

# Press Release



## PT Vale posts net loss but positive EBITDA for 2017 as performance improves in second half

**Jakarta, February 27, 2018** – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its audited results for 2017. The average realized price in 2017 increased compared to 2016, but was offset by the impact of lower production and higher consumables costs.

“While there was a 10% increase in the average nickel price in 2017, the cost of consumables increased significantly,” said Nico Kanter, CEO and President Director of the Company. “The cost of fuel and coal increased by 36% and 39% respectively, on a unit cost basis. These two consumables represent PT Vale’s largest cost items. The combination of a relatively suppressed nickel price, and higher prices for consumables created a unique challenge in 2017 for the Company. This experience underlines the importance of remaining focused on optimizing production capacity, improving efficiency and reducing costs. We believe the nickel price in 2018 will remain volatile. There is also uncertainty in the global nickel market over whether the Indonesian ore export quota will add additional volume or simply replace a diminishing ore supply from the Philippines to China.”

In the first half of 2017, the Company posted a loss of US\$21.5 million, mainly due to low nickel prices. However, with a rise in nickel prices in Q3, the Company posted a profit of US\$1.9 million for the quarter, followed by a Q4 profit of US\$4.4 million; reducing the Company’s overall loss for 2017 to US\$15.3 million. Despite the posted loss, PT Vale delivered positive EBITDA of US\$111.6 million in 2017. PT Vale recorded sales of US\$629.3 million in 2017, 8% above sales recorded in 2016 of US\$584.1 million. The average realized price for nickel matte shipments in 2017 was US\$8,106, an increase from the 2016 level of US\$7,396.

The Company’s cost of revenue in 2017 increased by US\$72.8 million or 13% from US\$550 million in 2016 to US\$622.8 million. This was mainly due to higher costs for fuel, coal, labour and supplies. On a quarterly basis, the cost of revenue per metric ton in 4Q17 increased by 13% over the previous quarter, due mainly to increases in fuel and coal prices. The following table provides details on PT Vale’s HSFO, diesel and coal consumption:

	<u>4Q17</u>	<u>3Q17</u>	<u>2017</u>	<u>2016</u>
HSFO volume (barrels)	<b>432,232</b>	436,331	<b>1,637,673</b>	1,556,034
HSFO average price per barrel	<b>US\$55.38</b>	US\$51.72	<b>US\$52.74</b>	US\$38.50
Diesel volume (kilo litres)	<b>18,958</b>	19,150	<b>74,344</b>	77,620
Diesel average price per litre	<b>US\$0.52</b>	US\$0.48	<b>US\$0.50</b>	US\$0.41
Coal volume (t)	<b>88,063</b>	91,670	<b>370,613</b>	383,558
Coal average price per t (*)	<b>US\$134.93</b>	US\$125.39	<b>US\$126.09</b>	US\$88.33

(\*) Price in DMT (Dry Metric Ton) and CFR (Cost & Freight) basis

# Press Release

HSFO consumption per metric ton of nickel in matte produced in 2017 increased slightly when compared to 2016, however, coal consumption per metric ton decreased over the same period, due to a coal mill issue that persisted into July 2017. Diesel consumption per metric ton in 2017 decreased when compared to 2016. This reflects higher consumption in early 2016 to operate fuel-based power generators made necessary by lower water levels in the lake.

The Company's cash and cash equivalents as of December 31, 2017 and September 30, 2017 were US\$221.7 million and US\$236.6 million, respectively. The Company will continue to exercise prudent control of its spending to preserve cash.

The capital expenditures in 2017 were around US\$68.5 million, up from US\$60.6 million in 2016 to maintain the Company's operations.

In 2017, PT Vale produced 76,807 metric tons of nickel in matte, a decrease of around 1% from last year's production of 77,581 metric tons. The volume of ore processed actually increased in 2017, however, nickel production declined due to lower grades. The Company will maintain its focus on improving cost efficiency to sustain competitiveness in the long term without compromising the Company's foremost value: *Life Matters Most*.

Readers are encouraged to review the Company's results. Operational achievements as well as audited financial results are summarized on the following pages – all figures are in US\$ except for nickel in matte production and deliveries which are in metric tons.

