

Amendment and/or Additional Information to the Disclosure of Information to Shareholders in connection with the Proposed Capital Increase Without Pre-emptive Rights (“Disclosure of Information”)

THE INFORMATION CONTAINED IN THIS DISCLOSURE OF INFORMATION TO SHAREHOLDERS IS IMPORTANT FOR THE ATTENTION OF THE SHAREHOLDERS OF PT KRAKATAU STEEL (PERSERO) TBK (“COMPANY”)

If you are in difficulty of understanding this Disclosure of Information or in doubt in making decisions, please consult with legal advisors, public accountants, financial consultants, or other professional advisors.



PT KRAKATAU STEEL (PERSERO) Tbk

Business Activities:
Engaged in Iron and Steel Base Metal Industry

Domiciled in Cilegon, Indonesia

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INFORMATION TO SHAREHOLDERS IN CONNECTION WITH THE PROPOSED ISSUANCE OF SERIES B MANDATORY CONVERTIBLE BONDS AND THE EXECUTION OF CAPITAL INCREASE WITHOUT PRE-EMPTIVE RIGHTS.

In connection with the provisions of Article 3 letter a *juncto* Article 8B letter b of Financial Services Authority Regulation No. 32/POJK.04/2015 concerning Capital Increase in Public Companies with Pre-emptive Rights as amended by Financial Services Authority Regulation No. 14/POJK.04/2019 concerning Amendment to Financial Services Authority Regulation No. 32/POJK.04/2015 concerning Capital Increase in Public Companies with Pre-emptive Rights (“**OJK Regulation concerning Pre-emptive Rights**”), Financial Services Authority Circular No. 20/SEOJK.04/2021 concerning Stimulus Policies and Relaxation of Provisions Related to Issuers or Public Companies in Maintaining the Performance and Stability of the Capital Market due to the Spread of Corona Virus Disease 2019 as amended by Financial Services Authority Circular No. 4/SEOJK.04/2022 concerning Amendment to the Financial Services Authority Circular No. 20/SEOJK.04/2021 concerning Stimulus Policies and Relaxation of Provisions Related to Issuers or Public Companies in Maintaining the Performance and Stability of the Capital Market due to the Spread of Corona Virus Disease 2019, and the Mandatory Convertible Bonds Issuance Agreement (as defined below), the Company plans to issue Series B MCB (as defined below) which will be converted into New Shares (as defined below) through the Capital Increase Without Pre-emptive Rights mechanism (“**Non Pre-emptive Rights**”) in the context of the mandate of the Minister of Finance of the Republic of Indonesia Regulation No. 118/PMK.06/2020

concerning Government Investment in the Context of the National Economic Recovery Program as amended by Minister of Finance of the Republic of Indonesia Regulation No. 189/PMK.06/2021 concerning the Amendment to the Minister of Finance of the Republic of Indonesia Regulation No. 118/PMK.06/2020 concerning Government Investment in the Context of the National Economic Recovery Program (“**PMK 118/2020**”).

The Series B MCB to be issued by the Company in relation to the Proposed Transaction (as defined below) is a maximum of IDR800,000,000,000 (eight hundred billion Rupiah) which will be converted into New Shares in the Company. In connection with the Proposed Transaction, the Company intends to seek approval from the shareholders of the Company at the General Meeting of Shareholders (“**GMS**”) planned to be held on July 08, 2022.

The Board of Commissioners and the Board of Directors of the Company, severally or jointly, are fully responsible for the truth and completeness of all information or material facts contained in this Disclosure of Information. The Board of Commissioners and the Board of Directors of the Company after conducting sufficient examination, emphasize that there are no important and relevant facts that are omitted which causes the information or material facts contained in this Disclosure of Information to be incorrect and/or misleading.

This Disclosure of Information wholly replaces the Disclosure of Information announced by the Company on June 01, 2022.

This Disclosure of Information is issued on July 6, 2022

I. DEFINITIONS

The terms used in this Disclosure of Information have the following meanings:

IDX or Exchange: PT Bursa Efek Indonesia.

Reverse Repo Rate: reference Rate with reference to the 7 Days Reverse Repo Rate Bank Indonesia made available on the <https://www.bi.go.id/id/moneter/bi-7day-RR/data/Contents/Default.aspx> page, the date for the determination of the 7 Days Reverse Repo Rate Bank Indonesia is December 31 of each year (and the 7 Days Reverse Repo Rate Bank Indonesia applies to Series B MCB for the following year). If December 31 is not a business day or on December 31 there is no 7 Days Reverse Repo Rate Bank Indonesia available, the 7 Days Reverse Repo Rate Bank Indonesia for the previous working day will be used.

Exchange Day: Day on which the Securities trading is held at the IDX, namely Monday to Friday, except for national holidays or days declared as holidays by the IDX.

Pre-emptive Rights: Pre-emptive Rights as defined in OJK Regulation concerning Pre-emptive Rights, namely rights attached to shares that provide the opportunity for the relevant shareholder to purchase shares and/or other equity securities, whether convertible into shares or granting the right to purchase shares, before offered to other parties.

Interest Cover Ratio: (Company's EBITDA + changes in the Company's working capital – the Company's routine capex) divided by the Company's interest expense in one financial statement cycle (12 months/ 1 year).

MOLHR: Ministry of Law and Human Rights of the Republic of Indonesia

Public: Shareholders of the Company other than the Republic of Indonesia.

Menkumham: Minister of Law and Human Rights of the Republic of Indonesia.

OJK: *Otoritas Jasa Keuangan*/ Financial Services Authority, an independent institution as referred to in Law No. 21 of 2011 concerning Financial Services Authority, whose duties and authorities covers regulation and supervision of financial service activities within the banking sector, capital markets, insurance, pension funds, financial institutions, and other financial service bodies.

Series B MCB or Series B Mandatory Convertible Bonds: Series B Mandatory Convertible Bonds with a maximum principal value of IDR800,000,000,000 (eight hundred billion Rupiah) issued and to be converted into New Shares (as defined below) in accordance with the provisions contained in the Mandatory Convertible Bonds Issuance Agreement (as defined below).

Series A MCB: Series A Mandatory Convertible Bonds which has been issued by the Company to the Ministry of Finance of the Republic of Indonesia as MCB Holder with a principal value of IDR2,200,000,000,000 (two trillion two hundred billion Rupiah) with a term of 7 (seven) years from the issuance date of the Series A Mandatory Convertible Bonds based on the Mandatory Convertible Bonds Issuance Agreement (as defined below) and Deed of Acknowledgment of Mandatory Convertible Bonds No. 174 dated December 28, 2020, drawn up before Jose Dima Satria, S.H., M.Kn., Notary in Jakarta, between the Company as MCB Issuer and PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi*.

Rule No. I-A: Decree of the Board of Directors of PT Bursa Efek Indonesia No. Kep-00101/BEI/12-2021 dated December 21, 2021, concerning Amendment to Rule No. I-A concerning Listing of Shares and Equity Securities Other than Shares Issued by Listed Companies.

Mandatory Convertible Bonds Issuance Agreement: Deed of Mandatory Convertible Bonds Issuance Agreement No. 173 dated December 28, 2020, drawn up before Jose Dima Satria, S.H., M.Kn., Notary in Jakarta, between the Company as MCB Issuer and PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi*, as amended by Amendment to the Deed of Mandatory Convertible Bonds Issuance Agreement No. 173 dated December 28, 2020, No. PERJ-021/SMI/0322 dated March 02, 2022 and PT Sarana Multi Infrastruktur (Persero) Letter No. S-273/SMI/DU/0322 dated March 31, 2022, concerning the Response to the Waiver Request for Special Withdrawal Requirements and Extension of Investment Fund Withdrawal Period for the Issuance of Series B Mandatory Convertible Bonds, in connection with the issuance of Mandatory Convertible Bonds in the maximum amount of IDR3,000,000,000,000.

