

Press Release



PT Vale reports a profitable quarter in the third quarter of 2018

Jakarta, October 24, 2018 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the third quarter of 2018 (“3Q18”). The Company recorded production of 18,193 MT of nickel in matte, and sales of US\$ 205.0 million in the quarter.

“I am pleased to report a profitable third quarter in 2018 as we benefited from a higher sales price,” said Nico Kanter, CEO and President Director of the Company. “Compared to the previous quarter, production of nickel in matte and deliveries of nickel matte were about 4% and 1% lower, respectively. However, revenue was slightly higher due to a higher average realized price in 3Q18. We remain focused on optimizing our production capacity, improving efficiencies and reducing costs.”

On the operations side, production in the third quarter of 2018 was below plan as a result of unplanned maintenance activities to address identified operational issues and ensure the safety of the operations. PT Vale was able to move the planned maintenance schedule from 4Q18 forward to 3Q18, and thus does not expect any additional major maintenance activities for the remainder of the year.

The Company’s cost of revenue in 3Q18 decreased by US\$4.8 million despite significant increases in fuel and coal prices. The High Sulphur Fuel Oil (HSFO) price increased by 13%, High Speed Diesel (HSD) by 5% and coal by 7% on a unit cost basis in 3Q18 compared to the previous quarter. Fuel represents one of PT Vale’s largest costs.

The following table provides details on PT Vale’s HSFO, diesel and coal consumption in 3Q18, 2Q18, 9M18 and 9M17:

	<u>3Q18</u>	<u>2Q18</u>	<u>9M18</u>	<u>9M17</u>
HSFO volume (barrels)	398,825	365,448	1,142,072	1,205,441
HSFO average price per barrel	US\$71.97	US\$63.54	US\$65.44	US\$51.80
Diesel volume (kilo litres)	20,051	18,935	58,353	55,780
Diesel average price per litre	US\$0.66	US\$0.62	US\$0.62	US\$0.49
Coal volume (t)	95,827	98,881	291,115	282,550
Coal average price per t (*)	US\$150.56	US\$141.18	US\$145.23	US\$123.34

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

When compared to 2Q18, HSFO and diesel consumption increased in 3Q18 by 9% and 6% respectively, while coal consumption decreased by 3%. The increase in HSFO and diesel consumption and decrease in coal usage was driven by a lower conversion ratio in 3Q18 due to unplanned maintenance on the coal mill.

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PT Vale Indonesia Tbk

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PT Vale's EBITDA in 3Q18 was US\$69.5 million, compared with US\$66.1 million in 2Q18, primarily due to a higher average realized price. The Company's cash and cash equivalents increased to US\$266.3 million as of September 30, 2018, from US\$185.9 million on June 30, 2018. PT Vale will continue to exercise prudent control of its spending to preserve cash.

PT Vale disbursed approximately US\$27.7 million in capital expenditures in 3Q18, up from US\$13.3 million in 2Q18.

Due to the unplanned 3Q18 maintenance activities, PT Vale is revising its full-year production target to 75,000 t in 2018, down from 77,000 t forecast in 2Q18. 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>3Q18</u>	<u>2Q18</u>	<u>9M18</u>	<u>9M17</u>
Nickel in matte production ¹	18,193	18,893	54,227	57,494
Nickel matte deliveries ¹	18,566	18,764	54,569	57,724
Average realized price ²	11,041	10,880	10,621	7,773
EBITDA ³	69.5	66.1	178.9	68.1
Revenue ³	205.0	204.2	579.6	448.7
Profit/(Loss) ³	25.8	22.6	55.2	(19.6)
Earnings/(Loss) per share ⁴	0.0026	0.0023	0.0056	(0.0020)

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>3Q18</u>	<u>2Q18</u>	<u>9M18</u>	<u>9M17</u>
Revenue	204,983	204,156	579,594	448,708
Cost of revenue	(162,067)	(166,887)	(483,140)	(459,185)
Gross profit/(loss)	42,916	37,269	96,454	(10,477)
Other income	1,033	759	2,874	1,886
Operating expenses	(3,028)	(2,890)	(8,756)	(8,101)
Other expenses	(4,579)	(2,366)	(10,210)	(6,262)
Operating profit/(loss)	36,342	32,772	80,362	(22,954)
Finance costs	(1,623)	(1,784)	(5,279)	(6,026)
Profit/(loss) before income tax	34,719	30,988	75,083	(28,980)
Income tax (expense)/benefit	(8,897)	(8,437)	(19,873)	9,353
Profit/(loss) for the period	25,822	22,551	55,210	(19,627)
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	(221)
– Income tax on other comprehensive income/(loss)	-	-	(56)	55
Total other comprehensive income/(loss)	-	-	168	(166)
Total comprehensive income/(loss) for the period	25,822	22,551	55,378	(19,793)
Earnings/(loss) per share				
- Basic and diluted (in US Dollars)	0.0026	0.0023	0.0056	(0.0020)