For further information, please contact:  
Febriany, Chief Financial Officer  
[ptvi.investorrelations@vale.com](mailto:ptvi.investorrelations@vale.com)  
or visit our website at  
[www.vale.com/indonesia](http://www.vale.com/indonesia)

# Press Release



## PT Vale Indonesia Tbk Production and Financial Highlights

	<u>4Q17</u>	<u>3Q17</u>	<u>2017</u>	<u>2016</u>
Nickel in matte production <sup>1</sup>	<b>19,313</b>	20,163	<b>76,807</b>	77,581
Nickel matte deliveries <sup>1</sup>	<b>19,919</b>	20,580	<b>77,643</b>	78,976
Average realized price <sup>2</sup>	<b>9,068</b>	7,620	<b>8,106</b>	7,396
EBITDA <sup>3</sup>	<b>43.0</b>	34.1	<b>111.6</b>	135.0
Revenue <sup>3</sup>	<b>180.6</b>	156.8	<b>629.3</b>	584.1
Profit/(Loss) <sup>3</sup>	<b>4.4</b>	1.9	<b>(15.3)</b>	1.9
Earnings/(Loss) per share <sup>4</sup>	<b>0.0004</b>	0.0002	<b>(0.0015)</b>	0.0002

<sup>1</sup> metric ton (t)

<sup>2</sup> US\$ per t

<sup>3</sup> US\$ million

<sup>4</sup> US\$

# Press Release



**PT Vale Indonesia Tbk**  
**Statements of Profit or Loss and Other Comprehensive Income or Loss**  
(In thousands of US\$ except basic earnings per share)

	<u>4Q17</u>	<u>3Q17</u>	<u>2017</u> <u>(Audited)</u>	<u>2016</u> <u>(Audited)</u>
Revenue	<b>180,626</b>	156,821	<b>629,334</b>	584,143
Cost of revenue	<b>(163,595)</b>	(149,303)	<b>(622,780)</b>	(550,018)
<b>Gross profit</b>	<b>17,031</b>	7,518	<b>6,554</b>	34,125
Other income	<b>877</b>	732	<b>3,116</b>	4,703
Operating expenses	<b>(3,238)</b>	(2,685)	<b>(11,339)</b>	(12,131)
Other expenses	<b>(6,931)</b>	(1,143)	<b>(13,546)</b>	(12,399)
<b>Operating profit/(loss)</b>	<b>7,739</b>	4,422	<b>(15,215)</b>	14,298
Finance costs	<b>(1,779)</b>	(1,871)	<b>(7,805)</b>	(9,133)
<b>Profit/(loss) before income tax</b>	<b>5,960</b>	2,551	<b>(23,020)</b>	5,165
Income tax (expense)/benefit	<b>(1,604)</b>	(699)	<b>7,749</b>	(3,259)
<b>Profit/(loss) for the period</b>	<b>4,356</b>	1,852	<b>(15,271)</b>	1,906
<b>Other comprehensive income/(loss)</b>				
Items that will not be reclassified to profit or loss:				
– Remeasurement of post-employment benefit liabilities	<b>286</b>	-	<b>65</b>	(1,699)
– Income tax on other comprehensive (loss)/income	<b>(71)</b>	-	<b>(16)</b>	425
<b>Total other comprehensive income/(loss)</b>	<b>215</b>	-	<b>49</b>	(1,274)
<b>Total comprehensive income/(loss) for the period</b>	<b>4,571</b>	1,852	<b>(15,222)</b>	632
<b>Earnings/(loss) per share</b>				
- Basic and diluted (in US Dollars)	<b>0.0004</b>	0.0002	<b>(0.0015)</b>	0.0002