Company: PT Krakatau Steel (Persero) Tbk, which was established under the laws of the Republic of Indonesia and domiciled at Jalan Industri No. 5 P.O. Box 14, Cilegon, Banten 42435, Indonesia.

Non Pre-emptive Rights: Capital Increase Without Pre-emptive Rights.

OJK Regulation concerning Pre-emptive Rights: Financial Services Authority Regulation No. 32/POJK.04/2015 concerning Capital Increase in Public Companies with Pre-emptive Rights as amended by Financial Services Authority Regulation No. 14/POJK.04/2019 concerning Amendment to Financial Services Authority Regulation No. 32/POJK.04/2015 concerning Capital Increase in Public Companies with Pre-emptive Rights.

Proposed Transaction: Issuance of Series B Mandatory Convertible Bonds or Series B MCB with a maximum principal value of IDR800,000,000,000 (eight hundred billion Rupiah) with the tenor since the issuance date of the Series B MCB until December 30, 2027 which must be converted into New Shares of the Company upon maturity through the Non Pre-emptive Rights mechanism in the context of the mandate of Minister of Finance of the Republic of Indonesia Regulation No. 118/PMK.06/2020 concerning Government Investments in the Context of the National Economic Recovery Program as amended by Minister of Finance of the Republic of Indonesia Regulation No. 189/PMK.06/2021 concerning the Amendment to the Minister of Finance of the Republic of Indonesia Regulation No. 118/PMK.06/2020 concerning Government Investment in the Context of the National Economic Recovery Program by taking into account the provisions of OJK Regulation concerning Pre-emptive Rights.

Rupiah or IDR: Rupiah, the official currency of the Republic of Indonesia.

GMS: General Meeting of Shareholders.

New Shares: New series B Shares of the Company, or if the conversion price at the time of the bond conversion is below the par value of the Company's shares, the Company will issue a new class of shares, namely series C shares with a nominal value equal to the conversion price, in accordance with OJK Regulation No. 31/POJK.04/2017 concerning Shares Issuance with Different Nominal Values (as amended based on applicable regulations) ("**OJK Regulation No. 31/2017**"). The new class of shares to be issued by the Company must meet the requirements in accordance with OJK Regulation No. 31/2017, namely (i) shares with the same classification with different nominal values have the same and equal rights and positions; and (ii) shares with old par value cannot be converted into shares with new par value.

OJK Circular No. 20/2021: Financial Services Authority Circular No. 20/SEOJK.04/2021 concerning Stimulus Policies and Relaxation of Provisions Related to Issuers or Public Companies in Maintaining the Performance and Stability of the Capital Market due to the Spread of Corona Virus Disease 2019 as amended by Financial Services Authority Circular No. 4/SEOJK.04/2022 concerning Amendment to the Financial Services Authority Circular No. 20/SEOJK.04/2021 concerning Stimulus Policies and Relaxation of Provisions Related to Issuers or Public Companies in Maintaining the Performance and Stability of the Capital Market due to the Spread of Corona Virus Disease 2019.

Slab: semi-finished product which is the raw material for the Hot Strip Mill factory in producing Hot Rolled Coil.

Series B MCB Conversion Date: Date when Series B MCB is converted into New Shares.

Capital Market Law: Law No. 8 of 1995 concerning Capital Market.

USD: American dollar, the official currency of the United States.

II. INTRODUCTION

This Disclosure of Information is made for the benefit of the shareholders of the Company so that shareholders can obtain complete information regarding the Proposed Transaction.

Based on the Mandatory Convertible Bonds Issuance Agreement and the approval of the shareholders of the Company in the Extraordinary General Meeting of Shareholders dated November 24, 2020, the Company has obtained the approval to issue mandatory convertible bonds in the maximum nominal value of IDR3,000,000,000,000 (three trillion Rupiah). From that amount, the Company has issued Series A MCB with a principal value of IDR2,200,000,000,000 (two trillion two hundred billion Rupiah) through the Non- Pre-emptive Rights mechanism in the context of Government Investment in the National Economic Recovery Program in accordance with PMK 118/2020 and to improve the financial position of the Company by taking into account the provisions of OJK Regulation concerning Pre-emptive Rights. With the issuance of Series A MCB and New Shares through the Non Pre-emptive Rights mechanism, the Company has actively participated in the Government Investment Program in the context of National Economic Recovery as a result of the Covid-19 pandemic and improved its financial position, where the Company has a healthier debt ratio, increased revenue and stronger cash flows in the future.

In connection with the issuance of Series B MCB through this Non Pre-emptive Rights mechanism, the Company has obtained the shareholders' approval on July 29, 2021, however the Company has not been able to withdraw the Series B MCB as several requirements have not been agreed between the Company and PT Sarana Multi Infrastruktur (Persero) as the *Pelaksana Investasi*. The Company will continue to actively participate in the Government Investment Program in the context of National Economic Recovery as a result of the Covid-19 pandemic by moving the market for the steel industry to help downstream and national user industries. This issuance of Series B MCB is in the context of increasing capital which is aimed to improve the financial position in accordance with Article 3 letter a and Article 8B letter b of OJK Regulation concerning Pre-emptive Rights where the Company will use the Series B MCB to support liquidity, namely entirely to finance the Company's working capital to purchase Slab whose prices are currently increasing. In addition, the issuance of this Series B MCB is conducted in the context of the national economic recovery program in accordance with the provisions of

OJK Circular No. 20/2021, as such the issuance of Series B MCB is carried out in accordance with the requirements for capital increase without Pre-emptive Rights to improve financial position as regulated in OJK Regulation concerning Pre-emptive Rights. Terms of general withdrawal of investment funds for the withdrawal of investment funds, the Company may only submit a withdrawal request to the Ministry of Finance of the Republic of Indonesia as the Investment Provider through PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi* after the *Pelaksana Investasi* declares that all prerequisite conditions have been met by the Company or if the fulfillment of certain requirements have been set aside in writing by the *Pelaksana Investasi* based on the approval of the Investment Provider.

The prerequisite conditions to be fulfilled by the Company prior to the issuance of the Series B MCB are, among others, as follows:

- 1) Submission of withdrawal request letter 10 (ten) working days prior to the date of disbursement of investment funds is requested;
- 2) A statement from the facility agent, based on the Credit Restructuring Agreement (as defined below), that the Company is not in default under the Credit Restructuring Agreement;
- 3) Approval of the Company's Board of Commissioners approving the submission of investment fund requests in relation to the to the issuance of Series B MCB;
- 4) Approval from the Ministry of State-Owned Enterprises as the holder of the Series A Dwiwarna share approving the submission of the investment fund request in relation to the issuance of the Series B MCB;
- 5) Approval from the general meeting of shareholders on the issuance of Series B MCB;
- 6) A statement letter regarding the absence of Default Event, based on the Transaction Documents that have occurred and are still ongoing on (i) the date of the request for disbursement of Investment Funds by the Company; (ii) the date of placement of Investment Funds by MCB Holders into Investment Fund Accounts, and that there will be no Default Event with the disbursement of Investment Funds to the Company;
- 7) Signing and submission of a notarial deed of debt recognition with a value equivalent to the principal of the Series B MCB;
- 8) The shares in the portfolio in the Company's authorized capital are still sufficient for the conversion of all Series A MCB and Series B MCB;
- 9) Submission of financial information review report (or other forms of reports) from a Public Accountant stating that the Company, for the March 2022 period, has fulfilled the following conditions:
 - a. sales of the Company's products of USD1,216,000,000.00 (one billion two hundred and sixteen million United States Dollars);
 - b. the Company's EBITDA Margin of 5.4% (five point four percent); and
 - c. Net Profit Margin of -3.6% (negative three point six percent).The calculation of the above conditions is subject to the following conditions:
 - a. calculation is done by trailing twelve months method;
 - b. other sales (coal tar, crude benzol, tolling COP) are not included in the calculation of sales and EBITDA; and
 - c. other Income is included in the calculation of net profit. However, in the calculation of net profit margin, the sales used as the denominator are the main sales without other sales.
- 10) Handing over the projections on the quarterly working capital needs for the next 3 quarters;
- 11) Investment provider has provided the approval for the disbursement of investment fund for the issuance of the Series B MCB.

