



| TICKERS | MARKET CAPITALIZATION | ISSUED SHARES | SHARE PRICE | (closing, IDR) | | | SHAREHOLDERS |
|--|--|--|-------------------------------------|----------------|-------------------------------------|---|--------------|
| IDX: KRAS Bloomberg: KRAS.IJ Reuters: KRAS.JK | (as of 9/30/2015) 5,379,275 IDR million | (as of 9/30/2015) 15,775 million shares | 1 January 2015 30 September 2015 | 483 312 | 9 month high 484 9 month low 303 | Government of Indonesia 80% Public 20% | |

Jakarta, October 2015

Krakatau Steel Reports Nine Months Results

- *Krakatau Steel conducted an asset revaluation in M9 2015, which increased total assets to US\$3,545.2 million. The asset revaluation resulted in comprehensive profit attributable to owners of the parent entity of US\$910.9 million, which increased book value of equity to US\$1,794.9 million.*
- *Domestic steel demand slightly improved in Q3 2015 as the government has started its infrastructure spending, which resulted in a slight improvement in the company's gross margin in Q3 2015 compared to the previous quarter.*

Financial Results

| Description (USD mn) | M9 2015 | M9 2014 | Change (%) | Ratio | M9 2015 | M9 2014 |
|---|-----------|-----------|------------|----------------------------|---------|---------|
| Revenue | 993.4 | 1,360.7 | -27.0 | Gross Margin | -2.10% | 2.36% |
| Cost of Revenues | (1,014.3) | (1,328.6) | -23.7 | Operating Margin | -12.40% | -4.62% |
| Gross Profit | (20.9) | 32.1 | - | Net Margin | -16.13% | -8.43% |
| Operating Expenses | (110.3) | (113.5) | -2.8 | EBITDA Margin | -6.97% | -0.03% |
| Operating Income (loss) | (123.2) | (62.9) | - | Debt to Equity | 77.88% | 151.30% |
| EBITDA | (69.2) | (0.4) | - | Debt to Assets | 39.43% | 51.47% |
| Profit (loss) Attributable to Owners of Parent Entity | (160.2) | (114.7) | - | Return on Equity (ROE) *** | -8.93% | -12.95% |
| Comprehensive Profit (Loss) Attributable to Owners of Parent Entity | 910.9 | (109.8) | - | Return on Assets (ROA) *** | -5.21% | -4.60% |
| EPS (USD/share) | (0.0102) | (0.0073) | - | | | |
| Total Assets * | 3,545.2 | 2,604.4 | 36.1 | | | |

* : Balance sheet items for period M9 2014 are based on FY 2014 figures

** : Return M9 2015 & M9 2014 in 9 months

- PT Krakatau Steel (Persero) Tbk. booked a 27.0% YoY decline in net revenues to US\$993.4 million in M9 2015, due to lower steel sales volume and average selling price. A 23.7% YoY decline in cost of revenues to US\$1,014.3 million during the period could not offset the decrease in net revenues, which resulted in a gross profit of –US\$20.9 million compared to US\$32.1 million during the same period last year. However, the company's gross margin in Q3 2015 improved from H1 2015 mainly due to lower raw material costs. In addition, the company posted allowance for decline in value of inventory of US\$35.5 million to reflect fair market value of its inventory.
- Operating loss increased to US\$123.2 million in from US\$62.9 million due to the loss at the top-line and a 3.9% YoY increase in operating expenses.
- The company booked loss attributable to owners of the parent entity of US\$160.2 million in M9 2015, of which US\$87.2 million (represent 30% ownership) was incurred from major affiliated company, on the back of weak steel demand. However, the company was able to post total comprehensive profit attributable to owners of the parent entity of US\$910.8 million from a loss of US\$109.9 million in M9 2014 as a result of the asset revaluation.
- Interest expenses was higher at US\$59.3 million in M9 2015 from US\$37.4 million due to high IDR denominated working capital loan of IDR5.4 trillion with high interest rate (9.5% p.a. – 11.0% p.a.). However, the company also recognized foreign exchange gain for this IDR denominated working capital loan of US\$ 66.6 million during the same period.
- Total assets increased 36.1% to US\$3,545.2 million as a result of land revaluation, which was intended for a fair value reflection of the company's land. As a result, book value of equity increased 102.6% to US\$1,794.9 million.
- In addition, the company has implemented a number of measures, such as increasing steel sales volume from the company's inventory and prioritizing slabs supply from PTKP in order to lower cash to cash cycle and improve cash flows.
- In a bid to increase sales volume and in line with synergy among state-owned enterprises (SOEs), the company has targeted to meet steel demand in infrastructure-related projects of state-owned construction companies, such as bridge, cement mill, Light Rail Transit (LRT), and gas pipeline projects.

