



Jakarta, July 2011

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

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

**Market Capitalization - as of June 30, 2011**

(IDR million)  
16,406,000

**Issued shares - as of June 30, 2011**

(million shares)  
15,775

**Share Price (Closing), IDR**

1 April 2011 1,170  
30 June 2011 1,040  
**3 month high 1,190**  
**3 month low 1,040**

**Shareholders Composition - as of June 30, 2011**

Government of Indonesia 80.00%  
Public 20.00%

**Board of Directors**

President Director Fazwar Bujang  
Operations Director Syahrir Syah Pohan  
Finance Director Sukandar  
Marketing Director Irvan Kamal Hakim  
Logistics Director Yerry  
Human Resources Director Dadang Danusiri

**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

**Website**

<http://www.krakatausteel.com>

## ANNOUNCEMENT OF FIRST SEMESTER 2011 RESULTS

### Financial Highlights

Description (Rp bn)	H1 2011	H1 2010	Change (%)
Revenue	8,411	9,000	-6.5
Cost of Revenues	7,507	7,106	5.7
Gross Profit	904	1,895	-52.3
Operating Expenses	577	679	-14.9
Operating Income	326	1,216	-73.2
EBITDA	628	1,481	-57.6
Net Income	1,367	998	37.0
EPS (Rp/share)	87	63	37.0
Total Assets	20,070	13,344	50.4

Ratio	H1 2011	H1 2010
Gross Margin	10.74%	21.05%
Operating Margin	3.88%	13.51%
Net Margin	16.25%	11.09%
EBITDA Margin	7.46%	16.45%
Debt to Equity	63.08%	63.69%
Debt to Assets	33.64%	31.67%
Return on Equity (ROE) *	12.77%	15.04%
Return on Assets (ROA) *	8.18%	7.63%

\* return H1 2011 & H1 2010 in 6 months

- Net revenue in H1 2011 was Rp 8.4 trillion, down 6.5% year-on-year (YoY). This was due to a decline of 17% YoY in sales volume following weak domestic and global steel market. However, average HRC selling price rose 12.1% YoY from the same period last year.
- Gross profit decreased 52.3% YoY to Rp 904 billion as a result of a decline in revenue and an increase in cost of revenues. The increase in cost of revenues was due a 33% YoY and 28% YoY increase in iron ore pellet and scrap prices, respectively.
- EBITDA dropped 57.6% YoY to Rp 627.7 billion, consistent with a decrease in operating income.
- However, net income grew 37.0% YoY to Rp 1.4 trillion or equivalent to EPS of Rp 87 (full amount), on the back of gain from transfer of fixed assets in the form of land equivalent to Rp 1.09 trillion to PT Krakatau – POSCO, a joint venture company formed by Krakatau Steel and POSCO.

**Investor Relations**

**Jakarta Office**

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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.

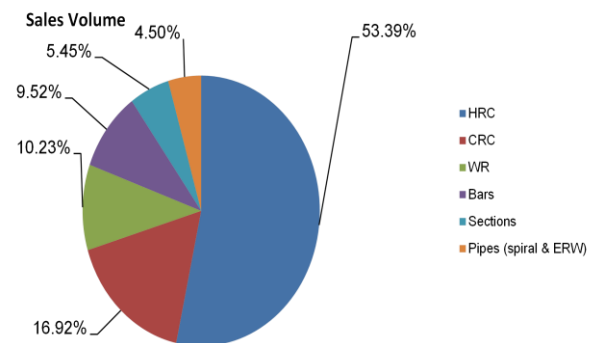


## MARKETING RESULTS

Steel Sales (tons)	H1 2011	H1 2010	Change (%)
HRC	508,120	612,604	-17.1
CRC	163,609	258,814	-36.8
WR	99,145	128,689	-23.0
Bars	98,514	93,330	5.6
Sections	52,651	46,821	12.5
Pipes (spiral & ERW)	43,863	26,734	64.1
<b>Total</b>	<b>965,902</b>	<b>1,166,992</b>	<b>-17.2</b>

Average Selling Price Rp/kg	H1 2011	H1 2010	Change (%)
HRC	7,866	7,014	12.2
CRC	8,662	7,894	9.7
WR	6,798	5,844	16.3
Bars	6,582	5,815	13.2
Sections	7,703	6,682	15.3
Pipes (spiral & ERW)	10,139	13,513	-25.0