Whereas based on the Mandatory Convertible Bond Issuance Agreement and to implement the Government Investment Program in the context of National Economic Recovery, the Government through the Director General of State Assets Management, the Ministry of Finance of the Republic of Indonesia as the Investment Provider and PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi* have in principle approved the granting of investment funds from the Government of the Republic of Indonesia to the Company in connection with the issuance of mandatory convertible bonds with a maximum total of IDR3,000,000,000,000,000 (three trillion Rupiah) including Series B MCB in the amount of IDR800,000,000,000 (eight hundred billion Rupiah). The Company will fulfill all the prerequisite conditions for the issuance of the Series B MCB based on the Mandatory Convertible Bond Issuance Agreement prior to the issuance of the Series B MCB by the Company.

As of the issuance date of this Disclosure of Information, the prerequisite conditions met by the Company in connection to the proposed Series B MCB issuance are as follows:

- 1) Submission of withdrawal request letter 10 (ten) working days prior to the date of disbursement of investment funds is requested;
- 2) A statement from the facility agent, based on the Credit Restructuring Agreement (as defined below), that the Company is not in default under the Credit Restructuring Agreement;
- 3) A statement letter regarding the absence of Default Event, based on the Transaction Documents that have occurred and are still ongoing on (i) the date of the request for disbursement of Investment Funds by the Company; (ii) the date of placement of Investment Funds by MCB Holders into Investment Fund Accounts, and that there will be no Default Event with the disbursement of Investment Funds to the Company;
- 4) The shares in the portfolio in the Company's authorized capital are still sufficient for the conversion of all Series A MCB and Series B MCB; and
- 5) Handing over the projections on the quarterly working capital needs for the next 3 quarters.

The current plan on use of the Proposed Transaction proceeds (i) is not a transaction that meets the criteria as an affiliated transaction in accordance with OJK Regulation No. 42/POJK.04/2020 concerning Affiliated Transactions and Conflict of Interest Transactions considering that there are no plans to conduct such transaction with affiliates of the Company or affiliates of members of the board of directors, members of the board of commissioners, major shareholders, or controllers and/or for the interests of affiliates of the company or affiliates of members of the board of directors, members of the board of commissioners, major shareholders, or controllers, and/or (ii) is a material transaction in accordance with Article 13 of OJK Regulation No. 17/POJK.04/2020 concerning Material Transactions and Changes in Business Activities. where transactions are business activities carried out to generate business income and are carried out routinely, repeatedly, and/or continuously. Based on OJK Regulation concerning Pre-emptive Rights, the Company is exempted from granting Pre-emptive Rights in the issuance of shares/or equity securities to shareholders to improve the financial position pursuant to Article 3 letter a and Article 8B letter b of OJK Regulation concerning Pre-emptive Rights. Based on the Company's Consolidated Financial Statements (Audited) as of December 31, 2021, the Company has negative net working capital and has liabilities exceeding 80% (eighty percent) of the Company's assets at the time of the GMS which will be held on July 08, 2022.

In implementing the Proposed Transaction, the Company plans to seek the approval of the shareholders above at the upcoming GMS on July 08, 2022. Further, the Company will comply with all provisions under OJK Regulation concerning Pre-emptive Rights and the listing regulations from the Exchange as well as other applicable laws and regulations.

III. BRIEF HISTORY OF THE COMPANY

Brief History

The Company was established based on Deed No. 34 dated October 23, 1971, drawn up before Tan Thong Kie, Notary in Jakarta which has been approved by the Minister of Justice of the Republic of Indonesia (as amended from time to time, hereinafter referred to as Menkumham) based on the Letter of Determination dated December 31, 1971 No. J.A.5/224/24 and has been announced in the State Gazette of the Republic of Indonesia dated February 8, 1972 No. 11, Supplement to the State Gazette of Indonesia No. 44.

The Company's articles of association has been amended several times, most recently by Deed No. 107 dated July 29, 2021, drawn up before Notary Jose Dima Satria, S.H., M.Kn., and has been notified to the Menkumham based on Letter No. AHU.AH.01.03-0441077 dated August 26, 2021.

As of the date of this Disclosure of Information, the Company does not have any material cases either in Court or any other disputes outside of Court which may negatively affect the Company's business continuity.

Purpose and Objective of the Company

In accordance with Article 3 paragraph (1) of the Company's articles of association, the purposes and objectives of the Company are to conduct business in the Iron and Steel Base Metal Industry as well as optimizing the utilization of the Company's resources to produce high quality and highly competitive goods and/or services as well as pursuing profit to increase the value of the Company by applying principles of a limited liability company.

Capital Structure and Share Ownership

Based on the Shareholders Register of the Company as of May 31, 2022, the Company's capital structure and share ownership are as follows:

Description	Nominal Value of IDR500 per share		
	Number of Shares		Nominal Value (IDR)
Authorized Capital	40,000,000,000		20,000,000,000,000
Issued and Paid-up Capital	Series A	1	500
	Series B	19,346,396,899	9,673,198,499,500
Portfolio Shares	Series B	20,653,603,100	10,326,801,550,000

Description	Shareholding Structure			
	Number of Shares		Nominal Value	%
Republic of Indonesia	Series A	1	500	0.00
	Series B	15,477,117,519	7,738,558,759,500	80.00
Public	Series B	3,869,279,380	1,934,639,690,000	20.00
Total	19,346,396,900		9,673,198,450,000	100.00

Board of Commissioners and Board of Directors

The composition of Board of Commissioners and Board of Directors at the date of this Disclosure of Information are as follows:

Board of Commissioners

President Commissioner	: I Gusti Putu Suryawirawan
Commissioner	: Dadang Kurnia
Independent Commissioner	: Nana Rohana
Independent Commissioner	: David Pajung
Commissioner	: Suhanto
Commissioner	: Trisasongko Widiyanto

Board of Directors

President Director	: Silmy Karim
Director of Business Development	: Purwono Widodo
Director of Human Capital	: Rahmad Hidayat
Director of Finance	: Tardi
Commercial Director	: Melati Sarnita
Director of Production	: Djoko Muljono

IV. DESCRIPTION OF THE TRANSACTION

The following is a description of the Proposed Transaction that will be carried out by the Company:

1. Background, Reason and Purpose

Based on the 2020 SEAISI data, the impact of the Covid-19 pandemic has caused operational and production activities in the upstream steel industry, downstream steel industry and user industry to experience a decline of 30% up to 50% due to low demand and limited working capital capabilities.

The Company's position as a provider of upstream steel products has made the downstream industry and user industries much dependent on the Company's operations and the industry is currently being hit by a decline in demand and cash flow difficulties.

The Company as a strategic State-Owned Enterprise ("**SOE**") needs to take initiatives on downstream industries and user industries to reactivate the national economy as the steel industry is the "Mother of Industries" which has a very broad multiplier effect on economic output for the basic iron and steel sector.

Government Investment Support for the National Economic Recovery Program ("**Investasi Pemerintah PEN**") to the Company will be very useful for maintaining production and business activities in the downstream sector which will have a large enough impact and will increase production demand and affect the use of supply from the upstream sector so that it can recover national economy.

In implementing *Investasi Pemerintah PEN*, the Company has accepted the Mandatory Convertible Bonds fund on December 30, 2020, in the amount of IDR2,200,000,000,000 (two trillion two hundred billion Rupiah). The impact of utilizing the Series A MCB is the increase in the Company's sales volume in 2021 with an average sale of 150,000 tons per month, higher than the previous period in 2020 of 133,000 tons per month. The increase in the Company's average monthly sales in 2021 by USD 148.6 million, an increase of 75% compared to the average monthly sales in 2020 of USD 85 million, and an increase in EBITDA in 2021 of USD 24.8 million, a significant increase from 2020 in the amount of USD negative 4.9 million.