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DISCLAIMER

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Marketing Results

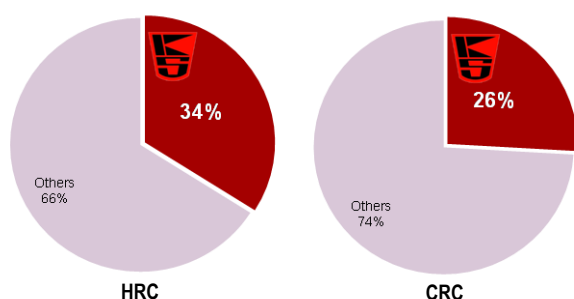
| Steel Sales (tons) | M9 2015 | M9 2014 | Change (%) |
|----------------------|------------------|------------------|--------------|
| HRC | 632,878 | 978,941 | -35.4 |
| CRC | 383,845 | 374,605 | 2.5 |
| WR | 105,283 | 132,635 | -20.6 |
| Bars | 165,767 | 163,276 | 1.5 |
| Sections | 50,478 | 27,838 | 81.3 |
| Pipes (spiral & ERW) | 37,394 | 39,769 | -6.0 |
| Others | - | - | - |
| Total | 1,375,645 | 1,717,064 | -19.9 |

| Average Selling Price USD/ton | M9 2015 | M9 2014 | Change (%) |
|-------------------------------|---------|---------|------------|
| HRC | 511 | 653 | -21.9 |
| CRC | 622 | 774 | -19.7 |
| WR | 489 | 624 | -21.5 |
| Bars | 504 | 589 | -14.4 |
| Sections | 573 | 681 | -15.9 |
| Pipes (spiral & ERW) | 777 | 1,115 | -30.3 |

Source: Company data

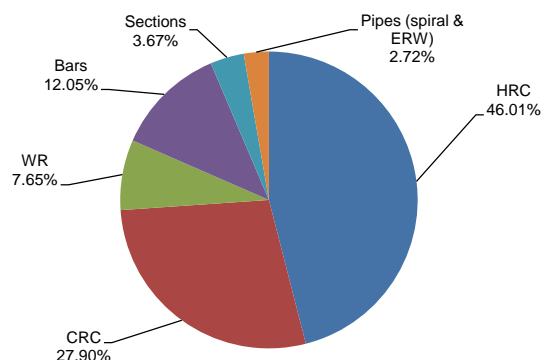
- The company's total steel sales volume declined 19.9% Year-on-Year (YoY) to 1,375,645 tons, due to the decline in sales volume of steel products such as HRC (35.4% YoY to 632,878 tons) and wire rod (20.6% YoY to 105,283 tons). Furthermore, weak global and domestic steel market continued to push down the company's average steel selling price, which decreased between 10.0% and 30.3%. Prices of hot rolled coil/HRC decreased 21.9% to US\$ 511/ton, cold rolled coil/CRC declined 19.7% to US\$622/ton, and wire rod dropped 21.9% to US\$489/ton. Prices of section steel declined 15.9% to US\$573/ton, and bar steel decreased 14.4% to US\$504/ton.

