

Press Release



PT Vale reports profitable quarter in 1Q18

Jakarta, April 25, 2018 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the first quarter of 2018 (“1Q18”). The Company recorded sales of US\$170.5 million in the quarter. Sales in 1Q18 were 6% lower than in 4Q17 but 18% higher than 1Q17 as the average realized price in 1Q18 was higher than in 1Q17.

“I am pleased to report a profitable first quarter in 2018 as we benefited from a higher sales price,” said Nico Kanter, CEO and President Director of the Company. “However, considering the volatility in the market, we remain focused on optimizing our production capacity, improving efficiencies and reducing costs.”

On the operations side, nickel in matte production in 1Q18 was 11% lower than 4Q17 due to planned maintenance activities. However, production in 1Q18 was aligned with 1Q17 when similar maintenance activities were carried out. These maintenance activities are crucial to improving operational efficiency and ensuring operational continuity.

PT Vale’s cost of revenue fell by 6% from US\$163.6 million in 4Q17 to US\$154.2 million in 1Q18, aligned with lower production in 2018. However, cost of revenue per metric ton of nickel in matte in 1Q18 increased by 6% from the previous quarter driven mainly by higher costs in fuel and coal. Fuel and coal prices increased by 10% and 7% respectively, on a unit cost basis. These two consumables represent PT Vale’s largest cost items.

The following table provides details on PT Vale’s High Sulphur Fuel Oil (“HSFO”), diesel and coal consumption in 1Q18, 4Q17 and 1Q17:

	<u>1Q18</u>	<u>4Q17</u>	<u>1Q17</u>
HSFO volume (barrels)	377,799	432,232	346,635
HSFO average price per barrel	US\$60.36	US\$55.38	US\$50.89
Diesel volume (kilolitres)	19,367	18,958	17,605
Diesel average price per litre	US\$0.58	US\$0.52	US\$0.49
Coal volume (t)	96,407	88,063	93,554
Coal average price per t (*)	US\$144.09	US\$134.93	US\$124.06

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

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Fuel consumption per metric ton of production in 1Q18 was also negatively affected by lower production in 1Q18. Coal prices increased significantly in 1Q18 compared to 4Q17. Nonetheless, the Company remains confident that it is more efficient to use coal than fuel for its dryers and reduction kilns. PT Vale delivered EBITDA of US\$43.2 million and disbursed approximately US\$16.5 million in capital expenditures in 1Q18.

The Company's cash and cash equivalents as of March 31, 2018 and December 31, 2017 were US\$177.9 million and US\$221.7 million, respectively. The lower cash balance in 2018 was driven primarily by payment of tax assessments in March 2018. The associated payment is recorded as part of tax receivables in the Company's balance sheet, the Company believes that the assessments were without basis. Our decision to pay the assessments upfront is to reduce penalty exposures while the Company continues to appeal. PT Vale will continue to exercise prudent control of its spending to preserve cash.

Readers are encouraged to review the Company's results. Operational achievements as well as the unaudited 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.

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PT Vale Indonesia Tbk Production and Financial Highlights

	1Q18	4Q17	1Q17
Nickel in matte production ¹	17,141	19,313	17,224
Nickel matte deliveries ¹	17,240	19,919	17,524
Average realized price ²	9,887	9,068	8,214
EBITDA ³	43.2	43.0	24.5
Revenue ³	170.5	180.6	143.9
Profit/(Loss) ³	6.8	4.4	(6.2)
Earnings/(Loss) per share ⁴	0.0007	0.0004	(0.0006)

¹ metric ton (t)

² US\$ per t

³ US\$ million

⁴ US\$

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

	<u>1Q18</u>	<u>4Q17</u>	<u>1Q17</u>
Revenue	170,455	180,626	143,945
Cost of revenue	(154,186)	(163,595)	(146,396)
Gross profit/(loss)	16,269	17,031	(2,451)
Other income	1,082	877	433
Operating expenses	(2,838)	(3,238)	(2,645)
Other expenses	(3,265)	(6,931)	(1,391)
Operating profit/(loss)	11,248	7,739	(6,054)
Finance costs	(1,872)	(1,779)	(2,137)
Profit/(loss) before income tax	9,376	5,960	(8,191)
Income tax (expense)/benefit	(2,539)	(1,604)	2,032
Profit/(loss) for the period	6,837	4,356	(6,159)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
– Changes resulting from actuarial re-measurement of post-employment benefit liabilities	224	286	(221)
– Income tax on other comprehensive income/(loss)	(56)	(71)	55
Total other comprehensive income/(loss)	168	215	(166)
Total comprehensive income/(loss) for the period	7,005	4,571	(6,325)
Earnings/(loss) per share			
– Basic and diluted (in full amount of US Dollars)	0.0007	0.0004	(0.0006)