Further, in order to support the National Economic Recovery Program which is continuously carried out by the Government, the Company plans to issue a Series B MCB in the maximum amount of IDR800,000,000,000 (eight hundred billion Rupiah). Terms of general withdrawal of investment funds for the withdrawal of investment funds, the Company may only submit a withdrawal request to the Ministry of Finance of the Republic of Indonesia as the Investment Provider through PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi* after the *Pelaksana Investasi* declares that all prerequisite conditions have been met by the Company or if the fulfillment of certain requirements have been set aside in writing by the *Pelaksana Investasi* based on the approval of the Investment Provider.

The prerequisite conditions to be fulfilled by the Company prior to the issuance of the Series B MCB are, among others, as follows:

- 1) Submission of withdrawal request letter 10 (ten) working days prior to the date of disbursement of investment funds is requested;
- 2) A statement from the facility agent, based on the Credit Restructuring Agreement (as defined below), that the Company is not in default under the Credit Restructuring Agreement;
- 3) Approval of the Company's Board of Commissioners approving the submission of investment fund requests in relation to the to the issuance of Series B MCB;
- 4) Approval from the Ministry of State-Owned Enterprises as the holder of the Series A Dwiwarna share approving the submission of the investment fund request in relation to the issuance of the Series B MCB;
- 5) Approval from the general meeting of shareholders on the issuance of Series B MCB;
- 6) A statement letter regarding the absence of Default Event based on the Transaction Document that have occurred and are still ongoing on (i) the date of the request for disbursement of Investment Funds by the Company; (ii) the date of placement of Investment Funds by MCB Holders into Investment Fund Accounts, and that there will be no Default Event with the disbursement of Investment Funds to the Company;
- 7) Signing and submission of a notarial deed debt recognition with a value equivalent to the principal of the Series B MCB;
- 8) The shares in the portfolio in the Company's authorized capital are still sufficient for the conversion of all Series A MCB and Series B MCB;
- 9) Submission of financial information review report (or other forms of reports) from a Public Accountant stating that the Company, for the March 2022 period, has fulfilled the following conditions:
 - a. sales of Company's products of USD1,216,000,000 (one billion two hundred and sixteen million United States Dollars);
 - b. the Company's EBITDA Margin of 5.4% (five point four percent); and
 - c. Net Profit Margin of -3.6% (negative three point six percent).

The calculation of the above conditions is subject to the following conditions:

- a. calculation is done by trailing twelve months method;

- b. other Sales (coal tar, crude benzol, tolling COP) are not included in the calculation of Sales and EBITDA; and
 - c. other Income is included in the calculation of net profit. However, in the calculation of net profit margin, the sales used as the denominator are the main sales without other sales.
- 10) Handing over the projections on the quarterly working capital needs for the next 3 quarters;
 - 11) Investment provider has provided the approval for the disbursement of investment fund for the issuance of the Series B MCB.

Whereas based on the Mandatory Convertible Bond Issuance Agreement and to implement the Government Investment Program in the context of National Economic Recovery, the Government through the Director General of State Assets Management, the Ministry of Finance of the Republic of Indonesia as the Investment Provider and PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi* have in principle approved the granting of investment funds from the Government of the Republic of Indonesia to the Company in connection with the issuance of mandatory convertible bonds with a maximum total of IDR3,000,000,000,000,000 (three trillion Rupiah) including Series B MCB in the amount of IDR800,000,000,000 (eight hundred billion Rupiah). The Company will fulfill all the prerequisite conditions for the issuance of the Series B MCB based on the Mandatory Convertible Bond Issuance Agreement prior to the issuance of the Series B MCB by the Company.

As of the issuance date of this Disclosure of Information, the prerequisite conditions met by the Company in connection to the proposed Series B MCB issuance are as follows:

- 1) Submission of withdrawal request letter 10 (ten) working days prior to the date of disbursement of investment funds is requested;
- 2) A statement from the facility agent, based on the Credit Restructuring Agreement (as defined below), that the Company is not in default under the Credit Restructuring Agreement;
- 3) A statement letter regarding the absence of Default Event, based on the Transaction Documents that have occurred and are still ongoing on (i) the date of the request for disbursement of Investment Funds by the Company; (ii) the date of placement of Investment Funds by MCB Holders into Investment Fund Accounts, and that there will be no Default Event with the disbursement of Investment Funds to the Company;
- 4) The shares in the portfolio in the Company's authorized capital are still sufficient for the conversion of all Series A MCB and Series B MCB; and
- 5) Handing over the projections on the quarterly working capital needs for the next 3 quarters.

Whereas the background of the tenor and conversion of the Series B MCB is carried out with a tenor until December 30, 2027, considering and adjusting the Company's cash flow capability as well as the development of the Company's performance improvement when the Company has completed the Business Transformation and Financial Restructuring Program.

2. Description of the Proposed Transaction

The Proposed Transaction will refer to the agreement on *Investasi Pemerintah PEN* scheme to the Company through the issuance of Series B MCB which has been agreed based on the Mandatory Convertible Bonds Issuance Agreement, with the main terms and conditions as follows:

MCB Issuer	:	PT Krakatau Steel (Persero) Tbk.
Investor	:	Government of the Republic of Indonesia through the Minister of Finance of the Republic of Indonesia.
<i>Pelaksana Investasi</i>	:	PT Sarana Multi Infrastruktur (Persero) based on an assignment from the Government of the Republic of Indonesia through the Director General of State Assets Management, the Ministry of Finance of the Republic of Indonesia as <i>pelaksana investasi</i> to execute the Government of the Republic of Indonesia investment in the form of the purchase of Series B MCB issued by the MCB Issuer, namely based on the Minister of Finance of the Republic of Indonesia Decree No. 535/KMK.06/2020 dated November 25, 2020 regarding the Assignment of the Company (Persero) PT Sarana Multi Infrastruktur to Implement Government Investments in the Context of the National Economic Recovery Program for the Company (Persero) PT Krakatau Steel Tbk (" Minister of Finance of the Republic of Indonesia Decree No. 535/KMK.06/2020 ").
Instrument	:	Series B MCB through Non Pre-emptive Rights.
Investment Purpose	:	Funding support in the framework of the National Economic Recovery Program which aims to support the Company's liquidity and solvency, namely entirely to finance the Company's working capital for the purchase of Slab.
Guarantee	:	Series B MCB is not guaranteed by special guarantees in the form of movable or immovable goods, or income belonging to the Company in any form, and is not guaranteed by any other parties, but is guaranteed by all of the Company's assets, both movable and immovable goods, both existing and which will exist in the future as collateral for the Company's obligations based on transaction documents in accordance with the provisions in Article 1131 and Article 1132 of the Indonesian Civil Code.
Tenor	:	Since the issuance date of the Series B MCB until December 30, 2027.
Coupon	:	Coupon payments are made on a semi-annual basis with conditions as follows: <ol style="list-style-type: none"> 1. Payment of Series B MCB coupons for coupon period 1 (one) is made no later than April 30 of the following year (for the period of July 1 to December 31) and payment of Series B MCB coupons for coupon period 2 (two) is made no later than October 31 of the current year (for the period January 1 to June 30). 2. Coupon payments are made in the event that: <ol style="list-style-type: none"> (i) Interest Coverage Ratio (ICR) ≥ 1, coupon value is equal to reverse repo rate. (ii) If the ICR < 1, then the Series B MCB coupon value is 0%; 3. For the purposes of calculating the ICR above, ICR means: <ul style="list-style-type: none"> - $ICR = (EBITDA + \text{Change in Working Capital} - \text{routine Capex}) / \text{Interest Expense}$.

- EBITDA = Revenue - Cost of Revenue - Selling Expense - General and Administrative Expenses + Depreciation/Amortization).
 - Working Capital = Accounts Receivable, Inventory and Accounts Payable.
4. The ICR reference as referred to in number 3 above, is the ICR for a period of 12 (twelve) months, namely:
- (i) for Series B MCB Coupon in the Coupon 1 Period, it refers to the ICR calculation for the period January 1 to December 31 of the previous year based on the Company's financial statements (parent only) which has been audited by a Public Accountant for the period of January 1 to December 31; and
 - (ii) for Series B MCB Coupon in Coupon 2 Period, it refers to the ICR calculation for the period of July 1 of the previous year to June 30 of the current year based on a limited review report by a Public Accountant for the period of July 1 of the previous year 30 June of the current year.

