

Press Release



PT Vale reports higher production and sales in the second quarter of 2018

Jakarta, July 25, 2018 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the second quarter of 2018 (“2Q18”). The Company recorded production of 18,893 MT of nickel in matte, and sales of US\$ 204.2 million in the quarter.

“Production of nickel in matte was about 10% higher in 2Q18 than in 1Q18. In addition, revenue was also about 20% higher, due to higher deliveries and average realized price in 2Q18. Nickel matte deliveries increased by approximately 9% to 18,764 MT, and average realized price rose by around 10% to US\$ 10,880 per ton in 2Q18 compared to 1Q18. However, considering the volatility in the market, we remain focused on optimizing our production capacity, improving efficiencies and reducing costs,” reported Nico Kanter, CEO and President Director of the Company.

The Company’s cost of revenue in 2Q18 increased by US\$12.7 million in line with the increase in production in the quarter from 17,141 MT in 1Q18 to 18,893 MT in 2Q18. The cost of revenue per metric ton of nickel in matte was slightly lower in 2Q18 than 1Q18, despite increase in fuel price in the quarter. Fuel price increased by 5% on a unit cost basis. Fuel represents one of PT Vale’s largest costs.

The following table provides details on PT Vale’s High Sulphur Fuel Oil (HSFO), diesel and coal consumption in 2Q18, 1Q18, 1H18 and 1H17:

	<u>2Q18</u>	<u>1Q18</u>	<u>1H18</u>	<u>1H17</u>
HSFO volume (barrels)	365,448	377,799	743,247	769,110
HSFO average price per barrel	US\$63.54	US\$60.36	US\$61.93	US\$51.84
Diesel volume (kilo litres)	18,935	19,367	38,303	36,630
Diesel average price per litre	US\$0.62	US\$0.58	US\$0.60	US\$0.50
Coal volume (t)	98,881	96,407	195,288	190,880
Coal average price per t (*)	US\$141.18	US\$144.09	US\$142.62	US\$122.35

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

When compared to 1Q18, HSFO and diesel consumption decreased in 2Q18 by 3% and 2% respectively, while coal consumption increased by 3%. The decrease in HSFO and diesel consumption and increase in coal usage was driven by the Coal Conversion Project 2 (CCP2) for reduction kiln #2 that was installed and commissioned in April 2018.

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PT Vale's EBITDA in 2Q18 was US\$66.1 million, compared with US\$43.2 million in 1Q18, primarily due to higher deliveries and average realized price. The Company's cash and cash equivalents increased to US\$185.9 million as of June 30, 2018, from US\$177.9 million on March 31, 2018. PT Vale will continue to exercise prudent control of its spending to preserve cash.

PT Vale disbursed approximately US\$13.3 million in capital expenditures this quarter, down from US\$16.5 million in 1Q18.

In 2018, PT Vale plans to produce approximately 77,000 t of nickel in matte. At the same time, 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 interim and 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

	<u>2Q18</u>	<u>1Q18</u>	<u>1H18</u>	<u>1H17</u>
Nickel in matte production ¹	18,893	17,141	36,034	37,331
Nickel matte deliveries ¹	18,764	17,240	36,003	37,144
Average realized price ²	10,880	9,887	10,405	7,858
EBITDA ³	66.1	43.2	109.3	34.0
Revenue ³	204.2	170.5	374.6	291.9
Profit/(Loss) ³	22.6	6.8	29.4	(21.5)
Earnings/(Loss) per share ⁴	0.0023	0.0007	0.0030	(0.0022)

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>2Q18</u>	<u>1Q18</u>	<u>1H18</u>	<u>1H17</u>
Revenue	204,156	170,455	374,611	291,887
Cost of revenue	(166,887)	(154,186)	(321,073)	(309,882)
Gross profit/(loss)	37,269	16,269	53,538	(17,995)
Other income	759	1,082	1,841	1,154
Operating expenses	(2,890)	(2,838)	(5,728)	(5,416)
Other expenses	(2,366)	(3,265)	(5,631)	(5,119)
Operating profit/(loss)	32,772	11,248	44,020	(27,376)
Finance costs	(1,784)	(1,872)	(3,656)	(4,155)
Profit/(loss) before income tax	30,988	9,376	40,364	(31,531)
Income tax (expense)/benefit	(8,437)	(2,539)	(10,976)	10,052
Profit/(loss) for the period	22,551	6,837	29,388	(21,479)
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	224	(221)
– Income tax on other comprehensive income/(loss)	-	(56)	(56)	55
Total other comprehensive income/(loss)	-	168	168	(166)
Total comprehensive income/(loss) for the period	22,551	7,005	29,556	(21,645)
Earnings/(loss) per share				
- Basic and diluted (in US Dollars)	0.0023	0.0007	0.0030	(0.0022)

