



KRAKATAU STEEL
PARTNERSHIP FOR SUSTAINABLE GROWTH

M9 2011 RESULTS

Jakarta, December 2011

PT Krakatau Steel (Persero) Tbk.

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

**Market Capitalization - as of September 30, 2011
(IDR million)**
12,462,250

**Issued shares - as of September 30, 2011
(million shares)**
15,775

Share price (Closing), IDR

1 July 2011 1,050
30 September 2011 790
3 month high 1,140
3 month low 790

Shareholders composition - as of September 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 NINE MONTH 2011 RESULTS

Financial Highlights

Description (Rp bn)	M9 2011	M9 2010	Change (%)
Revenue	12,654	11,877	6.5
Cost of Revenues	11,443	9,710	17.9
Gross Profit	1,210	2,167	-44.2
Operating Expenses	961	900	6.7
Operating Income	250	1,267	-80.3
EBITDA	742	1,758	-57.8
Net Income	1,044	1,011	3.2
EPS (Rp/share)	66	80	-17.4
Total Assets	20,730	13,620	52.2

Ratio	M9 2011	M9 2010
Gross Margin	9.57%	18.25%
Operating Margin	1.97%	10.67%
Net Margin	8.25%	8.51%
EBITDA Margin	5.86%	14.80%
Debt to Equity	70.74%	74.58%
Debt to Assets	35.52%	36.66%
Return on Equity (ROE) *	10.03%	15.10%
Return on Assets (ROA) *	5.45%	7.66%

* return M9 2011 & M9 2010 in 9 months

- Net revenue in M9 2011 was Rp 12.6 trillion, up 6.5% year-on-year (YoY), due to a 9.6% increase in average HRC selling price despite lower sales volume of 1.7% YoY. Average selling prices of other steel products, except for steel pipes, also increased during the same period in line with higher raw material prices.
- However, gross profit decreased 44.2% YoY as a result of a 17.9% YoY increase in cost of revenues. The increase in cost of revenues was due to higher prices of imported pellets by 47% YoY.
- EBITDA dropped 57.8% YoY to Rp 741.7 billion, consistent with a decrease in operating income.
- Net income grew 3.2% YoY to Rp 1.0 trillion or equivalent to EPS of Rp 66 (full amount), as the company booked gain from transfer of fixed assets in the form of land equivalent to Rp 745.4 billion to PT Krakatau – POSCO, a joint venture company formed by Krakatau Steel and POSCO.
- The gain from transfer of fixed assets was restated to Rp 745.4 billion in M9 2011 from Rp 1.09 trillion in H1 2011 mainly because of the implementation of the Financial Accounting Standards (PSAK) no. 15 in 2011. Since Krakatau Steel has 30% ownership in Krakatau Posco, the company is only allowed to book 70% of the gain from transfer of fixed assets according to the PSAK no. 15.

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.

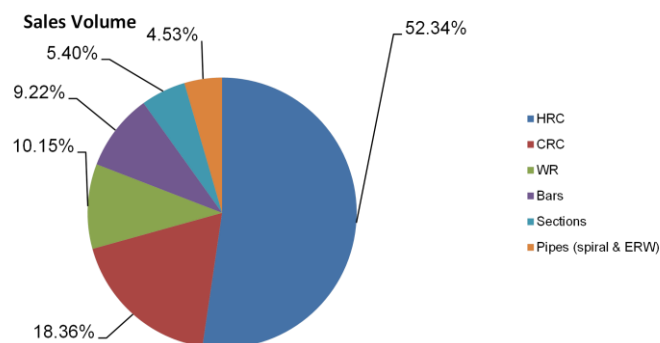


MARKETING RESULTS

Steel Sales (tons)	M9 2011	M9 2010	Change (%)
HRC	772,406	786,009	-1.7
CRC	270,895	331,376	-18.3
WR	149,735	162,465	-7.8
Bars	136,051	127,843	6.4
Sections	79,674	67,525	18.0
Pipes (spiral & ERW)	66,853	40,437	65.3
Total	1,475,614	1,515,655	-2.6

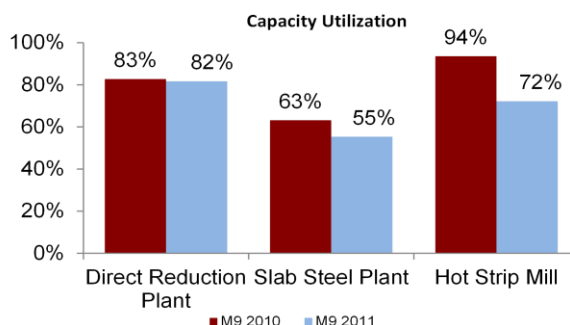
Average Selling Price Rp/kg	M9 2011	M9 2010	Change (%)
HRC	7,606	6,938	9.6
CRC	8,883	8,125	9.3
WR	6,812	6,025	13.1
Bars	6,613	6,054	9.2
Sections	7,747	6,693	15.7
Pipes (spiral & ERW)	10,091	10,476	-3.7

- Steel market in Q3 2011 remained sentiment-driven. Efforts by Asian steel makers to raise HRC price in August were not responded by end users as market sentiment remained weak due to worsening debt crisis situation in Europe.
- Weaker Asian currencies against US dollar since early September dampened raw materials and steel imports. In the meantime, end users still opted a wait-and-see stance amid uncertainties in global economy.
- Steel purchases by consumers were conducted only for regular business with minimum restocking. Traders expected weak steel demand and prices to continue until year-end.
- Several major steel producers such as ArcelorMittal have planned reduction in production in anticipation of weaker demand in the fourth quarter.



