

ANNOUNCEMENT OF TWELVE MONTH 2014 RESULTS

Jakarta, March 2015

PT Krakatau Steel (Persero) Tbk.

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

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

7,650,875

Issued shares - as of December 31, 2014 (million shares)

15,775

Share price (Closing), IDR

1 January 2014 500
30 December 2014 485
12 month high 565
12 month low 440

Shareholders composition - as of December 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 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)	FY 2014	FY 2013	Change (%)
Revenue	1,868.8	2,084.4	-10.3
Cost of Revenues	(1,827.7)	(1,988.8)	-8.1
Gross Profit	41.1	95.6	-57.0
Operating Expenses	(111.6)	(96.7)	15.4
Operating Income (loss)	(70.4)	(1.1)	6,502.1
EBITDA	(3.5)	72.0	-
Profit (loss) Attributable to Owners of Parent Entity	(149.8)	(14.0)	971.2
EPS (USD/share)	(0.0095)	(0.0009)	955.6
Total Assets	2,598.4	2,379.5	9.2
Interest Expenses	(51.5)	(45.7)	12.7

Ratio	FY 2014	FY 2013
Gross Margin	2.20%	4.59%
Operating Margin	-3.77%	-0.05%
Net Margin	-8.02%	-0.67%
EBITDA Margin	-0.19%	3.45%
Debt to Equity	150.29%	95.65%
Debt to Assets	51.58%	42.29%
Return on Equity (ROE)	-16.80%	-1.33%
Return on Assets (ROA)	-6.02%	-0.57%

- PT Krakatau Steel (Persero) Tbk. posted loss attributable to owners of the parent entity of US\$149.8 million in FY 2014, of which US\$79.4 million was incurred from the company and its subsidiaries and US\$70.4 million was recorded as a share in loss of associates. Of the amount of share in loss of associates, PT Krakatau Posco (PTKP) contributed US\$71.6 million which reflected Krakatau Steel's 30% share in loss of the joint venture.

Description	Net Profit/(Loss) (USD mn)
Krakatau Steel & subsidiaries (PTKS)	(79.4)
PTKS' share in profit/(loss) of PTKP (30% of US\$238.7 mn)	(71.6)
Share in profit/(loss) of other associates	1.2
Total share in profit/(loss) of associates	(70.4)
Total Net Profit/(Loss)	(149.8)

Represent PTKS' 30% share in PTKP

- A 10.3% Year-on-Year (YoY) decrease in net revenues to US\$1,869 million as a result of a 2.5% YoY decline in total sales volume of steel products and lower average steel selling price contributed to the company's net loss.
- The decline in sales volume and average selling price was mainly due to the weak global steel market. The ongoing steel oversupply in the global market caused a significant decrease in prices of steel products and flood of steel imports in the domestic market, which contributed to the company's lower sales volume. The weak global steel market also impacted on steel companies in China and Russia.
- Cost of goods sold decreased 8.1% YoY to US\$1,828 million. The decline in cost of goods sold, however, could not offset the decrease in net revenues. Significant increase in natural gas prices and electricity cost during the same period put further pressure on the company's performance.
- The company has conducted a number of efficiency measures which have reduced costs by US\$195.5 million. The efficiency measures include:
 - Optimization of operations policy;
 - Aggressive cost cutting programs for all overhead costs;
 - Synergy with PT Krakatau Posco (PTKP)
- Operating loss increased to US\$70.4 million from US\$1.1 million in FY 2013.

Investor Relations

Jakarta Office
PT Krakatau Steel (Persero) Tbk.
Gedung Krakatau Steel, lantai 9
Jl. Jend. Gatot Subroto Kav. 54
Jakarta Selatan 12950

Phone : (+62 21) 5253552
Fax : (+62 21) 5200661
Email : ir@krakatausteel.com

Cilegon Office
Gedung ADB, Jl. Industri No. 5 P.O.Box 14
Cilegon, Banten 42435

Phone : (+62 254) 372301
Fax : (+62 254) 372303
Email : ir@krakatausteel.com

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.

- PT Krakatau Posco (PTKP) booked a net loss of US\$238.7 million in FY 2014, which was due to lower-than-expected sales volume and net revenues as PTKP could not meet its production target. PTKP's learning process within the first 2.5 months of the year following operations startup at the end of December 2013 contributed to the low production. The decline in slab steel and plates selling prices, on the back of weak global steel market, also contributed to the below-target net revenues
- PTKP currently operates at a utilization rate close to its steel making production capacity. Furthermore, PTKP's posted slab and plate sales volume of 1,241,000 tons and 503,000 tons in FY 2014, respectively. The mill produced 1,288,000 tons of slab and 544,000 tons of plate during the same period.

Market Share

- Krakatau Steel has been able to increase its HRC market share to 44% in FY 2014 from 41% in FY 2013, thus maintaining its position as a leader in the Indonesian market.

