

TICKERS		MARKET CAPITALIZATION	ISSUED SHARES	SHARE PRICE				SHAREHOLDERS	
IDX	KRAS	(IDR million, as of 9/30/2017)	(million shares, as of 9/30/2017)	(closing, IDR/share)				Government	80%
Bloomberg	KRAS.IJ	9,963,394	19,346	1 January 2017	775	9 month high	820	Public	20%
Reuters	KRAS.JK			30 September 2017	515	9 month low	500		

Improved Revenues, Gross Profit, EBITDA & Operating Cash Flow

Jakarta, October 2017

Krakatau Steel Reports Nine Month Results

- **Krakatau Steel's M9 2017 net revenues and gross profit grew 5.87% YoY and 13.00% YoY, respectively, on higher average selling prices of steel products.**
- **EBITDA margin significantly improved to 13.45% in M9 2017 from 10.77% in M9 2016 due to lower loss before tax.**
- **Net cash provided by operating activities soared 499.71% YoY in M9 2017 as a result of higher revenues.**
- **Rally in Krakatau Steel's HRC selling price stalled in mid June 2017 and price began its downward move since then. HRC price regained footing and reached US\$599/ton as of 30 September 2017 after bottoming out at US\$577 early in August. In terms of average price, the company's HRC average selling price grew 33.33% YoY to US\$583/ton in M9 2017 from US\$437/ton in M9 2016.**

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 20,369 tons of total 225,000 tons of steel required during May - September 2017 period. The supply of 225,000 tons of steel for the project is expected to be completed in 10 months.
- The company has completed detailed engineering process for mechanical equipment for the construction of HSM#2 in Q3 2017. The overall physical construction of HSM#2 has reached 35.93% as of 30 September 2017.
- The company is also in the final stage of the construction of Blast Furnace Complex, with overall construction progress reaching 99.43% as of 30 September 2017. The Blast Furnace Complex will consist of Coke Oven Plant (completed), Sintering Plant (99.93% progress as of 30 September 2017), Blast Furnace Plant (99.53%), and Hot Metal Treatment Plant (99.99%).

Financial Results

Description (USD mn)	M9 2017	M9 2016	Change (%)	Ratio	M9 2017	M9 2016
Revenue	1,039.91	982.29	5.87	Gross Margin	14.99%	14.05%
Cost of Revenues	(883.99)	(844.30)	(4.70)	Operating Margin	2.23%	2.93%
Gross Profit	155.92	137.99	13.00	EBITDA Margin	13.45%	10.77%
Operating Profit (loss)	23.20	28.80	(19.45)	Debt to Equity ³	0.96x	0.95x
EBITDA ¹	139.90	105.83	32.20	Debt to Assets ³	0.44x	0.44x
Profit (loss) Attributable to Owners of Parent Entity	(75.05)	(114.70)	34.57			
Cash and Cash Equivalents ²	274.26	264.95	3.51			
Net cash provided by (used in) operating activities	127.13	21.20	499.71			
Total Assets ²	4,020.69	3,936.71	2.13			

¹ : EBITDA figures exclude share of loss in associates

² : Balance sheet items for M9 2016 are based on FY 2016 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:

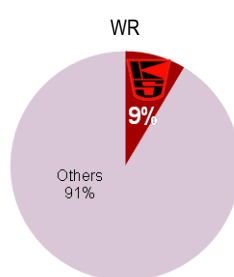
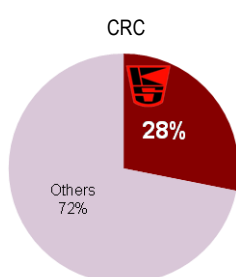
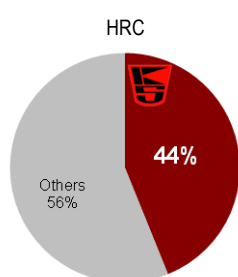
- Krakatau Steel managed to book a 5.87% Year-on-Year (YoY) increase in net revenues to US\$1,039.91 million in M9 2017, which was mainly due to higher average selling prices of all steel products including HRC (+33.33% YoY to US\$583/ton), CRC (+23.07% YoY to US\$671/ton), and wire rod (+30.49% YoY to US\$519/ton). On the contrary, total steel sales volume decreased 16.74% YoY to 1,400,091 tons in M9 2017 mainly owing to declines in sales volume of HRC (-18.57% YoY to 725,350 tons), wire rod (-58.94% YoY to 42,616 tons), and steel bars (-35.92% YoY to 107,282 tons). The lower HRC sales volume in M9 2017 was largely due to a decline in HRC production as the company conducted an overhaul on its Hot Strip Mill (HSM) for a month in May 2017 to improve the mill's reliability. HRC production increased 33.35% Quarter-on-Quarter (QoQ) to 404,694 tons in Q3 2017 from 303,477 tons in Q2 2017 after the overhaul was completed. As a result, HRC sales volume soared 93.01% QoQ to 311,889 tons during the period and contributed to a 58.56% QoQ increase in total sales volume to 558,990 tons in Q3 2017 from 352,543 tons in Q2 2017.
- Cost of revenues increased 4.70% YoY to US\$883.99 million due to a 17.25% increase in raw materials cost to US\$592.92 million, which was in line with higher average price of raw materials purchased by the company. Gross profit rose 13.00% YoY to US\$155.92 million in M9 2017 as the increase in cost of revenues was lower than the increase in net revenues.
- The company was able to maintain positive operating profit of US\$23.20 million in M9 2017. However, the amount was -19.45% YoY lower compared to the same period last year on the back of higher selling, general and administrative (SGA) expenses. The higher SGA expenses were mainly attributable to a 23.68% YoY increase in salaries, wages and employees benefits in M9 2017.
- Net cash provided by operating activities significantly increased 499.71% YoY to US\$127.13 million in M9 2017 which was in line with the topline improvement.
- EBITDA rose 32.20% YoY to US\$139.90 million and EBITDA margin increased to 13.45% from 10.77% during the period as loss before tax expense improved to US\$46.7 million from US\$104.4 million in M9 2016 (excluding share in loss of associates and joint ventures).
- Bottom line results significantly improved to (US\$75.05) million from (US\$114.70) million in M9 2016, which was largely due to lower amounts of interest payment (US\$74.47 million from US\$90.38 million in M9 2016) and forex loss (US\$2.16 million from US\$44.56 million in M9 2016).

Marketing Results

Steel Sales (tons)	M9 2017	M9 2016	Change (%)
HRC	725,350	890,817	-18.57
CRC	414,330	408,761	1.36
Long Product	191,946	321,741	-40.34
Pipes (spiral & ERW)	68,465	60,346	13.45
Total	1,400,091	1,681,666	-16.74

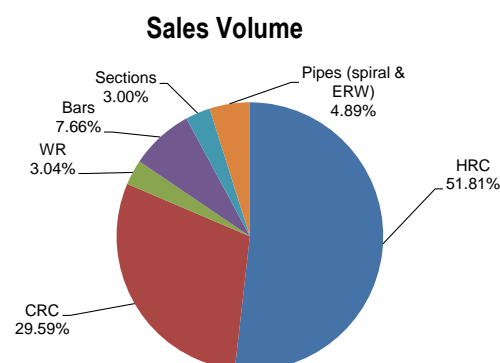
Average Selling Price USD/ton	M9 2017	M9 2016	Change (%)
HRC	583	437	33.33
CRC	671	545	23.07
Long Product	524	435	20.47
Pipes (spiral & ERW)	722	697	3.71

Source: Company data



Market Share FY 2016

Source: Company data



Market Analysis

- Chinese apparent steel demand is up about 7.5% so far this year. China's government has confirmed the seriousness of regulation to reduce air pollution. They have decided to cut back steel production by about 50% from November 2017 until March 2018. Recent measures have already reduced coking coal production; as a result, the price of coking coal has risen also. (*World Steel Dynamics Inside Track #158, Oct 2017*)
- Domestic steel prices in Indonesia fluctuated in line with fluctuations in global steel prices. Steel prices rally began in December 2016 and continued to February 2017. Prices corrected in March – May, but the uptrend resumed late in September following the rising trend Chinese steel prices.
- From January until August 2017 steel demand in Indonesia continued to increase on the back of stronger demand from steel-related sectors. Automotive sector grew 3% YoY with car production at 801,000 units (*Source : Gaikindo, Jan-Aug 2017*). In addition, construction sector, which contributed 10.11% to the nation's GDP, grew 6.46% (c-to-c) in 2017. (*BPS August 2017*)