

ANNOUNCEMENT OF NINE MONTH 2014 RESULTS

Financial Highlights

Description (USD mn)	M9 2014	M9 2013	Change (%)
Revenue	1,360.7	1,571.0	-13.4
Cost of Revenues	1,328.7	1,484.6	-10.5
Gross Profit	32.0	86.4	-62.9
Operating Expenses	111.9	105.4	6.1
Operating Income	(59.0)	8.2	-
EBITDA	0.2	75.1	-99.7
Profit Attributable to Owners of Parent Entity	(117.5)	(10.1)	1,064.3
EPS (USD/share)	(0.0074)	(0.0006)	1,133.3
Total Assets *	2,601.2	2,379.5	9.3
Interest Expenses	(37.4)	(34.1)	9.5

Ratio	M9 2014	M9 2013
Gross Margin	2.35%	5.50%
Operating Margin	-4.34%	0.52%
Net Margin	-8.63%	-0.64%
EBITDA Margin	0.01%	4.78%
Debt to Equity	142.08%	95.65%
Debt to Assets	51.30%	42.29%
Return on Equity (ROE) * **	-12.51%	-0.96%
Return on Assets (ROA) * **	-4.55%	-0.42%

* : Balance sheet items for period M9 2013 are based on FY 2013 figures

** : Return M9 2014 & M9 2013 in 9 months

- Sales volume of HRC, the company's backbone for revenue, increased 10.0% Year-on-Year (YoY) to 978,941 tons in M9 2014. However, total steel sales volume decreased 4.6% Year-on-Year (YoY) to 1,717,114 tons during the same period. The decline was due to a decrease in sales volume of the company's other steel products such as CRC (-11.6% YoY to 374,605 tons) and Wire Rod (-22.5% YoY to 132,635 tons). The CRC sales volume decreased due to limited raw materials as the company opted to optimize HRC sales.
- Steel sales volume of subsidiaries also decreased, such as steel bars (-10.9% YoY to 163,276 tons), steel sections (-55.5% YoY to 27,838 tons), and pipes (-39.9% YoY to 39,769 tons). The flood of imported boron-content alloy steel, which benefitted from lower or free import duties, in the local market in H1 2014 caused the sharp decline in sales volume of bars and sections. 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. Furthermore, prices of bars and sections remained low during the period.
- The company also booked a decrease in average selling price of steel products, such as a 3.1% YoY decline in HRC average selling price. Consequently, the company's net revenues declined 13.4% YoY to US\$1,360 million. The weak global steel market and rupiah exchange rate in M9 2014 contributed to the decline in the company's steel average selling price.
- As a result of the decline in sales volume and average selling price, gross profit dropped 62.9% YoY to US\$32.0 million during the same period. A 10.5% YoY decrease in cost of revenues could not offset the impact of the decline in net revenues.
- The company posted operating loss of US\$59.0 million compared to operating profit of US\$8.2 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 September 30, 2014 (IDR million)

7,729,750

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

15,775

Share price (Closing), IDR

1 January 2014 : 500
30 September 2014 : 490
9 month high : 565
9 month low : 440

Shareholders composition - as of September 30, 2014

Government of Indonesia : 80.00%
Public : 20.00%

Board of Directors

President Director : Ivan 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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- The company booked loss attributable to owners of the parent entity of US\$117.5 million in M9 2014 from US\$10.1 million in M9 2013, in line with the decline in net revenues and the recording of operating loss. A share in loss of associates of US\$48.9 million contributed to the net loss, of which US\$48.7 million was incurred from PT Krakatau Posco (PTKP). Of the amount, US\$42.2 million was incurred in H1 2014 as a result of the mill's learning process within the first 2.5 months of the year following operations startup at the end of December 2013. PTKP currently operates at a utilization rate close to its steel making production capacity. In addition, PTKP's slab and plate sales volume in M9 2014 were recorded at 807,000 tons and 328,000 tons, respectively.
- EBITDA declined 99.7% YoY to US\$0.2 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% market share in HRC, compared to 41% in FY 2013. Update on market share data for M9 2014 is currently in progress.

Market Analysis

- China's crude steel production for July 2014 was 68.3 million tons, up by 1.5% compared to July 2013. Elsewhere in Asia, South Korea's output was 5.9 million tons, up by 6.2% during the same period. Oversupply continued up to September.
- The downward trend in Asian steel prices continued. Prices of flat products in Asia is at US\$ 485–500/ton in October. 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. According to The Steel Index (TSI), HR coil index for exports to Asia (FOB China Port) declined by US\$19/ton (4-week change), to finish the month at a five-year low level of US\$481/ton. Declines were even more visible in the ASEAN market, where TSI's ASEAN HRC index closed September at US\$500/ton, losing US\$38/ton over the course of the month.
- Domestic steel demand and prices remained stagnant up to September, in line with no significant change in the global market. According to Indonesian Iron and Steel Association, Indonesia's HRC imports in H1 equalled 892,000 tons, down by 462,000 tons compared to the same period in 2013. Meanwhile, slab imports in the first half of 2014 increased by 304,000 tons to 1.2 million tons, as local re-rollers increased their production capacity and reduced iron ore pellet imports.

