



## **JOINT NEWS RELEASE**

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### **KRAKATAU STEEL AND ANTAM SIGN A JOINT VENTURE AGREEMENT TO DEVELOP THE STEEL INDUSTRY IN SOUTH KALIMANTAN**

PT Krakatau Steel (Persero) ("PTKS") and PT Antam Tbk ("Antam") (ASX: ATM, IDX: ANTM), signed a Joint Venture Agreement (JVA) today to develop steel industry in South Kalimantan.

Initially the companies will build an iron ore smelter to produce Direct Reduced Iron with a capacity of 315,000 tonnes. All of the production will be consumed by the PTKS steel mills in Cilegon, West Java. The investment cost for the project is estimated at about US\$60 million, which will likely be funded 35% equity and 65% debt provided by Indonesian local banks. PTKS will own 66% of the project while Antam will hold a 34% portion.

The companies will soon establish a joint venture company, named PT Meratus Jaya Iron & Steel. The smelter construction is planned to start in November 2008 and begin operations in 2010. It will likely become the first steel company in Indonesia to use local resources, as most iron ore is imported.

In the long term, if it has sufficient reserves of dedicated raw materials and it matches with the business strategies of both companies, the next phase of development would be to build an integrated steel facility. Expanding its operations down stream to steelmaking and rolling smelters, the facility could have a capacity of up to 1 million tonnes of steel. The total project cost is estimated at about US\$600 million, excluded the cost for infrastructure. Currently, PTKS is still conducting preliminary studies by

PTKS. If the studies show the project is technically and economically feasible, the best way to proceed will be determined, which may include seeking other strategic partners.

For PTKS, the project is part of its efforts to produce five million tonnes per year of by 2011 to meet domestic steel demand.

Antam sees the project as part of its business strategy to increase product diversification. The project will increase the company's competitiveness and deliver good return on investment to its shareholders.