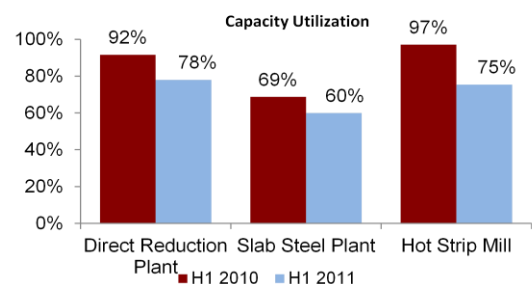
- Steel prices peaked at the end of Q1 2011, and began to decline afterwards due to weaker steel demand.
- Steel demand remained sluggish in Q2 2011 due to economic slowdown. In addition, steel spot prices in China, the world's largest steel market, continued to decline as the country imposed economic tightening measures.



- In the domestic market, steel sales declined in Q2 2011 as end-users opted for a “wait-and-see” stance, anticipating a further decrease in steel prices to the lowest level.

## OPERATIONAL RESULTS

Production (tons)	H1 2011	H1 2010	Change (%)
Sponge Iron	590,736	686,837	-14.0
Slab	539,522	618,142	-12.7
HRC	904,922	971,372	-6.8



- Production of HRC in H1 2011 reached 904,922 tons, or 6.8% YoY lower than in H1 2010. Utilization dropped from 97% in H1 2010 to 75% in H1 2011 as the Hot Strip Mill resumed production in April 2011 after passing performance test following the expansion in capacity from 2 million ton/year in 2010 to 2.4 million ton/year in 2011.
- The lower HRC production in H1 2011 was due to a decline in Q1 2011 HRC production, as the Hot Strip Mill was still in trial process following the revitalization program, and to weak steel market in Q2 2011.
- Krakatau Steel booked a 36.2% YoY increase in inventories in H1 2011 compared to H1 2010 as a result of higher raw material costs, mainly in iron ore pellet and scrap prices as mentioned earlier.