Issuance Currency/Value	:	Rupiah/maximum of IDR800,000,000,000 (eight hundred billion Rupiah).
Conversion Price	:	With reference to 90% of the average the closing price of the Company's shares for a period of 25 (twenty-five) consecutive Exchange Days on the regular market at the IDX or on the IDX closing date 1 (one) day prior to the conversion date of Series B MCB into converted shares, whichever is lower.
Mandatory Conversion upon Maturity	:	<ul style="list-style-type: none"> • The Company must convert Series B MCB into shares upon maturity date or after the occurrence of Default Event as referred to in the Mandatory Convertible Bonds Issuance Agreement. • The Conversion of Series B MCB into shares resulting from the conversion is calculated based on the principal value of the Series B MCB outstanding on the conversion date divided by the conversion price.

Since the Proposed Transaction is a funding support of *Investasi Pemerintah PEN*, the proceeds from the issuance of Series B MCB to the Company must be used by the Company solely in accordance with its designation as has been determined together with the Government of the Republic of Indonesia to support the liquidity and solvency of the Company, namely entirely to finance the Company's working capital for purchasing Slab to support the implementation of the consumer payment relaxation strategy, so as to maintain the market and operations of the national steel industry as well as to assist downstream industrial consumers and industrial users as a form of the Company's important contribution and tangible evidence of the presence of SOEs in the National Economic Recovery, especially the national steel market and industry which declined due to the Covid-19 pandemic. Thus, the Company currently does not plan to use the proceeds from the issuance of Series B MCB for payment and/or settlement of the Company's debts.

Based on the Mandatory Convertible Bonds Issuance Agreement, Series B MCB must be converted into New Shares in the Company's capital upon maturity date or after the occurrence of the Default Event as referred to in the Mandatory Convertible Bonds Issuance Agreement. Thus, there is no other settlement option other than conversion into shares upon maturity.

The Government of the Republic of Indonesia as the Series B MCB holder may at any time transfer a part of or all of its rights and/or obligations based on the Mandatory Convertible Bonds Issuance Agreement and other documents made in connection with the Mandatory Convertible Bonds Issuance Agreement, including the transfer from the Series B MCB to any party without approval or written acknowledgment from the Company.

Further, in relation to the Proposed Transaction, referring to the provisions of the Company's articles of association and OJK Regulation concerning Pre-emptive Rights, the approval of *Investasi Pemerintah PEN* as mandated by PMK 118/2020 requires the approval of shareholders through the GMS to be held by the Company on July 08, 2022.

3. Execution Value and Price in the Proposed Transaction

Principal value: a maximum of IDR800,000,000,000 (eight hundred billion Rupiah).

Transaction rate (Series B MCB coupon): Series B MCB provides a coupon rate by referring to the 7 Days Reverse Repo Rate Bank Indonesia available on the website <https://www.bi.go.id/id/moneter/bi7day-RR/data/Contents/Default.aspx>.

The date for determining the 7 Days Reverse Repo Rate Bank Indonesia is December 31 of each year (and the 7 Days Reverse Repo Rate Bank Indonesia applies to Series B MCB for the following year). If December 31 is not a business day or on December 31 there is no 7 Days Reverse Repo Rate Bank Indonesia available, the 7 Days Reverse Repo Rate Bank Indonesia for the previous working day will be used. The Company is required to pay coupons for Series B MCB in the event that:

- Interest Coverage Ratio (ICR) \geq 1, coupon value is equal to reverse repo rate.
- If the ICR $<$ 1, then the Series B MCB coupon value is 0%;

The conversion price agreed on is with reference to 90% of the average the closing price of the Company's shares for a period of 25 (twenty-five) consecutive Exchange Days on the regular market at the IDX or on the IDX closing date 1 (one) day prior to the conversion date of Series B MCB into converted shares, whichever is lower.

4. Estimated Execution Period of the Proposed Transaction

The Proposed Transaction will be executed as soon as it has obtained and is subjected to the approval of the shareholders and the approval as stipulated in the Mandatory Convertible Bonds Issuance Agreement. The Company will issue the Series B MCB no later than the date approved by the Government of the Republic of Indonesia through the Director General of State Assets Management, Ministry of Finance of the Republic of Indonesia as the Investment Provider and PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi* based on the Mandatory Convertible Bonds Issuance Agreement.

5. Management Analysis and Discussion Regarding the Company's Financial Condition

At the end of December 2020, the Company obtained Series A MCB of IDR2,200,000,000,000 (two trillion two hundred billion Rupiah) which has been used by the Company as additional working capital for the purchase of raw materials. The issuance of the Series A MCB had a positive impact on increasing the Company's sales, where the Company recorded sales of USD1,783 million in 2021 or an increase of 75% when compared to 2020 of USD1,021 million.

Global steel demand began to recover in 2021, aided by the recovery in commodity prices and international trade. The world steel association issued a forecast for global steel growth in 2022 to grow 2.2%. Growth is still on a limited scale due to the new wave of COVID (omicron variant). The construction sector is still more resilient than the manufacturing sector against the shocks of the pandemic. The global construction sector is expected to show a strong recovery driven by low interest rates and the government's focus on infrastructure projects as part of each country's recovery plans. The automotive sector was the most impacted among steel-using sectors in 2020, but in 2022 the automotive sector is expected to experience a strong recovery, however supply chain disruptions are still visible in some markets due to shortages in semiconductor chip supply.

Despite the global market recovery, Slab raw material prices are projected to increase in line with rising steel raw material prices and also the recovery in final product demand (HRC/CRC) in the European, Asian and American markets, however, the increase in global final product demand is not supported by availability of Slab from Russia, due to conflict with Ukraine in the recent months. On the other hand, China's efforts to maintain the balance of its domestic supply-demand by reducing production output from small and medium-scale steel factories reduces China's domestic supply and increases steel prices. The Company projects that in 2022 there will be an increase in the price of Slab raw materials up to 50% from the average price in 2020 of USD423/ton. As a result of the increase in raw materials, the Company has not optimally provided payment relaxation to consumers as the additional working capital obtained through the Series A MCB is used to offset the increase in the price of Slab raw materials, so that the Company's operational activities can be maintained properly to meet the needs of the domestic steel market and participate in controlling imported steel products, so that the downstream steel industry can still grow and develop.

The proposed Series B MCB issuance of IDR800,000,000,000 (eight hundred billion Rupiah) is projected to have a positive effect on the Company's operations and financial condition, including increasing the Company's working capital to anticipate the increase in the price of Slab raw materials so that the Company is able to maintain good performance and support the *Investasi Pemerintah PEN* Program to restore demand in the National steel industry market.