Market Analysis

- Steel oversupply continued as world crude steel production increased 1.1% YoY to 1,637 million metric tons. China's crude steel production FY 2014 was 823 million tons, up by 0.9% YoY. Elsewhere in Asia, South Korea's output increased 7.5% YoY to 71 million tons.
- The downward trend in Asian steel prices continued. Prices of flat products in South East Asia is at US\$ 460 – 470/ton cfr in December, decrease from US\$ 540 – 570/ton cfr in January. Facing ongoing financing problems and fading demand, Chinese mills resorted to lowering steel prices in a bid to secure orders and cash flow for business operations. HRC price in China, ex-works, only about US\$ 405/ton exclude 17% VAT in December, and could fall further in beginning of 2015.
- Domestic steel demand and prices remained stagnant, in line with economic slowdown. Major steel-related segment: automotive, shipbuilding and construction only grew slightly. According to Gaikindo, car production in 2014 is about 1.28 million units, a 6.6% YoY increase from last year, while construction sector was stagnant due to the parliamentary and presidential election. Steel demand in the domestic market is expected to improve in the second half of 2015 on expectation that the government starts to spend its budget on infrastructure, which is usually followed by budget spending from private sector.

OPERATIONAL RESULTS

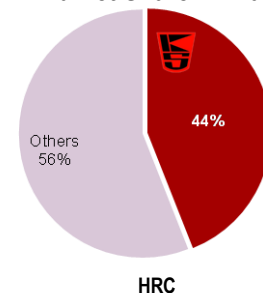
- Production of HRC in FY 2014 grew 2.7% YoY from 1,821,025 tons to 1,870,070 tons and utilization was slightly higher at 78%.
- Production of CRC, on the other hand, declined 8.7% YoY from 567,629 tons to 518,171 tons and capacity utilization of the Cold Rolling Mill (CRM) was lower at 61% during the same period, in line with the company's policy to optimize HRC sales due to lack of supply of slab in the first 3 months of the year as a result of unsmooth and slower learning curve in PTKP.

MARKETING RESULTS

Steel Sales (tons)	FY 2014	FY 2013	Change (%)
HRC	1,313,387	1,160,268	13.2
CRC	528,333	575,831	-8.2
WR	181,338	223,899	-19.0
Bars	200,074	245,422	-18.5
Sections	42,525	83,269	-48.9
Pipes (spiral & ERW)	50,464	83,305	-39.4
Others	0	3,964	-100.0
Total	2,316,121	2,375,958	-2.5

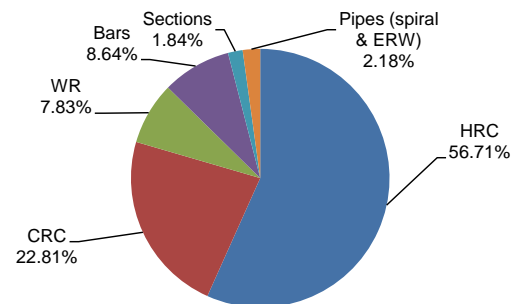
Average Selling Price USD/ton	FY 2014	FY 2013	Change (%)
HRC	645	666	-3.1
CRC	756	799	-5.3
WR	617	666	-7.4
Bars	634	676	-6.2
Sections	691	735	-6.1
Pipes (spiral & ERW)	1,118	1,145	-2.4

Market Share FY 2014

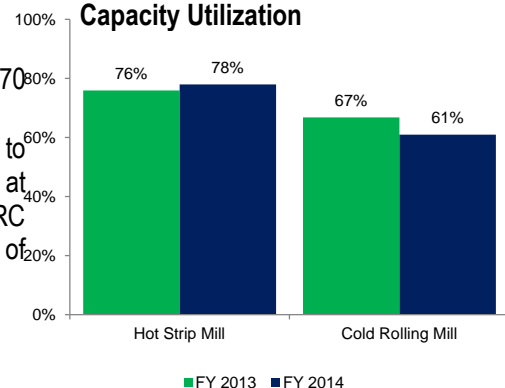


Source: Company data

Sales Volume



Capacity Utilization



BALANCE SHEET (in million US dollar)