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	March 31, 2017 (Unaudited)
Assets			
Cash and cash equivalents	177,912	221,699	235,491
Restricted cash	3,962	15,890	13,392
Trade receivables - Related parties	152,478	165,577	125,427
Inventories, net	128,126	117,726	136,607
Prepaid taxes - Corporate income tax	24,895	24,895	28,921
- Other taxes	52,868	42,436	34,188
Prepayments and advances	4,069	5,687	3,034
Other current financial assets	2,905	3,146	3,436
Total current assets	547,215	597,056	580,496
Restricted cash	14,345	14,345	6,857
Prepaid taxes - Corporate income tax	9,863	9,863	25,395
- Other taxes	109,205	61,757	57,959
Non-trade receivables - Related parties	52	71	110
Fixed assets, net	1,469,750	1,493,789	1,512,839
Other non-current financial assets	7,085	7,678	9,874
Total non-current assets	1,610,300	1,587,503	1,613,034
Total assets	2,157,515	2,184,559	2,193,530
Liabilities and Equity			
Trade payables - Related parties	2,114	2,913	5,508
- Third parties	45,850	58,027	57,315
Accruals	12,501	14,722	13,139
Short-term employee benefit liabilities	9,963	12,378	10,226
Taxes payable	5,820	1,538	858
Current portion of long-term bank borrowings	36,879	36,743	36,602
Share-based payment liabilities	1,698	1,341	1,217
Other current financial liabilities	3,369	1,638	1,970
Total current liabilities	118,194	129,300	126,835
Long-term bank borrowings	17,654	36,295	54,451
Long-term post-employment benefit liabilities	19,311	19,289	18,563
Deferred tax liabilities, net	103,352	105,392	112,715
Provision for asset retirement	72,632	74,916	52,702
Total non-current liabilities	212,949	235,892	238,431
Total liabilities	331,143	365,192	365,266
Equity	1,826,372	1,819,367	1,828,264
Total liabilities and equity	2,157,515	2,184,559	2,193,530

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

	<u>1Q18</u>	<u>4Q17</u>	<u>1Q17</u>
Cash flows from operating activities			
Receipts from customers	183,553	154,729	165,134
Payments to suppliers	(99,394)	(85,776)	(84,893)
Payments of corporate income tax	(1,895)	(3,012)	(3,925)
Refunds/(payments) of taxes, net	(63,580)	(10,418)	30,599
Payments to employees	(30,003)	(18,747)	(28,282)
Withdrawal of financial guarantee	-	2,308	5,061
Placement of financial guarantee	-	(6,213)	-
Other receipts	1,082	877	433
Other payments	(8,348)	(9,505)	(6,596)
Net cash flows (used in)/from operating activities	(18,585)	24,243	77,531
Cash flows from investing activities			
Payments for acquisition of fixed assets	(16,468)	(27,088)	(18,770)
Net cash flows used in investing activities	(16,468)	(27,088)	(18,770)
Cash flows from financing activities			
Payments of dividends	(2)	1	-
Placement of restricted cash	(7,935)	(11,909)	(8,083)
Usage of restricted cash	19,863	-	20,261
Payments of long-term borrowings	(18,750)	-	(18,750)
Payments of finance costs	(1,694)	(55)	(2,356)
Net cash flows used in financing activities	(8,518)	(11,963)	(8,928)
Net (decrease)/increase in cash and cash equivalents	(43,571)	(14,808)	49,833
Cash and cash equivalents at the beginning of the period	221,699	236,635	185,560
Effect of exchange rate changes on cash and cash equivalents	(216)	(128)	98
Cash and cash equivalents at the end of the period	177,912	221,699	235,491