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

	September 30, 2018 (Unaudited)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Cash and cash equivalents	266,282	185,896	221,699
Restricted cash	3,902	15,851	15,890
Trade receivables - Related parties	157,536	182,180	165,577
Inventories, net	134,744	124,948	117,726
Prepaid taxes - Corporate income tax	-	16,952	24,895
- Other taxes	40,397	45,515	42,436
Prepayments and advances	5,912	1,761	5,687
Other current financial assets	3,046	2,908	3,146
Total current assets	611,819	576,011	597,056
Restricted cash	14,345	14,345	14,345
Prepaid taxes - Corporate income tax	9,250	9,250	9,863
- Other taxes	117,100	114,976	61,757
Non-trade receivables - Related parties	27	43	71
Fixed assets, net	1,427,624	1,438,884	1,493,789
Other non-current financial assets	6,296	6,353	7,678
Total non-current assets	1,574,642	1,583,851	1,587,503
Total assets	2,186,461	2,159,862	2,184,559
Liabilities and Equity			
Trade payables - Related parties	2,077	2,228	2,913
- Third parties	58,129	36,318	58,027
Accruals	15,583	16,019	14,722
Short-term employee benefit liabilities	14,759	13,208	12,378
Taxes payable	17,297	12,653	1,538
Current portion of long-term bank borrowings	36,274	36,879	36,743
Share-based payment liabilities	1,906	1,890	1,341
Other current financial liabilities	2,845	3,349	1,638
Total current liabilities	148,870	122,544	129,300
Long-term bank borrowings	-	17,900	36,295
Long-term post-employment benefit liabilities	18,710	19,284	19,289
Deferred tax liabilities, net	101,298	99,799	105,392
Provision for asset retirement	42,838	51,412	74,916
Total non-current liabilities	162,846	188,395	235,892
Total liabilities	311,716	310,939	365,192
Equity	1,874,745	1,848,923	1,819,367
Total liabilities and equity	2,186,461	2,159,862	2,184,559

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

	<u>3Q18</u>	<u>2Q18</u>	<u>9M18</u>	<u>9M17</u>
Cash flows from operating activities				
Receipts from customers	229,627	174,455	587,635	455,644
Payments to suppliers	(102,778)	(114,544)	(316,716)	(291,101)
Payments of corporate income tax	(2,642)	(2,665)	(7,202)	(11,954)
Refunds/(payments) of taxes, net	17,703	7,298	(38,579)	55,902
Payments to employees	(17,717)	(23,436)	(71,156)	(70,698)
Withdrawal of financial guarantee	-	-	-	9,441
Other receipts	1,033	759	2,874	1,886
Other payments	(8,497)	(8,526)	(25,371)	(20,802)
Net cash flows from operating activities	116,729	33,341	131,485	128,318
Cash flows from investing activities				
Payments for acquisition of fixed assets	(27,734)	(13,255)	(57,457)	(47,526)
Net cash flows used in investing activities	(27,734)	(13,255)	(57,457)	(47,526)
Cash flows from financing activities				
Payments of dividends	-	-	(2)	(1)
Placement of restricted cash	(7,865)	(11,889)	(27,689)	(28,185)
Usage of restricted cash	19,814	-	39,677	40,413
Payments of long-term borrowings	(18,750)	-	(37,500)	(37,500)
Payments of finance costs	(1,495)	-	(3,189)	(4,492)
Net cash flows used in financing activities	(8,296)	(11,889)	(28,703)	(29,765)
Net (decrease)/increase in cash and cash equivalents	80,699	(8,197)	45,325	51,027
Cash and cash equivalents at the beginning of the period	185,896	177,912	221,699	185,560
Effect of exchange rate changes on cash and cash equivalents	(313)	(213)	(742)	48
Cash and cash equivalents at the end of the Period	266,282	185,896	266,282	236,635