NERACA	12/31/2014 Audited	12/31/2013 Audited	BALANCE SHEET
ASET			ASSETS
ASET LANCAR			CURRENT ASSETS
Kas dan setara kas	236.7	190.2	Cash & cash equivalents
Investasi jangka pendek	-	7.8	Short-term investments
Deposito yang dibatasi penggunaannya	20.2	0.0	Restricted time deposits
Piutang Usaha - bersih	248.8	276.2	Trade receivables (net)
Piutang lain-lain - bersih	31.2	57.0	Other receivables (net)
Persediaan - bersih	480.9	519.1	Inventories (net)
Uang muka dan biaya dibayar dimuka	33.5	35.5	Advances and prepaid expenses
Pajak dibayar dimuka	7.4	9.4	Prepaid taxes
Jumlah Aset Lancar	1,058.6	1,095.2	Total Current Assets
ASET TIDAK LANCAR			NON CURRENT ASSETS
Taksiran tagihan pajak	58.4	54.4	Estimated claims for tax refund
Investasi pada saham - bersih	213.1	255.4	Investments in shares of stock (net)
Aset pajak tangguhan - bersih	78.8	38.0	Deferred tax assets (net)
Aset tetap - bersih	1,097.4	857.7	Fixed Asset (net)
Aset tidak digunakan dalam operasi	2.0	3.7	Assets not used in operations
Aset real estat	14.4	14.0	Real estate assets
Deposito yang dibatasi penggunaannya	28.2	19.8	Restricted time deposits
Aset lain-lain	47.5	41.2	Other assets
Jumlah Aset Tidak Lancar	1,539.8	1,284.3	Total Non Current Assets
JUMLAH ASET	2,598.4	2,379.5	TOTAL ASSETS
LIABILITAS DAN EKUITAS			LIABILITIES
LIABILITAS LANCAR			Current Liabilities
Hutang bank jangka pendek	1,037.1	800.5	Short-term bank loans
Hutang usaha	202.9	179.9	Trade payables
Hutang lain-lain	37.5	19.8	Other payables
Hutang pajak	14.7	12.9	Taxes payable
Biaya yang masih harus dibayar	33.8	24.2	Accrued expenses
Liabilitas imbalan kerja jangka pendek	8.5	9.2	Short-term employee benefits liabilities
Uang muka penjualan dan lainnya	23.3	31.2	Sales and other advances
Bagian pinjaman jk panjang yg jth tempo 1 th	55.4	59.8	Current portion of LT loans
Bagian liabilities jk panjang yg jth tempo 1 th	0.0	0.7	Current portion of LT liability
Jumlah Liabilitas Lancar	1,413.3	1,138.1	Total Current Liabilities
LIABILITAS TIDAK LANCAR			NON CURRENT LIABILITIES
Liabilities pajak tangguhan - bersih	0.3	4.3	Deferred tax liabilities, net
Uang muka konstruksi, bagian jangka panjang	8.3	-	Advance for construction, long term portion
Pinjaman jk panjang stl dikurangi jth tempo 1 th	247.8	146.0	LT loans, net of current portion
Liabilities jk panjang stl dikurangi jth tempo 1 th	6.4	7.7	LT liabilities, net of current portion
Liabilitas imbalan kerja jangka panjang	30.4	31.2	LT employee benefits liabilities
Jumlah Liabilitas Tidak Lancar	293.3	189.3	Total Non Current Liabilities
JUMLAH LIABILITAS	1,706.6	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, 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	116.3	117.2	Additional paid-in capital, net
Pendapatan komprehensif lainnya	(58.1)	(55.6)	Other comprehensive income
Saldo laba			Retained earnings
Dicadangkan	146.8	146.8	Appropriated
Tidak dicadangkan	(182.2)	(32.3)	Unappropriated
Saldo laba, net	(35.3)	114.5	Retain Earning, net
Kepentingan Non Pengendali	13.1	20.0	Non-controlling interest
Total Ekuitas	891.9	1,052.1	Equities, net
JUMLAH LIABILITAS DAN EKUITAS	2,598.4	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	12/31/2014	12/31/2013	PROFIT & LOSS STATEMENT
	Audited	Audited	
Pendapatan bersih	1,868.8	2,084.4	Net Revenues
Beban pokok pendapatan	1,827.7	1,988.8	Cost of Revenues
Laba (rugi) kotor	41.1	95.6	Gross Profit
Beban penjualan	(31.7)	(40.3)	Selling expenses
Beban umum dan administrasi	(117.6)	(95.2)	General and administrative expenses
Penjualan limbah produksi	5.7	3.6	Sales of waste products
Laba pengalihan aset tetap	17.2	12.2	Gain on transfer of fixed asset
Laba pematangan tanah	-	-	Gain on site preparation work
Pendapatan lain-lain	24.0	28.1	Other income
Beban lain-lain	(9.1)	(5.1)	Other expenses
Laba operasi	(70.4)	(1.1)	Income from Operations
Bagian laba (rugi) dari entitas asosiasi	(70.4)	(12.3)	Share in profit (loss) of associates
Pendapatan keuangan	5.0	6.9	Finance income
Laba selisih kurs, neto	4.5	37.4	Gain on foreign exchange, net
Beban keuangan	(51.5)	(45.7)	Finance expenses
Laba sebelum beban (manfaat) pajak	(182.9)	(14.7)	Income Before Tax
Beban (manfaat) pajak - bersih	(26.0)	(1.1)	Tax Expense (Benefit)
Laba (rugi) tahun berjalan	(156.9)	(13.6)	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	(2.6)	(50.3)	of the financial statements of Subsidiaries
Total pendapatan (rugi) komprehensif	(159.4)	(63.9)	Total comprehensive income (loss)
Total laba (rugi) yang dapat diatribusikan kepada:			Total profit (loss) attributable to:
Pemilik entitas induk	(149.8)	(14.0)	Owners of the parent entity
Kepentingan non pengendali	(7.1)	0.4	Non-controlling interests
Total	(156.9)	(13.6)	
Laba Per Saham Dasar dan Dilusian	(0.0095)	(0.0009)	Basic Income Per Share
(dalam Dolar AS penuh)			(in full US Dollar amount)

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