Further, the comparison of the Company's financial position and financial ratios before and after Non Pre-emptive Rights with reference to the related accounts in the financial statements is as follows:

(USD Thousands)

	December 31, 2021	Pro Forma		
		Prior to Non Pre-emptive Rights	After Receiving Series B MCB	After Conversion of Non Pre-emptive Rights (Series A MCB)
Asset				
Total current assets	973,082	1,029,112	1,029,112	1,029,112
Total non-current assets	2,800,594	2,800,594	2,800,594	2,800,594
Total Assets	3,773,676	3,829,706	3,829,706	3,829,706
Liabilities				
Total short-term liabilities	1,486,779	1,486,779	1,486,779	1,486,779
Total long-term liabilities	1,764,798	1,820,828	1,664,855	1,608,825
Total Liabilities	3,251,577	3,307,607	3,151,634	3,095,604
Equity				
Capital stock	987,573	987,573	1,143,546	1,199,576
Additional paid-up capital, net	175,020	175,020	175,020	175,020
Other comprehensive income	1,528,075	1,528,075	1,528,075	1,528,075
Retained profit/(accumulated loss)				
Reserved	146,834	146,834	146,834	146,834
Non-reserved	(2,270,720)	(2,270,720)	(2,270,720)	(2,270,720)
Non-controlling interest	(44,683)	(44,683)	(44,683)	(44,683)
Total Equity	522,099	522,099	678,072	734,102
Total Liabilities and Equity	3,773,626	3,829,706	3,829,706	3,829,706
Net Working Capital (USD thousands)	(513,697)	(457,667)	(457,667)	(457,667)
Current Ratio (%)	65.4%	69.2%	69.2%	69.2%
Debt Equity Ratio (x)	6.23 x	6.34 x	4.65 x	4.22 x
Debt Asset Ratio (x)	0.86 x	0.86 x	0.82 x	0.81 x

The total Government Investment in National Economic Recovery (IP PEN) approved by the Government through PT Sarana Multi Infrastruktur (Persero) is IDR3,000,000,000,000,000, however the disbursement of the IP PEN is carried out through Series A MCB in the amount of IDR2,200,000,000,000 which has been received by the Company on December 30, 2020, and the Series B MCB in the amount of IDR800,000,000,000 will be issued on the date approved by the Government of the Republic of Indonesia through the Director General of State Assets Management, Ministry of Finance of the Republic of Indonesia as the Investment Provider and PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi* based on the Mandatory Convertible Bonds Issuance Agreement. Our basis in adding the pro forma of the conversion of Series A MCB into this Disclosure of Information because the Series A MCB is an integral part of the Series B MCB, as such we want to show the pro forma on the conversion of each series.

Long-term liability as of December 31, 2021, including the addition of the Series A MCB. After the Company has issued the Series B MCB in the amount of IDR 800,000,000,000 (USD 56,030 thousand at the conversion rate of 1 USD = IDR 14,278), the long-term liability will increase to USD 1,820,828 thousand, then at the end of 2027 there will be a conversion of Series A MCB and Series B MCB into the issued and paid up capital of the Company on December 30, 2027.

	December 31, 2021	Proforma		
	Prior to the Non Pre-emptive Rights	Issuance of Series B MCB	After the Issuance of the Series B MCB	After the Non Pre-emptive Rights Conversion of Series A*) & B MCB December 30, 2027
Long-term liabilities	1,764,798	56,030	1,820,828	1,608,825
Share Capital	987,573	-	987,573	987,573
Series A MCB	-	-	-	155,973
Series B MCB	-	-	-	56,030
Total Share Capital	987,573	-	987,573	1,199,576

*) after the issuance of the Series A MCB on December 30, 2020 in the amount of USD 155,973 thousand (equivalent to IDR 2,200,000,000,000)

The accounts that experienced changes in the pro forma balance sheet of the Company's financial statements as of December 31, 2021, above in connection with the Non Pre-emptive Rights are as follows :

1. An increase in total current assets of USD56,030 thousand.
2. An increase in total long-term liabilities of USD56,030 thousand.

A value of USD56,030 thousand was obtained from the planned total proceeds of Series B MCB of IDR800,000,000,000 divided by the December 2021 exchange rate (1 USD = IDR14,278)

Current assets and long-term liabilities as of December 31, 2021 include the addition of Series A MCB of IDR2,200,000,000,000 (or equivalent to USD114,966). After the Company issues the Series B MCB of IDR800,000,000,000, current assets increases to USD1,029,112 thousand and long-term liabilities increases to USD1,820,828 thousand, then at the end of 2027 there will be a simultaneous conversion of Series A and B MCB to the Company's issued and paid-up capital on December 30, 2027.

6. Plans for the Use of Proceeds from the Proposed Transaction

The Company as a strategic SOE engaged in the steel industry takes an important role to assist downstream industries and national user industries. To move the Steel Industry market back during the Covid-19 pandemic, flexibility is needed for the Steel Industry to aid with cash flow difficulties during this pandemic. The proceeds from the issuance of Series B MCB are used to improve the Company's liquidity and solvency, namely entirely to finance the Company's working capital for the purchase of Slab, in accordance with the provisions of Article 4.2 of the Mandatory Convertible Bond Issuance Agreement, and in line with the trend of increasing raw material prices in 2022. With the proceeds from the issuance of Series B MCB, the Company obtains new additional working capital to purchase raw materials for production so that the Company's further production does not have to wait for consumer payments for its trade receivables. The Company is expected to be able to maintain its good performance and support *Investasi Pemerintah PEN* to restore demand in the National Steel Industry market.

V. CAPITAL STRUCTURE

The table below shows the Company's capital structure before and after the Proposed Transaction is carried out:

Description	Before Proposed Transaction			After Conversion of Series B MCB	
	Total Shares		Nominal Value (IDR)	Total Shares	Nominal Value (IDR)
Authorized Capital	40,000,000,000		20,000,000,000,000	40,000,000,000	20,000,000,000,000
Issued and Paid-up Capital	Series A	1	500	1	500
	Series B	19,346,396,899	9,673,198,499,500	Cannot be determined at the time of the transaction because the conversion price is with reference to 90% of the average the closing price of the Company's shares for a period of 25 (twenty-five) consecutive Exchange Days on the regular market at the IDX or on the IDX closing date 1 (one) day prior to the conversion date of Series B MCB into converted shares, whichever is lower.	
Remaining shares in Portfolio	Series B	20,653,603,100	10,326,801,550,000		

The table below shows the composition and capital structure of the Company before and after the implementation of the Proposed Transaction with the assumption that the Non Pre-emptive Rights are fully executed. Data on the composition and capital structure prior to the increase in the Company's issued and fully paid-up capital are in the table below based on the Company's Shareholders Register as of May 31, 2022.

Description	Before Proposed Transaction				After Conversion of Series B MCB		
	Total Shares	Nominal Value	%	Total Shares	Nominal Value	%	
Republic of Indonesia	Series A	1	500	0.00	1	500	0.00
	Series B	15,477,117,519	7,738,558,759,500	80.00	Explanation is with reference to the previous table		N/A
Public	Series B	3,869,279,380	1,934,639,690,000	20.00			N/A
Total	19,346,396,900	9,673,198,450,000	100.00	N/A	N/A	100.00	
Shares reacquired							
Total issued and paid-up capital	19,346,396,900	9,673,198,450,000	100.00	N/A	N/A	100.00	

In relation to the Company's financial position as of December 31, 2021, based on the Company's Consolidated Financial Statements (Audited) as of December 31, 2021, the Company has a negative net working capital and liabilities exceeding 80% (eighty percent) of the Company's assets in such this Non Pre-emptive Rights is carried out to improve financial position, therefore the conversion price of Series B MCB will refer to the Mandatory Convertible Bond Issuance Agreement, with reference to 90% of the average closing price of the Company's shares for a period of 25 (twenty five) consecutive Exchange Days on the regular market at the IDX or on the IDX closing date 1 (one) day prior to the

conversion date of the Series B MCB into converted shares, whichever is lower with due consideration of provision V.1.1 *juncto* Provision V.1.3 of the Rule No. I-A which states that in essence the company conducting Non Pre-emptive Rights in the context improving its financial position as regulated under Article 3 of OJK Regulation concerning Pre-emptive Rights, where the determination of the exercise price is based on an agreement between the parties, is carried out fairly (arm's length transaction), does not violate applicable laws, and is carried out without harming non-controlling shareholders and non-major shareholders.

Thus, the disclosure on the amount of issued and paid-up capital after the implementation of the conversion of Series B MCB will occur on the date of the conversion of Series B MCB, namely December 30, 2027, as such the disclosure on the amount of issued and paid-up capital after the conversion of the Series B MCB cannot be determined presently.