## BALANCE SHEET (in billion rupiah)

NERACA	6/30/2011 Unaudited	12/31/2010 Audited As represented	BALANCE SHEET
<b>ASET</b>			<b>ASSETS</b>
<b>ASET LANCAR</b>			<b>CURRENT ASSETS</b>
Kas dan setara kas	3,469	4,194	Cash & cash equivalents
Investasi jangka pendek	88	-	Short-term investments
Deposito yang dibatasi penggunaannya	27	27	Restricted time deposits
Piutang Usaha - bersih	2,336	1,184	Trade receivables (net)
Piutang lain-lain - bersih	81	82	Other receivables (net)
Persediaan - bersih	7,034	6,550	Inventories (net)
Uang muka dan biaya dibayar dimuka	229	136	Advances and prepaid expenses
Pajak dibayar dimuka	33	115	Prepaid taxes
<b>Jumlah Aset Lancar</b>	<b>13,298</b>	<b>12,288</b>	<b>Total Current Assets</b>
<b>ASET TIDAK LANCAR</b>			<b>NON CURRENT ASSETS</b>
Taksiran tagihan pajak	218	303	Estimated claims for tax refund
Investasi pada saham - bersih	1,514	311	Investments in shares of stock (net)
Aset pajak tangguhan - bersih	26	27	Deferred tax assets (net)
Aset tetap - bersih	4,682	4,389	Fixed Asset (net)
Aset lain-lain	331	266	Other assets
<b>Jumlah Aset Tidak Lancar</b>	<b>6,771</b>	<b>5,296</b>	<b>Total Non Current Assets</b>
<b>JUMLAH ASET</b>	<b>20,070</b>	<b>17,584</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	5,461	5,137	Short-term bank loans
Hutang usaha	1,008	902	Trade payables
Hutang lain-lain	250	84	Other payables
Hutang pajak	96	86	Taxes payable
Biaya yang masih harus dibayar	308	266	Accrued expenses
Uang muka penjualan dan lainnya	553	219	Sales and other advances
Bagian pinjaman jk panjang yg jth tempo 1 th	234	234	Current portion of LT loans
Bagian liabilities jk panjang yg jth tempo 1 th	5	4	Current portion of LT liability
<b>Total Current Liabilities</b>	<b>7,914</b>	<b>6,931</b>	<b>Total Current Liabilities</b>
<b>LIABILITAS TIDAK LANCAR</b>			<b>NON CURRENT LIABILITIES</b>
Liabilities pajak tangguhan - bersih	70	65	Deferred tax liabilities, net
Pinjaman jk panjang stl dikurangi jth tempo 1 th	1,056	862	LT loans, net of current portion
Liabilities jk panjang stl dikurangi jth tempo 1 th	48	47	LT liabilities, net of current portion
Liabilities kesejahteraan	279	254	Estimated liabilities for employee benefits
<b>Total Non Current Liabilities</b>	<b>1,453</b>	<b>1,228</b>	<b>Total Non Current Liabilities</b>
<b>TOTAL LIABILITAS</b>	<b>9,367</b>	<b>8,159</b>	<b>TOTAL LIABILITIES</b>
<b>HAK MINORITAS</b>	<b>147</b>	<b>132</b>	<b>MINORITY INTEREST</b>
<b>SHAREHOLDER'S EQUITY</b>			<b>SHAREHOLDER'S EQUITY</b>
Modal saham			Share capital
nominal Rp.500 persaham pada 31/3/2011 dan 2010			Par value Rp.500 pershare in 31/3/2011 and 2010
nominal Rp.1.000.000 persaham 31 Maret 2010			par value Rp.1.000.000 pershare in 31 Maret 2010
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	7,888	7,888	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	1,016	1,016	Additional paid-in capital, net
Modal disetor lainnya	-	-	Other paid-in capital
Selisih transaksi perubahan ekuitas AP	18	18	Difference arising from transactions resulting in change in the equity of Subsidiary
Saldo laba			Retained earnings
Dicadangkan	1,344	1,343	Appropriated
Tidak dicadangkan	289	(971)	Unappropriated
Saldo laba, net	1,634	372	Retain Earning, net
Agio saham			Share Agio
<b>Equities, net</b>	<b>10,555</b>	<b>9,294</b>	<b>Equities, net</b>
<b>TOTAL LIABILITAS AND EQUITY</b>	<b>20,070</b>	<b>17,584</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 billion rupiah)*

LAPORAN LABA RUGI	6/30/2011 (Unaudited)	6/30/2010 Audited	PROFIT & LOSS STATEMENT
Pendapatan bersih	8,411	9,000	Net Revenues
Beban pokok pendapatan	7,507	7,106	Cost of Revenues
<b>Laba (rugi) kotor</b>	<b>904</b>	<b>1,895</b>	<b>Gross Profit</b>
Beban Usaha			Operating Expenses
Distribusi dan Penjualan	136	149	Distribution and sales
Administrasi	441	530	Administration
<b>Laba (rugi) operasi</b>	<b>326</b>	<b>1,216</b>	<b>Income from Operations</b>
Penghasilan (beban) lain-lain			Other Income
Laba (rugi) selisih kurs	50	119	Gain on foreign exchange
Beban bunga	(155)	(112)	Interest Expense
Pendapatan bunga	57	23	Interest income
Laba pengalihan aset tetap	1,090		Gain on transfer of fixed asset
Kepentingan non pengendali atas (laba) rugi bersih Anak Perusahaan	2	1	Non-controlling interest in net (income) loss of Subsidiaries
Bagian laba (rugi) entitas asosiasi	16	20	Profit (loss) associated company
Lain-lain bersih	93	78	Miscellaneous, net
<b>Laba sebelum beban (manfaat) pajak</b>	<b>1,480</b>	<b>1,344</b>	<b>Income Before Tax</b>
Beban (manfaat) pajak - bersih	113	346	Tax Expense (Benefit)
<b>Total Pendapatan komprehensif tahun berjalan</b>	<b>1,367</b>	<b>998</b>	<b>Total comprehensive income for the year</b>
<b>Laba Per Saham Dasar dan Dilusian</b> (dalam Rupiah penuh)	<b>86.63</b>	<b>63.25</b>	<b>Basic Income Per Share</b> (in full Rupiah amount)

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