

TICKERS	MARKET CAPITALIZATION	ISSUED SHARES	SHARE PRICE				SHAREHOLDERS
IDX KRAS	(IDR million, as of 6/30/2018)	(million shares, as of 6/30/2018)	(closing, IDR/share)				Government 80%
Bloomberg KRAS.IJ	11,898,034	19,346	1 January 2018	424	6 month high	550	Public 20%
Reuters KRAS.JK			30 June 2018	456	6 month low	388	

Gross and Operating Profits Increase on Higher Sales

Jakarta, July 2018

Krakatau Steel Reports First Half Results

- **Krakatau Steel's net revenues increased 34.75% Year-on-Year (YoY) and gross profit grew 7.82% YoY, respectively, on higher sales volume and average selling prices of main steel products.**
- **Operating profit jumped 110.19% YoY, which was inline with the topline results.**
- **Krakatau Steel's HRC selling price hovered around US\$640-680/ton levels in the first four months of the year and peaked at US\$740/ton early in June 2018. The company's average HRC selling price rose 12.52% YoY in H1 2018 to US\$660/ton from US\$587/ton in H1 2017.**

KRAS HRC Selling Price



Latest Updates:

- Delivery of steel products by Krakatau Steel for the construction of the Jakarta-Cikampek II (Japek II) elevated toll road has reached 86,400 tons as of June 2018. The construction of the toll road requires a total of 225,000 tons of steel.
- The construction of Hot Strip Mill #2 (HSM#2) has reached 78.17% as of 30 June 2018. The construction of the mill, which will increase the company's production capacity by 1.5 million tons/year, is expected to be completed in Q3 2019.
- PT Krakatau Tirta Industri (KTI) completed the construction of its Cipasauran Dam in Q1 2018. The dam will provide additional raw water supply of 750 liters/second and consequently optimize supply capacity of industrial water by PT KTI's Water Treatment Plant (WTP) from 1,800 liters/second to 2,400 liters/second.

Financial Results

Description (USD mn)	H1 2018	H1 2017	Change (%)
Revenue	854.27	633.98	34.75
Cost of Revenues	(753.88)	(540.87)	39.38
Gross Profit	100.39	93.11	7.82
Operating Profit (loss)	9.34	4.45	110.19
EBITDA ¹	68.35	81.70	(16.34)
Cash and Cash Equivalents ²	228.06	280.87	(18.80)
Total Assets ²	4,140.35	4,114.39	0.63

Ratio	H1 2018	H1 2017
Gross Margin	11.75%	14.69%
Operating Margin	1.09%	0.70%
EBITDA Margin	8.00%	12.89%
Debt to Equity ³	1.12x	0.97x
Debt to Assets ³	0.47x	0.44x

¹ : EBITDA figures exclude share of loss in associates

² : Balance sheet items for H1 2017 are based on FY 2017 figures

³ : The debt component used in the calculation of Debt to Equity and Debt to Assets is total interest-bearing debt

Investor Relations

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Company Performance Update:

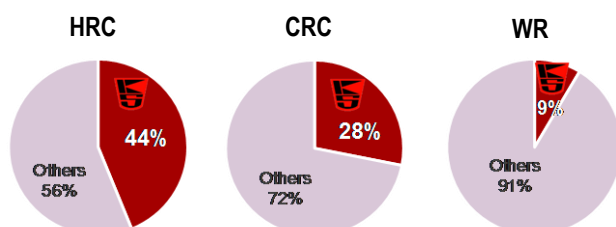
- Krakatau Steel recorded a 34.75% YoY increase in net revenues to US\$854.27 million in H1 2018 as a result of higher sales volume and average selling prices of main steel products. Higher average selling prices were seen across all steel products, including HRC (+12.52% YoY to US\$660/ton), CRC (+5.21% YoY to US\$711/ton), and long products (+24.06% YoY to US\$643/ton). Total sales volume of steel products grew 24.44% YoY to 1,046,661 tons on the back of higher sales volume of HRC (+47.10% YoY to 576,652 tons), CRC (+9.71% YoY to 288,608 tons), and long products (+4.27% YoY to 141,824 tons).
- Cost of revenues rose 39.38% YoY to US\$753.88 million due to a 67.10% YoY increase in raw materials cost to US\$651.90 million from US\$390.13 million. The increase in raw materials cost was a result of higher average price of raw materials purchased by the company during the period. The company was able to book a 7.82% YoY growth in gross profit to US\$100.39 million as the increase in net revenues exceeded the higher cost of revenues.
- The company managed to post a sharp 110.19% YoY increase in operating profit to US\$9.34 million in H1 2018 which was mainly due to the topline improvement.
- On the other hand, EBITDA decreased 16.34% YoY to US\$68.35 million and EBITDA margin was lower at 8.00% in H1 2018 from 12.89% during the same period last year. The decrease in EBITDA mainly resulted from the effect of foreign exchange gain of US\$32.62 million.

Marketing Results

Steel Sales (tons)	H1 2018	H1 2017	Change (%)
HRC	576,652	392,025	47.10
CRC	288,608	263,068	9.71
Long Product	141,824	136,019	4.27
Pipes (spiral & ERW)	39,577	49,989	-20.83
Total	1,046,661	841,101	24.44

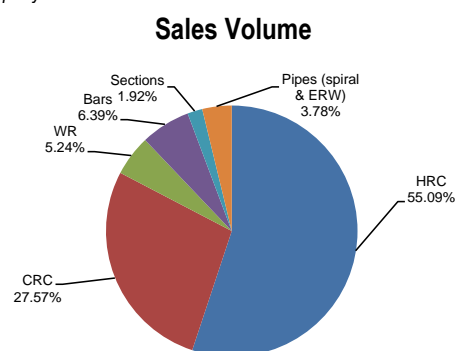
Average Selling Price USD/ton	H1 2018	H1 2017	Change (%)
HRC	660	587	12.52
CRC	711	676	5.21
Long Product	643	518	24.06
Pipes (spiral & ERW)	894	726	23.13

Source: Company data



Market Share FY 2017

Source: Company data



Market Analysis

- Chinese apparent steel demand has increased 10.2% since the beginning of the year. Demand has fluctuated since October 2017 and began to pick up in February 2018. Meanwhile, Chinese domestic HRC price has been in a consolidation phase since the beginning of the year and a short-term downtrend has been seen since May 2018. (*Bloomberg Intelligence, July 2018*)
- Price rebounds since the beginning of 2016 have reversed some capacity cuts in China's steel industry, with a number of plants that closed in 2015 restarting as profitability improves. There was no voluntary production shutdown, given steel mills are making profits. Most capacity reductions were caused by a failure to meet emissions targets. "Sponge" steel mills, which can suspend and resume production faster than the industry average due to their smaller scale, may add to the oversupply. (*Bloomberg Intelligence, February 2018*)
- Chinese's steel production in April 2018 surprised on the upside. Annualized the output surged to a massive 933 million tonnes, up 68 million tonnes year-to-year. Global steel production may rise to 1,85 billion tonnes in June 2018, for a rise 11,0% (year-to-year). Underlying demand for steel, at best, may be up only 5%. (Source : *World Steel Dynamics Inside Track #164, May 2018*)
- Domestic steel prices rally began in January 2018 and continued to July 2018, fluctuated in line with fluctuations in global steel prices. Prices corrected in April – May, but the uptrend resumed late in October following the rising trend of Chinese steel prices.
- From January until June 2018 steel demand in Indonesia continued to increase on the back of stronger demand from steel-related sectors. Automotive sector grew 4% with car production at 624,408 units (Source : *Gaikindo, Jan-Jun 2018*). the nation's GDP, grew 5.06% (year-to-year) in Q1 2018. (Source : *Laporan Nusantara, May 2018*)