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

	June 30, 2018 (Unaudited)	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Cash and cash equivalents	185,896	177,912	221,699
Restricted cash	15,851	3,962	15,890
Trade receivables - Related parties	182,180	152,478	165,577
Inventories, net	124,948	128,126	117,726
Prepaid taxes - Corporate income tax	16,952	24,895	24,895
- Other taxes	45,515	52,868	42,436
Prepayments and advances	1,761	4,069	5,687
Other current financial assets	2,908	2,905	3,146
Total current assets	576,011	547,215	597,056
Restricted cash	14,345	14,345	14,345
Prepaid taxes - Corporate income tax	9,250	9,863	9,863
- Other taxes	114,976	109,205	61,757
Non-trade receivables - Related parties	43	52	71
Fixed assets, net	1,438,884	1,469,750	1,493,789
Other non-current financial assets	6,353	7,085	7,678
Total non-current assets	1,583,851	1,610,300	1,587,503
Total assets	2,159,862	2,157,515	2,184,559
Liabilities and Equity			
Trade payables - Related parties	2,228	2,114	2,913
- Third parties	36,318	45,850	58,027
Accruals	16,019	12,501	14,722
Short-term employee benefit liabilities	13,208	9,963	12,378
Taxes payable	12,653	5,820	1,538
Current portion of long-term bank borrowings	36,879	36,879	36,743
Share-based payment liabilities	1,890	1,698	1,341
Other current financial liabilities	3,349	3,369	1,638
Total current liabilities	122,544	118,194	129,300
Long-term bank borrowings	17,900	17,654	36,295
Long-term post-employment benefit liabilities	19,284	19,311	19,289
Deferred tax liabilities, net	99,799	103,352	105,392
Provision for asset retirement	51,412	72,632	74,916
Total non-current liabilities	188,395	212,949	235,892
Total liabilities	310,939	331,143	365,192
Equity	1,848,923	1,826,372	1,819,367
Total liabilities and equity	2,159,862	2,157,515	2,184,559

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PT Vale Indonesia Tbk

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

	<u>2Q18</u>	<u>1Q18</u>	<u>1H18</u>	<u>1H17</u>
Cash flows from operating activities				
Receipts from customers	174,455	183,553	358,008	308,634
Payments to suppliers	(114,544)	(99,394)	(213,938)	(184,387)
Payments of corporate income tax	(2,665)	(1,895)	(4,560)	(9,567)
Refunds/(payments) of taxes, net	7,298	(63,580)	(56,282)	64,714
Payments to employees	(23,436)	(30,003)	(53,439)	(52,256)
Withdrawal of financial guarantee	-	-	-	12,153
Placement of financial guarantee	-	-	-	(122)
Other receipts	759	1,082	1,841	1,154
Other payments	(8,526)	(8,348)	(16,874)	(13,592)
Net cash flows (used in)/from operating activities	33,341	(18,585)	14,756	126,731
Cash flows from investing activities				
Payments for acquisition of fixed assets	(13,255)	(16,468)	(29,723)	(30,640)
Net cash flows used in investing activities	(13,255)	(16,468)	(29,723)	(30,640)
Cash flows from financing activities				
Payments of dividends	-	(2)	(2)	(1)
Placement of restricted cash	(11,889)	(7,935)	(19,824)	(20,173)
Usage of restricted cash	-	19,863	19,863	20,261
Payments of long-term borrowings	-	(18,750)	(18,750)	(18,750)
Payments of finance costs	-	(1,694)	(1,694)	(2,356)
Net cash flows used in financing activities	(11,889)	(8,518)	(20,407)	(21,019)
Net (decrease)/increase in cash and cash equivalents	8,197	(43,571)	(35,374)	75,072
Cash and cash equivalents at the beginning of the period	177,912	221,699	221,699	185,560
Effect of exchange rate changes on cash and cash equivalents	(213)	(216)	(429)	85
Cash and cash equivalents at the end of the Period	185,896	177,912	185,896	260,717