Krakatau Steel and Osaka Steel Co.Ltd., was completed in December 2016. The joint venture has also made the first delivery of steel bars to its customer on 31 January 2017. KOS plans to produce 200,000 tons of steel bars and sections (40% of installed capacity of 500,000 tons/year) in 2017 and is set for full production in 2018.
- Construction progress of PT Krakatau Nippon Steel Sumikin (KNSS) which will produce steel mainly for automotive industry, a joint venture between Krakatau Steel and Nippon Steel Sumitomo Metal Corporation, has reached 76.31% as of 31 January 2017. The construction is expected to be completed in mid-2017.

Financial Results

Description (USD mn)	FY 2016	FY 2015	Change (%)	Ratio	FY 2016	FY 2015
Revenue	1,344.72	1,321.82	1.73	Gross Margin	11.54%	-2.76%
Cost of Revenues	(1,189.49)	(1,358.26)	12.43	Operating Margin	0.33%	-13.89%
Gross Profit	155.23	(36.43)	-	EBITDA Margin	7.68%	-6.96%
Operating Income (loss)	4.39	(183.55)	-	Debt to Equity **	0.95x	0.90x
EBITDA *	103.24	(91.93)	-	Debt to Assets **	0.44x	0.44x
Cash and Cash Equivalents	264.95	132.59	99.83	* : EBITDA figures exclude share of loss in associates		
Net cash provided by (used in) operating activities	67.21	(73.92)	-	** : The debt component used in the calculation of Debt to Equity and Debt to Assets is total interest-bearing debt		
Total Assets	3,936.71	3,702.14	6.34			

Company Performance Update:

- Krakatau Steel managed to increase its total steel sales volume by 15.25% Year-on-Year (YoY) to 2,237,921 tons in FY 2016 from 1,941,844 tons in FY 2015. The increase was mainly due to higher sales volume of HRC (29.30% YoY to 1,198,744 tons), CRC (4.21% YoY to 554,737 tons), and steel pipes (26.17% YoY to 77,298 tons). The company's HRC market share rose to 44% in FY 2016 from 39% in FY 2015.
- Net revenues grew 1.73% YoY to US\$1,344.72 million as a result of higher sales volume though the average selling prices were lower in FY2016 ranging from 3.32% to 15.15% compared to the same period last year. Meanwhile, cost of revenues decreased 12.43% YoY to US\$1,189.49 million due to a 18.43% YoY decline in cost of production, as raw materials and manufacturing cost were 13.44% YoY and 43.96% YoY lower, respectively. As a result, the company posted positive gross profit of US\$155.23 million in FY 2016 compared to gross loss of US\$36.43 million in FY 2015.
- As a result of the improvement at the topline, the company was able to book positive operating profit of US\$4.39 million from a deficit of US\$183.55 million in FY 2015. The company managed to record positive operating profit for the first time in four years in the declining trend of steel price and this marks a positive turnaround in the company's performance. In addition, the company also posted positive operating cash flow of US\$67.21 million in FY 2016 from a deficit of US\$73.92 million in the same period last year.
- Improvement in the company's operating performance resulted in a positive EBITDA of US\$103.24 million in FY 2016 compared to negative US\$91.93 million in FY 2015, reflecting a significant increase of US\$195.18 million EBITDA, YoY.

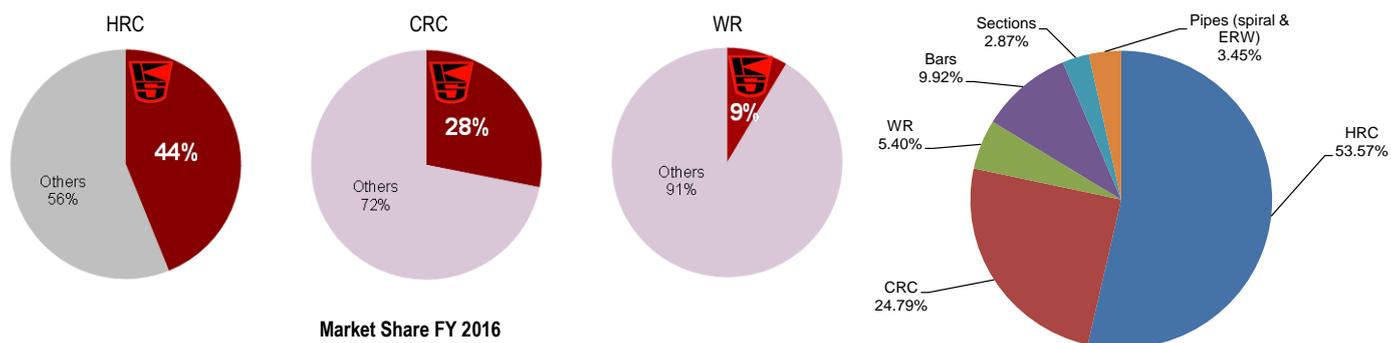


Marketing Results

Steel Sales (tons)	FY 2016	FY 2015	Change (%)
HRC	1,198,744	927,095	29.30
CRC	554,737	532,330	4.21
WR	120,904	127,895	-5.47
Bars	221,898	229,456	-3.29
Sections	64,340	63,801	0.84
Pipes (spiral & ERW)	77,298	61,267	26.17
Total	2,237,921	1,941,844	15.25

Average Selling Price USD/ton	FY 2016	FY 2015	Change (%)
HRC	450	484	-7.05
CRC	559	595	-6.09
WR	408	481	-15.15
Bars	434	483	-10.14
Sections	537	564	-4.75
Pipes (spiral & ERW)	680	703	-3.32

Source: Company data



Source: Company data

Market Analysis

- Domestic demand for HRC, CRC and WR for 2016 are 4.16 million tons (source: company's data), 1.98 million tons and 1.42 million tons, respectively. HRC, CRC and WR demand increased 4.93%, 8.32%, and 11.98% compared to 2015.
- China's HRC domestic price which was keep declining starting 2013 until end of 2015 has been improved in 2016. However the gap between China domestic selling price and US domestic selling price becomes much lower in second semester of 2016. From previously up to US\$100-150/mt to US\$25/mt only. Meanings, steel price in China have been far more improved.



Source: Steel Business Briefing

- In January, the ASEAN HRC spread rose to US\$266.53/mt, up 19% on December, based on TSI's delivered HRC prices CFR ASEAN port. East Asian HRC prices averaged around US\$505/mt in January, down from US\$509/mt in December with the improved margins due mainly to falling coking coal prices. (*Global Market Outlook, February 2017*)
- Sentiment is generally buoyant, with market participants pointing to improved demand from the construction and infrastructure sectors, along with the closure of competing induction furnaces as reasons to be optimistic. (*Global Market Outlook, February 2017*)