



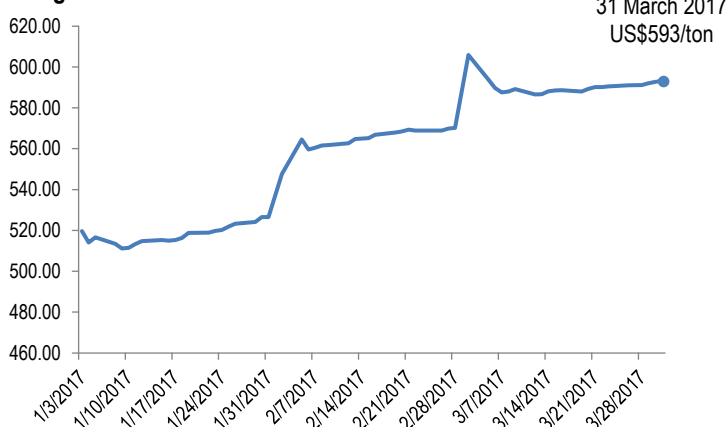
TICKERS		MARKET CAPITALIZATION	ISSUED SHARES	SHARE PRICE			SHAREHOLDERS		
IDX	KRAS	(IDR million, as of 3/31/2017)	(million shares, as of 3/31/2017)	(closing, IDR/share)			Government	80%	
Bloomberg	KRAS.IJ	12,188,230	19,346	1 January 2017	775	3 month high	820	Public	20%
Reuters	KRAS.JK			31 March 2017	630	3 month low	625		

**KRAS' Operating Performance Continues To Improve**

Jakarta, April 2017

**Krakatau Steel Reports First Quarter Results**

**KRAS HRC Selling Price**



- **Krakatau Steel's net revenues increased 12.51% YoY to US\$350.1 million in Q1 2017 due to higher average steel selling prices. HRC selling price stood at US\$593.17/ton as of 31 March 2017, up 14.15% since the start of the year, and HRC average selling price increased 41.01% Year-on-Year (YoY) to US\$566/ton in Q1 2017.**
- **Sales volume of steel pipes jumped 71.56% YoY on the back of stronger demand from oil and gas sector.**
- **Operating profit jumped 183.43% YoY during the period which was in line with the company's improved topline.**
- **Improvement in operating performance also resulted in a 22.8% YoY increase in EBITDA to US\$55.1 million.**
- **The company is currently finalizing a supply agreement with its consortium partner for the Jakarta – Cikampek (Japek II) 36 km elevated toll road project, with first delivery of steel products for the project to be made in May 2017.**
- **Krakatau Steel has completed basic engineering for HSM#2 project in Q1 2017. The overall construction progress has reached 14.29% as of 31 March 2017.**
- **Construction progress of PT Krakatau Nippon Steel Sumikin (KNSS) has reached 82.02% as of 31 March 2017 and is expected to be completed by 2<sup>nd</sup> semester of 2017.**

**Latest Updates:**

- Krakatau Steel is set to begin delivery of steel products for the Jakarta-Cikampek (Japek II) 36 km elevated toll road project in May 2017. The toll road project requires 225,000 tons of steel. The company is currently finalizing the supply agreement together with its consortium partner for the project.
- The company has completed 14.29% of the physical construction of HSM#2 project as of 31 March 2017, mainly for the piling of main bay area. HSM#2 has a production capacity of 1.5 million tons/year of HRC and is expected to start operations in 2019.
- Krakatau Steel is currently concentrating on the completion of Blast Furnace plant. The overall construction progress of the Blast Furnace Complex has reached 99.10% as of 31 March 2017. The Blast Furnace Complex will produce 1.2 million tons of hot metal per year which will be used as raw material in the company's steel-making process.
- Construction progress of PT Krakatau Nippon Steel Sumikin (KNSS) has reached 82.02% as of 31 March 2017 and is targeted for completion in mid-2017. KNSS is a joint venture between Krakatau Steel and Nippon Steel Sumitomo Metal Corporation and will produce annealed cold rolled steel and hot dip galvanized steel for automotive industry with a production capacity of 500,000 tons/year.

**Investor Relations**

Cilegon Office  
Gedung ADB CRM, Jl. Industri No. 5 P.O.Box 14  
Cilegon, Banten 42435

Phone : (+62 254) 372301  
Fax : (+62 254) 372303  
Email : ir@krakatausteel.com

**DISCLAIMER**

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## Financial Results

Description (USD mn)	Q1 2017	Q1 2016	Change (%)
Revenue	350.1	311.2	12.51
Cost of Revenues	(289.6)	(268.7)	7.77
Gross Profit	60.5	42.5	42.47
Operating Profit (loss)	21.4	7.6	183.43
EBITDA*	55.1	44.9	22.77
Cash and Cash Equivalents**	284.3	133.6	112.87
Total Assets**	3,948.6	3,735.9	5.69

Ratio	Q1 2017	Q1 2016
Gross Margin	17.29%	13.65%
Operating Margin	6.12%	2.43%
EBITDA Margin	15.74%	14.42%
Debt to Equity***	0.99x	0.89x
Debt to Assets***	0.46x	0.43x