OPERATIONAL RESULTS

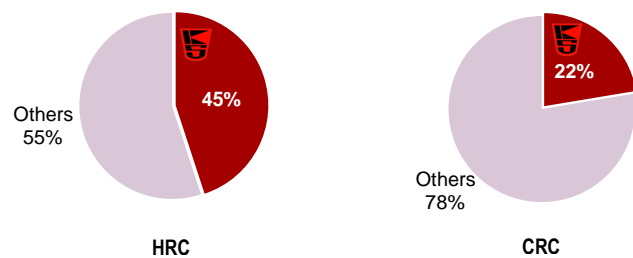
- Production of HRC in M9 2014 decreased 2.9% YoY from 1,422,642 tons to 1,381,503 tons and utilization was lower at 77%.
- Production of CRC declined 12.3% YoY from 421,945 tons to 370,136 tons and capacity utilization of the Cold Rolling Mill (CRM) was lower at 58% in M9 2014, in line with the company's policy to optimize HRC sales.

MARKETING RESULTS

Steel Sales (tons)	M9 2014	M9 2013	Change (%)
HRC	978,941	890,293	10.0
CRC	374,605	423,529	-11.6
WR	132,635	170,713	-22.3
Bars	163,276	183,253	-10.9
Sections	27,838	62,551	-55.5
Pipes (spiral & ERW)	39,769	66,212	-39.9
Others	51	3,964	-98.7
Total	1,717,114	1,800,515	-4.6

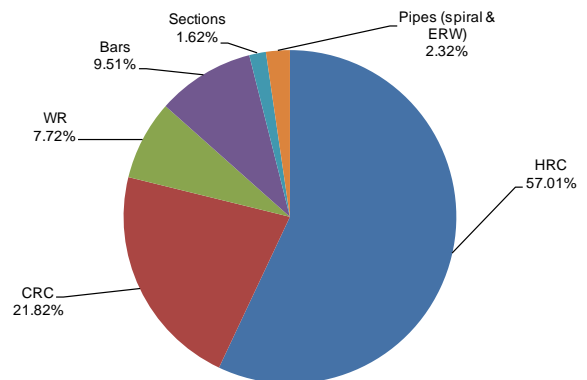
Average Selling Price USD/ton	M9 2014	M9 2013	Change (%)
HRC	653	674	-3.1
CRC	774	812	-4.7
WR	624	677	-7.9
Bars	589	687	-14.3
Sections	681	756	-9.8
Pipes (spiral & ERW)	1,115	1,057	5.5

Market Share H1 2014



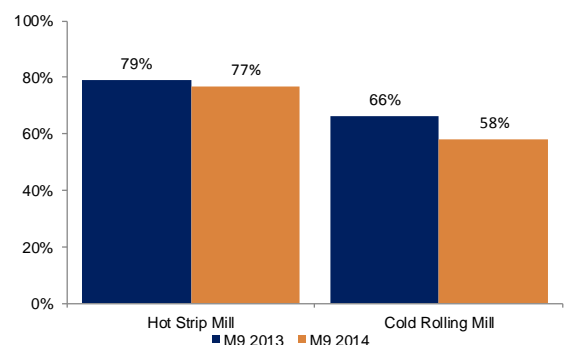
Source: Company data

Sales Volume



Source: Company data

Capacity Utilization



BALANCE SHEET (in million US dollar)