Market Share H1 2015



Source: Company data

Sales Volume



Market Share

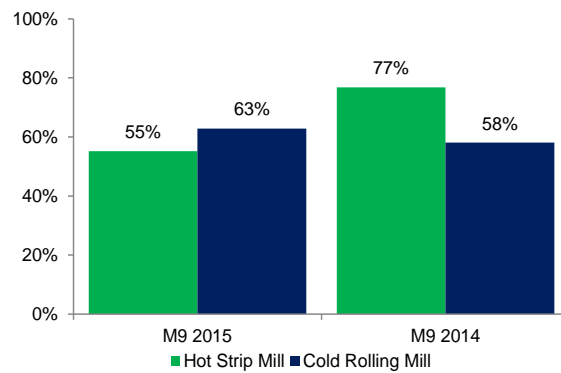
- Krakatau Steel's HRC market share dropped to 34% in H1 2015 from 45% in H1 2014, as a result of the weak global and domestic steel market.
- On the other hand, CRC market share increased to 26% from 22% during the same period.

Market Analysis

- The downward spiral of global steel prices continued. Global HRC price currently stood at US\$315/ton, lower than average operating cost of US\$393/ton, while China's HRC export price dropped to US\$275/ton. (WSD Inside Track#143, October 2015).
- China's steel demand fell 7.5% in July, the second-largest drop since the financial crisis in 2008, and is expected to decline 3.4% this year. Steelmakers in China have shifted their focus to overseas markets due to the weak domestic demand, as shown by a 31.5% YoY surge in China steel exports in September 2015. (Bloomberg)
- The World Steel Association (WSA) forecast a 1.7% decline in global steel demand to 1,513 million tons this year, mainly on the back of China's economic slowdown. Furthermore, WSA forecast a 0.7% growth in global steel demand in 2016 on expectation that China's economy will stabilize.
- The downward trend in steel prices was also seen in the domestic market as demand remained stagnant in the first half of this year. Steel demand in the domestic market slightly improved in last quarter of 2015 as the government has started to spend its budget on infrastructure.

Operational Results

Capacity Utilization



Source: Company data

- Production of HRC in M9 2015 declined 28.1% YoY from 1,381,503 tons to 993,569 tons and utilization was lower at 55%, in line with the weak demand in the domestic market.
- Production of CRC, on the other hand, increased 8.2% YoY from 370,136 tons to 400,631 tons and capacity utilization of the Cold Rolling Mill (CRM) increased to 63% during the same period.

**BALANCE SHEET (in million US dollar)**

| NERACA | 9/30/2015 | 12/31/2014 | BALANCE SHEET |
|--|------------------|-------------------|-------------------------------------|
| | Unaudited | Audited | |
| ASET | | | ASSETS |
| ASET LANCAR | | | CURRENT ASSETS |
| Kas dan setara kas | 114.6 | 236.7 | Cash & cash equivalents |
| Investasi jangka pendek | 40.0 | - | Short-term investments |
| Deposito berjangka yang dibatasi penggunaannya | 0.0 | 20.2 | Restricted time deposits |
| Piutang Usaha, neto | 240.5 | 248.8 | Trade receivables, net |
| Piutang lain-lain, neto | 32.2 | 31.2 | Other receivables, net |
| Persediaan, neto | 352.2 | 480.9 | Inventories, net |
| Uang muka dan biaya dibayar dimuka | 47.4 | 33.5 | Advances and prepaid expenses |
| Pajak dibayar dimuka | 17.2 | 7.4 | Prepaid taxes |
| Total Aset Lancar | 844.1 | 1,058.6 | Total Current Assets |
| ASET TIDAK LANCAR | | | NON-CURRENT ASSETS |
| Estimasi tagihan pajak | 40.3 | 58.4 | Estimated claims for tax refund |
| Penyertaan saham, neto | 141.1 | 213.1 | Investments in shares of stock, net |
| Aset pajak tangguhan, neto | 115.4 | 84.7 | Deferred tax assets, net |
| Aset tetap, neto | 2,272.3 | 1,097.4 | Fixed Asset, net |
| Aset tidak digunakan dalam operasi | 63.5 | 2.0 | Assets not used in operations |
| Aset real estat | 11.6 | 14.4 | Real estate assets |
| Deposito yang dibatasi penggunaannya | 31.7 | 28.2 | Restricted time deposits |
| Aset lain-lain | 25.2 | 47.5 | Other assets |
| Total Aset Tidak Lancar | 2,701.1 | 1,545.7 | Total Non-Current Assets |
| TOTAL ASET | 3,545.2 | 2,604.4 | TOTAL ASSETS |