# Press Release



## PT Vale Indonesia Tbk Statements of Financial Position (In thousands of US\$)

	Dec 31, 2017 (Audited)	Sep 30, 2017 (Unaudited)	Dec 31, 2016 (Audited)
<b>Assets</b>			
Cash and cash equivalents	221,699	236,635	185,560
Restricted cash	15,890	8,703	29,725
Trade receivables - Related parties	165,577	139,681	146,616
Inventories, net	117,726	131,804	129,796
Prepaid taxes - Corporate income tax	24,895	24,895	28,921
- Other taxes	42,436	23,964	71,533
Prepayments and advances	5,687	6,593	3,940
Other current financial assets	3,146	3,020	3,063
<b>Total current assets</b>	<b>597,056</b>	<b>575,295</b>	<b>599,154</b>
Restricted cash	14,345	7,108	6,365
Prepaid taxes - Corporate income tax	9,863	10,264	22,631
- Other taxes	61,757	70,329	54,038
Non-trade receivables - Related parties	71	82	140
Fixed assets, net	1,493,789	1,491,113	1,532,653
Other non-current financial assets	7,678	8,429	10,511
<b>Total non-current assets</b>	<b>1,587,503</b>	<b>1,587,325</b>	<b>1,626,338</b>
<b>Total assets</b>	<b>2,184,559</b>	<b>2,162,620</b>	<b>2,225,492</b>
<b>Liabilities and Equity</b>			
Trade payables - Related parties	2,913	5,555	6,537
- Third parties	58,027	43,433	57,737
Accruals	14,722	11,519	16,542
Short-term employee benefit liabilities	12,378	16,176	10,700
Taxes payable	1,538	1,010	1,490
Current portion of long-term bank borrowings	36,743	36,743	36,462
Share-based payment liabilities	1,341	1,270	1,273
Other current financial liabilities	1,638	3,365	1,248
<b>Total current liabilities</b>	<b>129,300</b>	<b>119,071</b>	<b>131,989</b>
Long-term bank borrowings	36,295	36,050	73,095
Long-term post-employment benefit liabilities	19,289	19,329	17,729
Deferred tax liabilities, net	105,392	107,130	115,964
Provision for asset retirement	74,916	66,244	52,126
<b>Total non-current liabilities</b>	<b>235,892</b>	<b>228,753</b>	<b>258,914</b>
<b>Total liabilities</b>	<b>365,192</b>	<b>347,824</b>	<b>390,903</b>
<b>Equity</b>	<b>1,819,367</b>	<b>1,814,796</b>	<b>1,834,589</b>
<b>Total liabilities and equity</b>	<b>2,184,559</b>	<b>2,162,620</b>	<b>2,225,492</b>

# Press Release



## PT Vale Indonesia Tbk Statements of Cash Flows (In thousands of US\$)

	4Q17	3Q17	2017 (Audited)	2016 (Audited)
<b>Cash flows from operating activities</b>				
Receipts from customers	154,729	147,010	610,373	515,727
Payments to suppliers	(85,776)	(106,714)	(376,877)	(365,959)
Payments of corporate income tax	(3,012)	(2,387)	(14,966)	(33,832)
(Payments)/refunds of taxes, net	(10,418)	(8,812)	45,484	3,406
Payments to employees	(18,747)	(18,442)	(89,445)	(79,802)
Placement of financial guarantee	(6,213)	(2,590)	(8,925)	(14,730)
Withdrawal of financial guarantee	2,308	-	14,461	11,448
Other receipts	877	732	2,763	1,902
Other payments	(9,505)	(7,210)	(30,307)	(24,740)
<b>Net cash flows from operating activities</b>	<b>24,243</b>	<b>1,587</b>	<b>152,561</b>	<b>13,420</b>
<b>Cash flows from investing activities</b>				
Payments for acquisition of fixed assets	(27,088)	(16,886)	(74,614)	(70,238)
Withdrawal of short-term investments	-	-	-	90,154
<b>Net cash flows (used in)/from investing activities</b>	<b>(27,088)</b>	<b>(16,886)</b>	<b>(74,614)</b>	<b>19,916</b>
<b>Cash flows from financing activities</b>				
Payments of dividends	1	-	-	(8)
Placement of restricted cash	(11,909)	(8,012)	(40,094)	(40,619)
Usage of restricted cash	-	20,152	40,413	40,661
Payments of long-term borrowings	-	(18,750)	(37,500)	(37,500)
Payments of finance costs	(55)	(2,136)	(4,547)	(5,358)
<b>Net cash flows used in financing activities</b>	<b>(11,963)</b>	<b>(8,746)</b>	<b>(41,728)</b>	<b>(42,824)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(14,808)</b>	<b>(24,045)</b>	<b>36,219</b>	<b>(9,488)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>236,635</b>	<b>260,717</b>	<b>185,560</b>	<b>194,754</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(128)</b>	<b>(37)</b>	<b>(80)</b>	<b>294</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>221,699</b>	<b>236,635</b>	<b>221,699</b>	<b>185,560</b>