NERACA	9/30/2014	12/31/2013	BALANCE SHEET
	Unaudited	Audited	
ASET			ASSETS
ASET LANCAR			CURRENT ASSETS
Kas dan setara kas	218.2	190.2	Cash & cash equivalents
Investasi jangka pendek	20.0	7.8	Short-term investments
Deposito yang dibatasi penggunaannya	-	0.0	Restricted time deposits
Piutang Usaha - bersih	272.9	276.2	Trade receivables (net)
Piutang lain-lain - bersih	35.8	57.0	Other receivables (net)
Persediaan - bersih	554.7	519.1	Inventories (net)
Uang muka dan biaya dibayar dimuka	64.3	35.5	Advances and prepaid expenses
Pajak dibayar dimuka	58.3	9.4	Prepaid taxes
Jumlah Aset Lancar	1,224.2	1,095.2	Total Current Assets
ASET TIDAK LANCAR			NON CURRENT ASSETS
Taksiran tagihan pajak	41.1	54.4	Estimated claims for tax refund
Investasi pada saham - bersih	235.1	255.4	Investments in shares of stock (net)
Aset pajak tangguhan - bersih	59.0	38.0	Deferred tax assets (net)
Aset tetap - bersih	984.2	857.7	Fixed Asset (net)
Aset lain-lain	57.6	78.7	Other assets
Jumlah Aset Tidak Lancar	1,377.0	1,284.3	Total Non Current Assets
JUMLAH ASET	2,601.2	2,379.5	TOTAL ASSETS
LIABILITAS DAN EKUITAS			LIABILITIES
LIABILITAS LANCAR			Current Liabilities
Hutang bank jangka pendek	1,043.9	800.5	Short-term bank loans
Hutang usaha	171.6	179.9	Trade payables
Hutang lain-lain	16.0	19.8	Other payables
Hutang pajak	36.8	12.9	Taxes payable
Biaya yang masih harus dibayar	24.4	24.2	Accrued expenses
Liabilitas imbalan kerja jangka pendek	4.2	9.2	Short-term employee benefits liabilities
Uang muka penjualan dan lainnya	31.7	31.2	Sales and other advances
Bagian pinjaman jk panjang yg jth tempo 1 th	21.6	59.8	Current portion of LT loans
Bagian liabilities jk panjang yg jth tempo 1 th	1.8	0.7	Current portion of LT liability
Jumlah Liabilitas Lancar	1,352.0	1,138.1	Total Current Liabilities
LIABILITAS TIDAK LANCAR			NON CURRENT LIABILITIES
Liabilities pajak tangguhan - bersih	3.7	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	268.8	146.0	LT loans, net of current portion
Liabilities jk panjang stl dikurangi jth tempo 1 th	5.5	7.7	LT liabilities, net of current portion
Liabilitas imbalan kerja jangka panjang	32.0	31.2	LT employee benefits liabilities
Jumlah Liabilitas Tidak Lancar	310.0	189.3	Total Non Current Liabilities
JUMLAH LIABILITAS	1,662.1	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	117.1	117.2	Additional paid-in capital, net
Pendapatan komprehensif lainnya	(45.9)	(55.6)	Other comprehensive income
Saldo laba			Retained earnings
Dicadangkan	146.8	146.8	Appropriated
Tidak dicadangkan	(149.8)	(32.3)	Unappropriated
Saldo laba, net	(3.0)	114.5	Retain Earning, net
Kepentingan Non Pengendali	15.0	20.0	Non-controlling interest
Total Ekuitas	939.1	1,052.1	Equities, net
JUMLAH LIABILITAS DAN EKUITAS	2,601.2	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	9/30/2014 Unaudited	9/30/2013 Unaudited	PROFIT & LOSS STATEMENT
Pendapatan bersih	1,360.7	1,571.0	Net Revenues
Beban pokok pendapatan	1,328.7	1,484.6	Cost of Revenues
Laba (rugi) kotor	32.0	86.4	Gross Profit
Beban penjualan	(25.0)	(33.7)	Selling expenses
Beban umum dan administrasi	(86.9)	(71.7)	General and administrative expenses
Penjualan limbah produksi	3.8	11.2	Sales of waste products
Laba pengalihan aset tetap	6.6	-	Gain on transfer of fixed asset
Laba pematangan tanah	-	-	Gain on site preparation work
Pendapatan lain-lain	13.0	17.0	Other income
Beban lain-lain	(2.5)	(1.1)	Other expenses
Laba operasi	(59.0)	8.2	Income from Operations
Bagian laba (rugi) dari entitas asosiasi	(48.9)	(9.5)	Share in profit (loss) of associates
Pendapatan keuangan	4.2	3.8	Finance income
Laba selisih kurs, neto	8.0	24.2	Gain on foreign exchange, net
Beban keuangan	(37.4)	(34.1)	Finance expenses
Laba sebelum beban (manfaat) pajak	(133.2)	(7.4)	Income Before Tax
Beban (manfaat) pajak - bersih	(10.6)	0.5	Tax Expense (Benefit)
Laba (rugi) tahun berjalan	(122.6)	(7.9)	Profit (loss) for the year
Pendapatan komprehensif lain			Other comprehensive income
Selisih kurs karena penjabaran laporan keuangan Entitas Anak - neto	9.8	(34.9)	Difference in foreign currency translation of the financial statements of Subsidiaries
Total pendapatan (rugi) komprehensif	(112.8)	(42.8)	Total comprehensive income (loss)
Total laba (rugi) yang dapat diatribusikan kepada:			Total profit (loss) attributable to:
Pemilik entitas induk	(117.5)	(10.1)	Owners of the parent entity
Kepentingan non pengendali	(5.1)	2.2	Non-controlling interests
Total	(122.6)	(7.9)	
Laba Per Saham Dasar dan Dilusian (dalam Dolar AS penuh)	(0.0074)	(0.0006)	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.