OPERATIONAL RESULTS

Production (tons)	M9 2011	M9 2010	Change (%)
Sponge Iron	918,658	940,007	-2.3
Slab	746,935	852,669	-12.4
HRC	1,299,224	1,403,600	-7.4



- Production of HRC in M9 2011 reached 1,299,224 tons, or 7.2% YoY lower than in M9 2010. Utilization dropped from 94% in M9 2010 to 72% in M9 2011 as the Hot Strip Mill resumed production in April 2011 after passing performance test following the expansion in capacity from 2.0 million ton/year in 2010 to 2.4 million ton/year in 2011.
- HRC production was lower in M9 2011 compared to the same period last year as the Hot Strip Mill was still in trial process after the revitalization program. The Hot Strip Mill is currently working at full production capacity following the completion of the revitalization program in early May 2011.
- Production of sponge iron and slab steel decreased 2.3% YoY and 12.4% YoY, respectively, in M9 2011 as a result of limited supply of gas from Pertamina and PGN and of electricity from PLN. Furthermore, the lower slab steel production was also due to Krakatau Steel's strategy to optimize profitability by occasionally using imported slab steel at lower prices.

BALANCE SHEET (in billion rupiah)

NERACA	9/30/2011	12/31/2010	BALANCE SHEET
	Unaudited	Audited As represented	
ASET			ASSETS
ASET LANCAR			CURRENT ASSETS
Kas dan setara kas	3,158	4,194	Cash & cash equivalents
Investasi jangka pendek	90	-	Short-term investments
Deposito yang dibatasi penggunaannya	27	27	Restricted time deposits
Piutang Usaha - bersih	2,240	1,184	Trade receivables (net)
Piutang lain-lain - bersih	382	82	Other receivables (net)
Persediaan - bersih	7,373	6,550	Inventories (net)
Uang muka dan biaya dibayar dimuka	256	136	Advances and prepaid expenses
Pajak dibayar dimuka	60	115	Prepaid taxes
Jumlah Aset Lancar	13,586	12,288	Total Current Assets
ASET TIDAK LANCAR			NON CURRENT ASSETS
Taksiran tagihan pajak	333	303	Estimated claims for tax refund
Investasi pada saham - bersih	1,181	311	Investments in shares of stock (net)
Aset pajak tangguhan - bersih	26	27	Deferred tax assets (net)
Aset tetap - bersih	5,165	4,389	Fixed Asset (net)
Aset lain-lain	439	266	Other assets
Jumlah Aset Tidak Lancar	7,143	5,296	Total Non Current Assets
JUMLAH ASET	20,730	17,584	TOTAL ASSETS
LIABILITAS DAN EKUITAS			LIABILITIES
LIABILITAS LANCAR			Current Liabilities
Hutang bank jangka pendek	6,069	5,137	Short-term bank loans
Hutang usaha	1,345	902	Trade payables
Hutang lain-lain	133	84	Other payables
Hutang pajak	145	86	Taxes payable
Biaya yang masih harus dibayar	323	266	Accrued expenses
Uang muka penjualan dan lainnya	594	219	Sales and other advances
Bagian pinjaman jk panjang yg jth tempo 1 th	206	234	Current portion of LT loans
Bagian liabilities jk panjang yg jth tempo 1 th	4	4	Current portion of LT liability
Total Current Liabilities	8,818	6,931	Total Current Liabilities
LIABILITAS TIDAK LANCAR			NON CURRENT LIABILITIES
Liabilities pajak tangguhan - bersih	58	65	Deferred tax liabilities, net
Pinjaman jk panjang stl dikurangi jth tempo 1 th	1,089	862	LT loans, net of current portion
Liabilities jk panjang stl dikurangi jth tempo 1 th	53	47	LT liabilities, net of current portion
Liabilities kesejahteraan	304	254	Estimated liabilities for employee benefits
Total Non Current Liabilities	1,503	1,228	Total Non Current Liabilities
TOTAL LIABILITIES	10,321	8,159	TOTAL LIABILITIES
SHAREHOLDER'S EQUITY			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	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	(31)	(971)	Unappropriated
Saldo laba, net	1,313	372	Retain Earning, net
Kepentingan Non Pengendali	174	132	Non-controlling interest
Equities, net	10,409	9,426	Equities, net
TOTAL LIABILITIES AND EQUITY	20,730	17,584	TOTAL LIABILITIES AND EQUITY

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	9/30/2011 (Unaudited)	9/30/2010 (Unaudited)	PROFIT & LOSS STATEMENT
Pendapatan bersih	12,654	11,877	Net Revenues
Beban pokok pendapatan	11,443	9,710	Cost of Revenues
Laba (rugi) kotor	1,210	2,167	Gross Profit
Beban Usaha			Operating Expenses
Distribusi dan Penjualan	202	217	Distribution and sales
Administrasi	758	683	Administration
Laba (rugi) operasi	250	1,267	Income from Operations
Penghasilan (beban) lain-lain			Other Income
Laba (rugi) selisih kurs	41	111	Gain on foreign exchange
Beban bunga	(207)	(204)	Interest Expense
Penjualan limbah produksi	66	36	Sales of waste products
Pendapatan bunga	100	40	Interest income
Laba pengalihan aset tetap	745		Gain on transfer of fixed asset
Laba pematangan tanah	51		Gain on site preparation work
Lain-lain bersih	110	140	Miscellaneous, net
Laba sebelum beban (manfaat) pajak	1,156	1,390	Income Before Tax
Beban (manfaat) pajak - bersih	112	379	Tax Expense (Benefit)
Total Pendapatan komprehensif tahun berjalan	1,044	1,011	Total comprehensive income for the year
Laba Per Saham Dasar dan Dilusian (dalam Rupiah penuh)	66.17	80.13	Basic Income Per Share (in full Rupiah amount)

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