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



BALANCE SHEET (in million US dollar)

| NERACA | 9/30/2015 Unaudited | 12/31/2014 Audited | BALANCE SHEET |
|--|------------------------|-----------------------|--|
| LIABILITAS DAN EKUITAS | | | LIABILITIES |
| LIABILITAS JANGKA PENDEK | | | CURRENT LIABILITIES |
| Pinjaman bank jangka pendek | 1,107.4 | 1,037.1 | Short-term bank loans |
| Utang usaha | 172.4 | 202.9 | Trade payables |
| Utang lain-lain | 9.5 | 37.5 | Other payables |
| Utang pajak | 16.4 | 14.7 | Taxes payables |
| Beban akrual | 58.7 | 33.8 | Accrued expenses |
| Liabilitas imbalan kerja jangka pendek | 1.1 | 8.5 | Short-term employee benefits liabilities |
| Uang muka penjualan dan lainnya | 27.9 | 23.3 | Sales and other advances |
| Bagian pinjaman jangka panjang yang jatuh tempo dalam waktu satu tahun | 24.5 | 55.4 | Current maturities of long-term loans |
| Bagian liabilitas keuangan jangka panjang yang jatuh tempo dalam waktu satu tahun | 5.5 | 0.0 | Current maturities of long-term financial liabilities |
| Total Liabilitas Jangka Pendek | 1,423.4 | 1,413.3 | Total Current Liabilities |
| LIABILITAS JANGKA PANJANG | | | NON-CURRENT LIABILITIES |
| Liabilities pajak tangguhan, neto | 0.1 | 0.2 | Deferred tax liabilities, net |
| Uang muka konstruksi, bagian jangka panjang | - | 8.3 | Advance for construction, long term portion |
| Pinjaman jangka panjang, setelah dikurangi bagian yang jatuh tempo dalam waktu satu tahun | 266.0 | 247.8 | Long-term loans, net of current maturities |
| Liabilitas keuangan jangka panjang, setelah dikurangi bagian yang jatuh tempo dalam waktu satu tahun | 21.8 | 6.4 | Long-term financial liabilities, net of current maturities |
| Liabilitas imbalan kerja jangka panjang | 39.1 | 42.5 | Long-term employee benefits liabilities |
| Total Liabilitas Jangka Panjang | 327.0 | 305.1 | Total Non-Current Liabilities |
| TOTAL LIABILITAS | 1,750.4 | 1,718.4 | TOTAL LIABILITIES |
| EKUITAS | | | EQUITY |
| EKUITAS YANG DAPAT DIATRIBUSIKAN KEPADA PEMILIK ENTITAS INDUK | | | EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT ENTITY |
| Modal saham | | | Share capital |
| Nilai nominal Rp500 (angka penuh) per saham | | | Par value Rp500 (full amount) per share |
| Modal dasar - 40.000.000.000 saham yang terdiri dari 1 saham Seri A Dwiwarna dan 39.999.999.999 saham Seri B | | | Authorized capital - 40,000,000,000 shares which consist of 1 Series A Dwiwarna and 39,999,999,999 Series B |
| Modal ditempatkan dan disetor penuh - 15.775.000.000 saham yang terdiri dari 1 Seri A Dwiwarna dan 15.774.999.999 saham Seri B | 856.0 | 856.0 | Issued and fully paid - 15,775,000,000 shares which consist of 1 Series A Dwiwarna and 15,774,999,999 Series B |
| Tambahan modal disetor, neto | 116.3 | 116.3 | Additional paid-in capital, net |
| Pendapatan komprehensif lainnya | (81.3) | (58.2) | Other comprehensive income |
| Saldo laba (akumulasi kerugian) | | | Retained earnings (accumulated losses) |
| Dicadangkan | 146.8 | 146.8 | Appropriated |
| Tidak dicadangkan | 746.0 | (187.9) | Unappropriated |
| Total Ekuitas Yang Dapat Diatribusikan Kepada Pemilik Entitas Induk | 1,783.8 | 872.9 | Total Equity Attributable to Owners of the Parent Entity |
| Kepentingan Non Pengendali | 11.1 | 13.0 | Non-controlling interests |
| EKUITAS, NETO | 1,794.9 | 885.9 | EQUITIES, NET |