VI. BENEFITS AND RISKS OF THE PROPOSED TRANSACTION

Benefits:

1. Creating a mutually reinforcing synergy for the recovery of the domestic steel business and the national economy.
2. Maintaining the market and operation of the steel industry due to the working capital of the downstream industry and user industry which has eroded due to the decline in demand as well as the burden of operational costs during the Covid-19 pandemic.
3. Assisting downstream industrial consumers and industrial users through the extension of the payment cycle for the purchase of raw materials so as to restore the market and industry.
4. Reducing import portions due to the improved domestic supply capacity.

Risks:

The risk to public shareholders in the implementation of this Non Pre-emptive Rights is a decrease in the percentage of share ownership for public shareholders of the Company's shares. Considering the Government's decision as an investor that the conversion of Series B MCB into New Shares of the Company is only at the maturity date of the Series B MCB, on December 30, 2027, the amount of dilution experienced by public shareholders in connection with the Proposed Transaction will be determined further when the Series B MCB is converted into shares of the Company at the end of the Series B MCB tenor with due observance of the prevailing provisions in the capital market sector including Rule No. I-A in particular regarding the requirements to remain listed on the Exchange.

VII. INFORMATION CONCERNING POTENTIAL INVESTOR FOR THE ISSUANCE OF SERIES B MCB

Based on the Mandatory Convertible Bonds Issuance Agreement, the investor is the Government of the Republic of Indonesia through the Director General of State Assets Management, Ministry of Finance of the Republic of Indonesia ("**Investor**") has appointed and determined PT Sarana Multi Infrastruktur (Persero) to act as *Pelaksana Investasi* in accordance with Ministry of Finance of the Republic of Indonesia Decree No. 535/KMK.06/2020 and as regulated in Article 16 of PMK 118/2020.

PT Sarana Multi Infrastruktur (Persero) is a State-Owned Enterprise in the form of a limited liability company which was established based on the Deed of Establishment of the Company (Persero) PT Sarana Multi Infrastruktur No. 17 dated February 26, 2009, drawn up before Lolani

Kurniati Irdham-Idroes, S.H., LL.M., Notary in Jakarta, which has been approved by the Menkumham based on Decree No. AHU-09067.AH.01.01.Tahun 2009 dated March 24, 2009, and has been registered in the Company Register at the Ministry of Law and Human Rights of the Republic of Indonesia under No. AHU-0011180.AH.01.09.Tahun 2009 dated March 24, 2009, and has been announced in the State Gazette of the Republic of Indonesia No. 40 dated May 19, 2009, Supplement No. 13273.

PT Sarana Multi Infrastruktur (Persero)'s articles of association has been amended several times, most recently amended by Deed No. 19 dated October 16, 2020, drawn up before Ashoya Ratam, S.H., M.Kn., Notary in Jakarta, which has been approved by the Menkumham based on Decree No. AHU-0071181.AH.01.02.Tahun 2020 dated October 16, 2020 and has been registered in the Company Register at the Ministry of Law and Human Rights under No. AHU-0175272.AH.01.11.Tahun 2020 dated October 16, 2020, and has been notified to the Menkumham based on the Letter of Receipt of Notification of Amendment to the Articles of Association No. AHU-AH.01.03-0399024 dated October 16, 2020, and has been registered in the Company Register at the MOLHR under No. AHU-0175272.AH.01.11.Tahun 2020 dated October 16, 2020.

In accordance with PMK 118/2020, the implementation of the Government of the Republic of Indonesia investment through the issuance of Series B MCB by the Company is an *Investasi Pemerintah PEN* where this is a series of activities for the recovery of the national economy which is part of the state financial policy implemented by the Government to accelerate the handling of the Covid-19 pandemic and/or facing threats that endanger the national economy and/or financial system stability and saving the national economy.

VIII. THE COMPANY'S AFFILIATED RELATIONSHIP WITH POTENTIAL INVESTOR

The Company has an affiliated relationship with the Investor, where the Company is controlled directly by the Investor, namely the Government of the Republic of Indonesia.

Further, the Company has an affiliated relationship with PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi*, namely the relationship between 2 (two) companies controlled, either directly or indirectly, by the same party, namely the Investor or the Government of the Republic of Indonesia.

Whereas the Proposed Transaction by the Investor, who is affiliated party, is a mandate of:

- i. Law No. 2 of 2020 concerning Enactment of Government Regulation in Lieu of Law No. 1 of 2020 concerning State Financial Policy and Financial System Stability in Handling the Corona Virus Disease 2019 (Covid-19) Pandemic and/or In Facing Threats that Endanger the National Economy and/or Financial System Stability into Law.
- ii. Government Regulation No. 23 of 2020 concerning the Implementation of National Economic Recovery Program in Order to Support State Financial Policies in Handling the Corona Virus Disease 2019 (COVID-19) Pandemic and/or Facing Threats that Endanger the National Economy and/or Financial System Stability and Rescuing the National Economy as amended through Government Regulation No. 43 of 2020 concerning Amendment to Government Regulation No. 23 of 2020 concerning the Implementation of the National Economic Recovery Program in Supporting State Financial Policies in Handling the Corona Virus Disease 2019 (Covid-19) Pandemic and/or Facing Threats that Endanger the National Economy and/or Financial System Stability and Rescuing the National Economy.

- iii. Government Regulation No. 63 of 2019 concerning Government Investment.
- iv. Minister of Finance of the Republic of Indonesia Regulation No. 53/PMK.05/2020 concerning Procedures for Government Investment.
- v. Minister of Finance of the Republic of Indonesia Regulation No. 118/PMK.06/2020 concerning Government Investment in the Context of the National Economic Recovery Program as amended by Minister of Finance of the Republic of Indonesia Regulation No. 189/PMK.06/2021 concerning the Amendment to Minister of Finance of the Republic of Indonesia Regulation No. 118/PMK.06/2020 concerning Government Investment in the Context of the National Economic Recovery Program.

Thus, the Proposed Transaction that will be carried out by the Investor who is an affiliated party compared to if it is carried out by unaffiliated parties, is because the Proposed Transaction is part of the implementation of the Government's policy regarding *Investasi Pemerintah PEN* as a result of the Covid-19 pandemic.

Based on Article 16 paragraph (4) PMK 118/2020 and in accordance with the Minister of Finance Regulation No. 100/PMK.010/2009 dated May 27, 2009, concerning Infrastructure Financing Companies and Financial Services Authority Regulation No. 46/POJK.05/2020 concerning Infrastructure Financing Companies, the assignment of PT Sarana Multi Infrastruktur (Persero) as *Pelaksana Investasi* is a mandate of PMK 118/2020 which is currently based on the Minister of Finance of the Republic of Indonesia Decree No. 535/KMK.06/2020 concerning Assignment to the Company (Persero) PT Sarana Multi Infrastruktur as *Pelaksana Investasi* to Implement Government Investments in the Framework of the National Economic Recovery Program for Company (Persero) PT Krakatau Steel Tbk.

IX. CREDITORS CONSENT

The Company has a Credit Restructuring Agreement with PT Bank Mandiri (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank CIMB Niaga Tbk, PT Bank OCBC NISP Tbk, PT Bank ICBC Indonesia, PT Bank DBS Indonesia, Standard Chartered Bank, and PT Bank Central Asia Tbk, and the Indonesian Export Financing Agency ("**Creditors**") based on the Deed of Addendum and Restatement Agreement for Restructuring Purposes No. 41 dated September 30, 2019 drawn before Ariani Lakhsmijati Rachim, S.H., Notary in South Jakarta ("**Credit Restructuring Agreement**").

In connection with the Credit Restructuring Agreement and considering the consent from the creditors in connection to the issuance of mandatory convertible bonds in the framework of *Investasi Pemerintah PEN* in maximum of IDR3,000,000,000,000 (three trillion Rupiah) including the issuance of Series B MCB, the Company has obtained approval from the Creditors in accordance with the Letter from PT Bank Negara Indonesia (Persero) Tbk as a facility agent in accordance with the Credit Restructuring Agreement No. SSK/2.1/3326 dated December 28, 2020, concerning the Effectiveness of Syndicated Creditor Decisions in Connection with Government Investments in the Context of the National Economic Recovery Program Through the Issuance of Mandatory Convertible Bonds.