\* : EBITDA figures exclude share of loss in associates

\*\* : Balance sheet items for Q1 2017 are based on FY 2016 figures

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

## Company Performance Update:

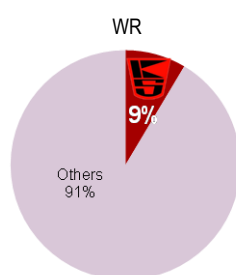
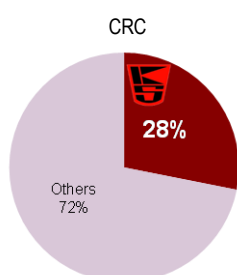
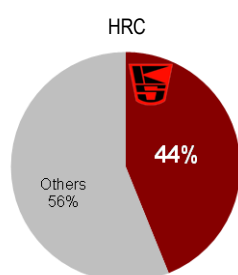
- Krakatau Steel recorded a 12.51% Year-on-Year (YoY) increase in net revenues to US\$350.1 million in Q1 2017. The increase was mainly due to higher average selling prices of steel products. HRC selling price rose 14.15% to US\$593/ton on 31 March 2017 from US\$520/ton on January 3 2017. Furthermore, HRC average selling price increased 41.01% YoY US\$566/ton in Q1 2017 from US\$402/ton in Q1 2016. Higher selling prices were also seen in other steel products such as CRC (26.22% YoY to US\$652/ton) and wire rod (40.51% YoY to US\$520/ton).
- Cost of revenues grew 7.77% YoY to US\$289.6 million as production cost was 14.72% YoY higher. The higher production cost was mainly due to an 18.77% YoY increase in raw materials cost. As a result, the company posted a 42.47% YoY increase in gross profit to US\$60.5 million in Q1 2017 from US\$42.5 million in the same period last year.
- Sales volume of steel pipes produced by PT KHI Pipe Industries, a subsidiary of Krakatau Steel, sharply increased 71.56% YoY to 26,570 tons in Q1 2017 due to stronger demand from oil and gas sector.
- The topline improvement resulted in a sharp increase of 183.43% YoY in operating profit to US\$21.4 million from US\$7.6 million in Q1 2016.
- The company also booked a 22.77% YoY increase in EBITDA to US\$55.1 million in Q1 2017 from US\$44.9 million in Q1 2016 as a result of the improvement in operating performance.

## Marketing Results

Steel Sales (tons)	Q1 2017	Q1 2016	Change (%)
HRC	230,324	292,209	-21.18
CRC	151,585	128,826	17.67
WR	24,764	52,747	-53.05
Bars	38,032	63,539	-40.14
Sections	17,283	19,643	-12.01
Pipes (spiral & ERW)	26,570	15,487	71.56
<b>Total</b>	<b>488,558</b>	<b>572,450</b>	<b>-14.65</b>

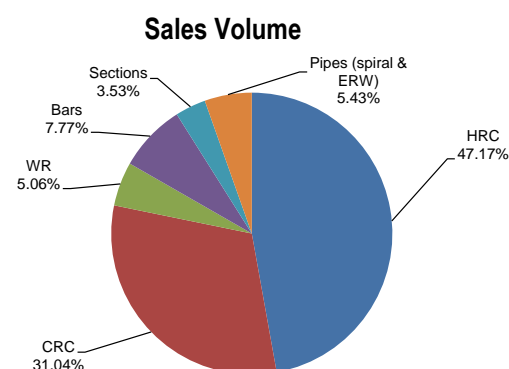
Average Selling Price USD/ton	Q1 2017	Q1 2016	Change (%)
HRC	566	402	41.01
CRC	652	516	26.22
WR	520	370	40.51
Bars	488	404	20.81
Sections	608	495	22.80
Pipes (spiral & ERW)	709	692	2.37

Source: Company data



Market Share FY 2016

Source: Company data



## Market Analysis

- China domestic hot rolled coil prices tumbled in the first half of March, in contrast to HRC prices in the US which continued their ascent, while Europe was more stable. However, most markets appear to be taking a breather in the second-half of the month, with many buyers believing prices have run up too quickly. Falling domestic prices deterred export buyers in the first half of March. Chinese exporters had to sharpen their offers to key markets such as Vietnam from around mid-March, pushing prices beneath \$500/mt FOB in a bid to compete with material from Russia and India, understood to be sold at \$495-500/mt CFR Vietnam. (*Global Market Outlook, March 2017*)
- China's HRC export prices averaged \$501/mt FOB in February, while East Asian HRC prices averaged \$509/CFR that month. Meanwhile, in the second week of March Chinese export prices of cold rolled coil fell for the first time in two months. The export price spread between CRC and HRC on March 7 was \$70/mt. (*Global Market Outlook, March 2017*)
- China's steel production of 61.2 million mt in February was down by a significant 6 million mt from January due to the shorter month, Chinese New Year holiday, and in particular due to the production curtailments in Hebei province over winter. This was exacerbated by a control on emissions ahead of and during the National People's Congress in Beijing in early March. As a result, March output also began slowly with China Iron & Steel Association member mills reporting average output of 1.67 million mt/day over March 1-10, a 3% decrease on the last ten days of February. Those restrictions have now ended, and output is expected to ramp up, with longs producers increasing production to take advantage of strong margins and prices. (*Global Market Outlook, March 2017*)
- Steel prices in the domestic market remained high amid the declining trend in steel prices in China.