| JUMLAH LIABILITAS DAN EKUITAS | 3,545.2 | 2,604.4 | 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 | 9/30/2015 Unaudited | 9/30/2014 Unaudited | PROFIT & LOSS STATEMENT |
|---|------------------------|------------------------|---|
| PENDAPATAN NETO | 993.4 | 1,360.7 | NET REVENUES |
| BEBAN POKOK PENDAPATAN | 1,014.3 | 1,328.6 | COST OF REVENUES |
| LABA (RUGI) BRUTO | (20.9) | 32.1 | GROSS PROFIT (LOSS) |
| Beban penjualan | (22.0) | (25.0) | Selling expenses |
| Beban umum dan administrasi | (88.2) | (88.5) | General and administrative expenses |
| Penjualan limbah produksi | 2.1 | 3.8 | Sales of waste products |
| Laba pengalihan aset tetap | - | 6.6 | Gain on transfer of fixed asset |
| Laba penjualan investasi | 0.4 | - | Gain on sale of investment |
| Pendapatan lain-lain | 10.8 | 13.0 | Other income |
| Beban pajak final | (4.9) | (2.4) | Final tax expense |
| Beban lain-lain | (0.5) | (2.5) | Other expenses |
| RUGI OPERASI | (123.2) | (62.9) | OPERATING LOSS |
| Bagian rugi dari entitas asosiasi | (87.2) | (48.9) | Share in loss of associates |
| Pendapatan keuangan | 1.9 | 4.2 | Finance income |
| Laba selisih kurs, neto | 83.0 | 7.8 | Gain on foreign exchange, net |
| Beban keuangan | (59.8) | (37.4) | Finance expenses |
| RUGI SEBELUM BEBAN (MANFAAT) PAJAK | (185.3) | (137.2) | LOSS BEFORE TAX EXPENSE (BENEFIT) |
| Beban (manfaat) pajak - bersih | (23.3) | (17.4) | Tax Expense (Benefit) |
| RUGI PERIODE BERJALAN | (162.0) | (119.8) | LOSS FOR THE PERIOD |
| PENGHASILAN KOMPREHENSIF LAIN | | | OTHER COMPREHENSIVE INCOME |
| Pos yang tidak akan direklasifikasi ke laba rugi | | | Item that will not be reclassified to profit or loss |
| Laba Revaluasi Aset Tetap | 1,097.0 | - | Gains on revaluation of fixed asset |
| Pengukuran kembali program imbalan kerja | (3.9) | (5.4) | Remeasurement of defined benefits program |
| Pajak penghasilan terkait akun-akun yang tidak akan direklasifikasi ke laba rugi | 1.0 | 1.3 | Income tax relating to items that will not be reclassified to profit or loss |
| Pos yang akan direklasifikasi ke laba rugi | | | Item that will be reclassified to profit or loss |
| Selisih kurs karena penjabaran laporan keuangan Entitas Anak dan Asosiasi - neto | (23.1) | 9.1 | Difference in foreign currency translation of the financial statements of Subsidiaries |
| TOTAL PENGHASILAN KOMPREHENSIF - LABA (RUGI) PERIODE BERJALAN | 908.9 | (114.8) | TOTAL COMPREHENSIVE INCOME - PROFIT (LOSS) FOR THE PERIOD |
| RUGI PERIODE BERJALAN YANG DAPAT DIATRIBUSIKAN KEPADA: | | | LOSS FOR THE PERIOD ATTRIBUTABLE TO: |
| Pemilik entitas induk | (160.2) | (114.7) | Owners of the parent entity |
| Kepentingan non pengendali | (1.7) | (5.1) | Non-controlling interests |
| TOTAL | (162.0) | (119.8) | TOTAL |
| TOTAL PENGHASILAN KOMPREHENSIF - LABA (RUGI) PERIODE BERJALAN YANG DAPAT DIATRIBUSIKAN KEPADA: | | | TOTAL COMPREHENSIVE INCOME - PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO: |
| Pemilik entitas induk | 910.9 | (109.8) | Owners of the parent entity |
| Kepentingan non pengendali | (1.9) | (5.0) | Non-controlling interests |
| TOTAL | 908.9 | (114.8) | TOTAL |
| RUGI PER SAHAM DASAR YANG DAPAT DIATRIBUSIKAN KEPADA PEMILIK ENTITAS INDUK (dalam Dolar AS penuh) | (0.0102) | (0.0073) | BASIC LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT ENTITY (in full US Dollar amount) |