X. EXPLANATION OF THE ACCOUNT THAT CAUSED THE COMPANY'S CURRENT CONDITION

Based on the Company's Consolidated Financial Statements (Audited) as of December 31, 2021 position, the Company has a negative net working capital and has liabilities exceeding 80% (eighty percent) of the Company's assets so that this Non Pre-emptive is carried out in order to

improve the financial position as referred to in Article 3 letter a and Article 8B letter b of OJK Regulation concerning Pre-emptive Rights.

- Negative Net Working Capital

Current Assets	:	973,082
Current Liabilities	:	1,486,779
Net Working Capital	:	(513,697)

Note: Expressed in USD thousands

- Liabilities exceeding 80% of the Company's asset

Total Assets	:	3,773,676	
Total Liabilities	:	3,251,577	86%
Total Equity	:	522,099	14%

Note: Expressed in USD thousands

Factors that affect the negative working capital are the significant increase in raw material prices and loans that will mature in 2022. With the issuance of the Series B MCB, it is hoped that the Company will obtain additional working capital to keep up with the increase in working capital requirements as a result of a significant increase in raw material prices and maintain the positive performance recorded by the Company in 2021.

The increase in raw material prices was caused by:

1. Improvement of global steel market in Europe, Asia and USA.
2. China's policy to focus on meeting domestic needs so that the supply to the steel market is reduced.
3. The Russo-Ukrainian conflict which resulted in several countries imposing economic sanctions and financial transactions between countries, resulting in the absence of steel supplies from Russia.

XI. THE COMPANY'S GMS

As an information, important dates that need to be considered in relation to the holding of the Company's GMS are as shown in the following schedule table:

No.	Activities	Schedule
1.	Announcement of the GMS Plan PT Kustodian Sentral Efek Indonesia ("KSEI") website, Stock Exchange website and the Company's website and Announcement of the Disclosure of Information to the Shareholders in connection with the Proposed Capital Increase Without Pre-emptive Rights to the Public	June 01, 2022
2.	Shareholders Recording Date	June 15, 2022
3.	GMS Invitation on KSEI website, Stock Exchange website and the Company's website	June 16, 2022
4.	Announcement of this Disclosure of Information to the Public and OJK	At the latest 2 working days before the GMS
5.	GMS	July 08, 2022
6.	Announcement of the Summary of the Minutes of the GMS on KSEI website, Stock Exchange website and the Company's website	July 12, 2022
7.	Submission of Minutes of GMS to OJK	August 07, 2022

XII. VENUE AND ATTENDANCE OF THE COMPANY'S GMS

The Company's GMS will be held on Friday, July 08, 2022 at 14.00 Western Indonesian Time, and the venue for the GMS is as announced in the Invitation for the GMS. Participants in the GMS are shareholders of the Company whose names are registered in the Shareholder Register (*Daftar Pemegang Saham/ "DPS"*) of the Company dated June 15, 2022 and/or owners of shares of the Company's sub securities account at KSEI at the closing of share trading on the Indonesia Stock Exchange on June 15, 2022, or their proxies, as evidenced by a valid power of attorney and a photocopy of the Identity Card (*Kartu Tanda Penduduk/ KTP*) or other identification submitted before entering the GMS room. Meanwhile, the Shareholders of the Company in the form of a Legal Entity are required to bring a photocopy of the latest documents of the Articles of Association and the composition of the company's management.

The Company has provided alternatives for electronic power of attorney (e-Proxy) and direct electronic voting (e-Voting) through the KSEI Electronic General Meeting System (eASY.KSEI) application provided by KSEI. The electronic power of attorney and direct electronic voting are subject to the procedures, terms and conditions stipulated by KSEI. Based on the provisions of Article 25 paragraph (13) of the Company's articles of association, members of the Board of Directors, members of the Board of Commissioners and employees of the Company may act as proxies at the GMS, but in voting, members of the board of directors, members of the board of commissioners and/or employees concerned are prohibited from acting as proxies of the shareholders.

In the event that shareholders will physically attend the GMS, shareholders may download the Power of Attorney form on the Company's website or may obtain such form at the Company's Securities Administration Bureau office, namely PT BSR Indonesia, Gedung Sindo 3rd Floor, J.I. Wahid Hasyim No. 38, Central Jakarta, with telephone number +62 21 80864722. The completed Power of Attorney shall be sent to PT BSR Indonesia via email at adm.efek@bsrindonesia.com no later than July 07, 2022 and the original documents are brought at the GMS.

The Power of Attorney form may be obtained at every working day from the date of the GMS invitation, during working hours at the PT BSR Indonesia office, Gedung Sindo 3rd Floor, JI. Wahid Hasyim No. 38, Central Jakarta, with telephone number +62 21 80864722.

XIII. AGENDA OF THE COMPANY'S GMS

The agenda of the Company's GMS are as follows:

1. Approval of the Annual Report and Ratification of the Consolidated Financial Statement of the Company, Approval of the Supervisory Report of the Board of Commissioners and Ratification of the Annual Financial Statement and Implementation of the Company's Social and Environmental Responsibility Program for the year ended on 31 December 2021, as well as the Granting of Full Discharge and Release of Liability (*volledig acquit et de charge*) to the Board of Directors for the Management of the Company and the Board Commissioner for the Supervision of the Company that has been carried out during the 2021 Financial Year.
2. Determination of the Use of the Company's Net Profit for the 2021 Financial Year.
3. Determination of Salary/Honorarium, Facilities and Other Benefits and Bonuses for the Board of Directors and Board of Commissioners of the Company.
4. Appointment of a Public Accounting Firm (*Kantor Akuntan Publik/ KAP*) to audit the Company's Financial Statements for the 2022 Financial Year and the Financial Statements for the Implementation of the Company's Micro and Small Business Funding Program for the 2022 Financial Year.

5. Report on the Use of Proceeds from a Limited Public Offering with Pre-emptive Rights.
6. Approval of the Extension of the Delegation of Authority to the Board of Commissioners to State the Certainty on the Amount of Capital and Number of New Shares Resulting from the Conversion of Mandatory Convertible Bonds (“**MCB**”) and to Take All Necessary Actions Including Determining the Time, Method and Amount of Additional Capital of the MCB Issuer in the Context of Converting the MCB into Convertible Shares.
7. Approval for the Issuance of Mandatory Convertible Bonds Through Capital Increase Without Pre-emptive Rights Concerning Government Investments in the Context of the National Economic Recovery Program.
8. Enforcement of the Minister of State-Owned Enterprises of the Republic of Indonesia Regulation No. PER-11/MBU/07/2021 concerning the Requirements, Appointment Procedures, and Dismissal of Members of the SOE Board of Directors.
9. Approval on the changes in the composition of the Board of Commissioners and the Board of Directors of the Company.

In accordance with the provisions in the Company’s articles of association, for the Proposed Transaction, which is the seventh agenda item, the mechanism and quorum for decision making at the meeting is as follows:

The meeting is valid if it is attended by the Series A Dwiwarna Shareholder and other Shareholders and/or their valid proxies together representing at least 2/3 (two-thirds) of the total number of shares with valid voting rights and the resolution is valid if it is approved by the Series A Dwiwarna Shareholder and other Shareholders and/or their valid proxies together representing more than 2/3 (two-thirds) of the total number of shares with valid voting rights present at the meeting.

XIV. ADDITIONAL INFORMATION

To obtain information regarding the Non Pre-emptive Rights, the shareholders of the Company can submit it to the Corporate Secretary of the Company, on every day and working hours of the Company at the address below:

PT Krakatau Steel (Persero) Tbk
Jalan Industri No. 5 P.O. Box 14
Cilegon, Banten 42435, Indonesia
Telephone: 0254 392159, Facsimile: 0254 372246
Website: <https://www.krakatausteel.com>
Email: corsec@krakatausteel.com

Thus, we convey this Disclosure of Information, thank you for your attention.