

TICKERS		ISSUED SHARES	MARKET CAPITALIZATION	SHAREHOLDERS	
IDX	KRAS	(shares, as of 12/31/2017)	(IDR million as of 12/31/2017)	Government	80%
Bloomberg	KRAS.IJ	19.346.396.900	8.202.872	Public	20%
Reuters	KRAS.JK				

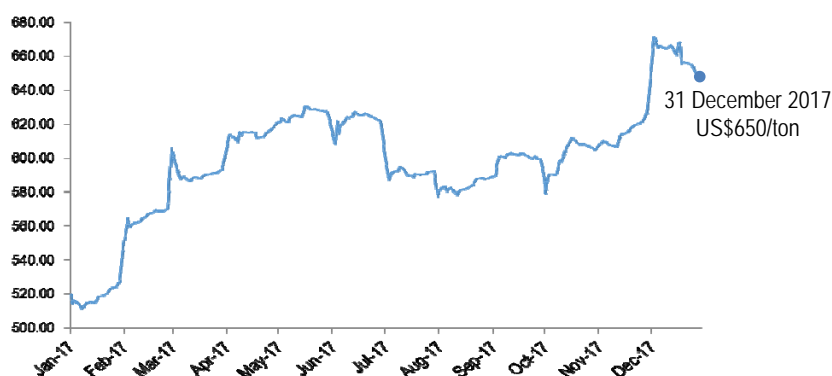
Improved Financial Performance

Jakarta, March 2018

Krakatau Steel Reports Full Year Results

- *Krakatau Steel booked an 7.76% YoY increase in net revenues and a 41.16% YoY growth in gross profit in FY 2017, respectively, which was mainly due to higher average selling prices of steel products.*
- *Operating profit increase significantly 1.055,90% YoY to US\$50,74 million from US\$4,39 million in FY2016.*
- *EBITDA significantly increased 50.30% YoY and EBITDA margin improved to 10.71% on the back of a sharp decline in loss before tax.*
- *Net cash provided by operating activities grew 203.74% YoY, in line with the higher net revenues.*
- *Krakatau Steel's HRC selling price resumed its rally early in October 2017 after a period of consolidation in Q3 2017. HRC price peaked at US\$670/ton early in December before declining to US\$650/ton at year-end. The company's HRC average selling price increased 32.68% YoY to US\$597/ton in FY 2017 from US\$450/ton in FY 2016.*

KRAS HRC Selling Price



Latest Updates:

- In February 2018, Company signed cooperation material supply of 24,000 tons Cold Rolled Sheet for PT Pertamina (Persero) asphalt drum sheet needs at Bitumen Plant Gresik in the next two years.
- In January 2018, Company has renewed its Long Term Supply Agreement with PT Essar Indonesia to supply 15.000 tons/month HRC.
- In December 2017, also attended by the Ministry of Industry, Company signed a MOU with Japanese company, Sango Corporation in cooperation to supply steel wire rod for domestic automotive sector. In this month also signed a Long Term Supply Agreement with PT Sarana Central Bajatama Tbk to supply at least 5000 tons/month CRC.
- The company has completed detailed mechanical & electrical engineering process for the construction of HSM#2 in Q4 2017. The overall physical construction of HSM#2 has reached 58.39% as of 28 February 2018.
- As of 11 Feb 2018 the construction of Cipasauran dam has reached 95.23%. The project will give additional raw water supply by 750 L/s. It will optimize the capacity of PT Krakatau Tirta Industri's water treatment plant from 1800 L/s to 2000 L/s.

Financial Results

Description (USD mn)	FY 2017	FY 2016	Change (%)	Ratio	FY 2017	FY 2016
Revenue	1,449.02	1,344.72	7.76	Gross Margin	15.12%	11.54%
Cost of Revenues	(1,229.90)	(1,189.49)	(3.40)	Operating Margin	3.50%	0.33%
Gross Profit	219.12	155.23	41.16	EBITDA Margin ¹	10.71%	7.68%
Operating Profit (loss)	50.74	4.39	1,055.90	Debt to Equity ²	0.97x	0.95x
EBITDA ¹	155.18	103.24	50.30	Debt to Assets ²	0.44x	0.44x
Cash and Cash Equivalents	280.87	264.95	6.01			
Net cash provided by (used in) operating activities	204.16	67.22	203.74			
Total Assets	4,114.39	3,936.71	4.51			

¹ : EBITDA figures exclude share of loss in associates

²: The debt component used in the calculation of Debt to Equity and Debt to Assets is total interest-bearing debt

Investor Relations

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Company Performance Update:

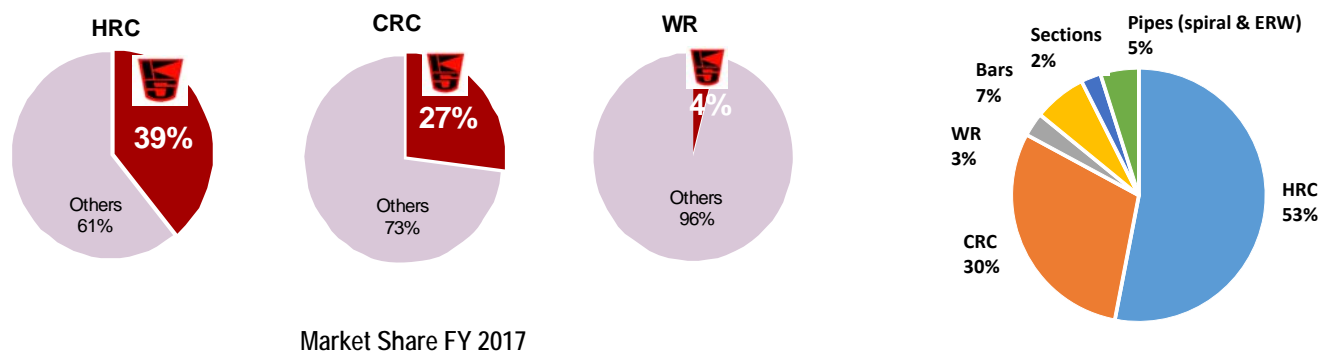
- Krakatau Steel posted an 7.76% Year-on-Year (YoY) increase in net revenues to US\$1,449.02 million in FY 2017 on the back of higher average selling prices of steel products. Increase in average selling prices was seen across all steel products, including HRC (+32.68% YoY to US\$597/ton) and CRC (+20.18% YoY to US\$672/ton). However, total steel sales volume declined 15.10% YoY to 1,900,075 tons due to lower sales volume of HRC (-15.95% YoY to 1,007,517 tons) and long product (-30.08% YoY to 125,98 tons). The lower HRC sales volume in FY 2017 was largely due to a decline in HRC production as the company conducted an overhaul on its Hot Strip Mill (HSM) for a month in May 2017 to improve the mill's reliability. In addition, the company decided to cut wire rod production due to unfavorable selling price in the market, causing a sharp decrease in sales volume of wire rod.
- The company's cost of revenues rose 3.40% YoY to US\$1,229.90 million as raw materials cost increased 11.98% YoY to US\$867.26 million, in line with higher average price of raw materials purchased by the company. The higher increase in net revenues than cost of revenues resulted in a 41.16% YoY increase in gross profit to US\$219.12 million in FY 2017.
- The company was able to post a sharp increase in operating profit to US\$50.74 million as a result of the topline improvement. Moreover, net cash provided by operating activities significantly jumped 203.74% YoY to US\$204.16 million during the period which was in line with the increase in net revenues.
- EBITDA increased 50.30% YoY to US\$155.18 million and EBITDA margin stood at 10.71% in FY 2017 from 7.68% in FY 2016 as loss before tax expense significantly improved to US\$41.12 million from US\$134.5 million during the period (excluding share in loss of associates and joint ventures).

Marketing Results

Steel Sales (tons)	FY 2017	FY 2016	Change (%)
HRC	1,007,517	1,198,744	-15.95
CRC	567,244	554,737	2.25
Long Product	232,565	407,142	-42.88
Pipes (spiral & ERW)	92,748	77,298	19.99
Total	1,900,075	2,237,921	-15.10

Average Selling Price USD/ton	FY 2017	FY 2016	Change (%)
HRC	597	450	32.68
CRC	672	559	20.18
Long Product	542	443	22.41
Pipes (spiral & ERW)	756	680	11.23

Source: Company data



Source: Company data

Market Analysis

- The steel industry is in the midst of an extraordinary, widespread and unsustainable profit boom. It's a "Golden Profit Age." Near-term, the boom will become even more cacophonous as the Hot Rolled (HR) export price, along with home country HR prices, catapults to higher levels. We expect the HR export price at \$700-750 per tonne in the end of Q1 2018. (*World Steel Dynamics Fast Track Analysis #3, Jan 2018*)
- 2018 is a good year for steel mills. When the HR export price bottoms out this summer, Expot price will be just above the operating cost of the non-Chinese median mill price, approximately \$525 per tonne, FOB the port of export. In a "death spiral" situation, the price would bottom out at about \$425 per tonne.
- Domestic steel prices in Indonesia fluctuated in line with fluctuations in global steel prices. In the end of 2017, steel prices rally began to Q1 2018. The uptrend resumed late in September following the rising trend Chinese steel prices. We expects this to occur in the second quarter, but March is a possibility.
- In 2017 steel demand in Indonesia continued to increase on the back of stronger demand from steel-related sectors. Automotive sector grew 3.3% YoY with car production at 1,216,615 units (*Gaikindo, Jan-Dec 2017*). In addition, Nation's GDP, grew 5.1% YoY in 2017 (*www.worldbank.org*).