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



CASH FLOWS STATEMENT *(in million US dollar)*

| LAPORAN ARUS KAS KONSOLIDASIAN INTERIM | 9/30/2015 | 9/30/2014 | INTERIM CONSOLIDATED STATEMENT OF |
|---|----------------|----------------|---|
| | Unaudited | Unaudited | CASH FLOWS |
| ARUS KAS DARI AKTIVITAS OPERASI | | | CASH FLOWS FROM OPERATING ACTIVITIES |
| Penerimaan dari pelanggan | 1,033.1 | 1,510.7 | Receipts from customers |
| Penerimaan dari tagihan pajak | 16.0 | 25.5 | Receipts from claims for tax refund |
| Penerimaan dari pendapatan bunga | 4.0 | 3.6 | Receipts from interest income |
| Pembayaran kepada pemasok | (848.6) | (1,354.0) | Payments to suppliers |
| Pembayaran beban usaha dan lainnya | (9.9) | (19.2) | Payments for operating expenses and others |
| Pembayaran kepada karyawan | (67.1) | (79.3) | Payments to employees |
| Pembayaran untuk pajak | (108.2) | (164.8) | Payments for taxes |
| Pembayaran untuk beban bunga dan beban bank | (19.4) | (9.6) | Payments for interest and bank charges |
| Kas neto yang digunakan untuk aktivitas operasi | (0.1) | (87.3) | Net cash used in operating activities |
| ARUS KAS DARI AKTIVITAS INVESTASI | | | CASH FLOWS FROM INVESTING ACTIVITIES |
| Penarikan (penempatan) investasi jangka pendek | (39.7) | (12.2) | Withdrawal (placement) of short-term investments |
| Penerimaan dividen kas | 0.4 | 0.0 | Receipts of cash dividends |
| Penempatan kas dan deposito berjangka yang dibatasi penggunaannya | 16.7 | (6.6) | Placement of restricted cash and time deposits |
| Penambahan penyertaan pada saham | (14.8) | (29.4) | Additional investments in shares of stock |
| Penambahan aset tetap | (185.3) | (125.8) | Purchase of fixed assets |
| Penerimaan dari pelepasan entitas asosiasi | 0.4 | - | Proceeds from disposal of association entity |
| Kas neto yang digunakan untuk aktivitas investasi | (222.3) | (174.0) | Net cash used in investing activities |
| ARUS KAS DARI AKTIVITAS PENDANAAN | | | CASH FLOWS FROM FINANCING ACTIVITIES |
| Penerimaan pinjaman bank jangka pendek, neto | 110.8 | 243.9 | Proceeds from short-term bank loans, net |
| Penerimaan pinjaman jangka panjang | 63.5 | 102.7 | Proceeds from long-term loans |
| Pembayaran pinjaman jangka panjang | (25.7) | (19.0) | Repayments of long-term loans |
| Pembayaran untuk beban bunga | (43.3) | (35.1) | Payments for interest |
| Kas neto yang diperoleh dari aktivitas pendanaan | 105.4 | 292.5 | Net cash provided by financing activities |
| KENAIKAN (PENURUNAN) NETO KAS DAN SETARA KAS | (117.0) | 31.2 | NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS |
| KAS DAN SETARA KAS AWAL PERIODE | 236.7 | 190.2 | CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD |
| Dampak perubahan selisih kurs | (5.0) | (3.3) | Effect of foreign exchange rate changes |
| KAS DAN SETARA KAS AKHIR PERIODE | 114.6 | 218.2 | CASH AND CASH EQUIVALENTS AT END OF PERIOD |

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