

PT Vale posts EBITDA of US\$235.7M for 2018

Jakarta, February 1, 2019 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its audited results for 2018. The company booked EBITDA of US\$235.7 million, mainly driven by a higher realized price for nickel and the ability to implement prudent cost management.

The average realized price in 2018 was 27% higher than in 2017. “The higher price definitely had a positive impact on our financial performance,” said Nico Kanter, CEO and President Director of the Company. “However, what differentiates us is our ability to manage our costs prudently. In early 2018, we launched a three-year program with a US\$50 million cost reduction target. Since then, we implemented a series of initiatives to eliminate operational waste and improve efficiencies. That effort delivered US\$10.8 million of the US\$50 million target in 2018.”

PT Vale recorded sales of US\$776.9 million in 2018, 23% above sales recorded in 2017 of US\$629.3 million. The average realized price for nickel in matte shipments in 2018 was US\$10,272 per ton, an increase from the 2017 level of US\$8,106 per ton. The Company’s cost of revenue in 2018 increased by US\$50.1 million or 8% from US\$622.8 million in 2017 to US\$672.9 million. This was mainly due to higher fuel and coal prices.

At the end of 2018, we received exploration permits for the Sorowako, Bahadopi and Pomalaa Blocks. We also received exploitation permits for the Sorowako block. Accordingly, we are obligated to pay forestry non-tax state revenue (PNBP). The PNBP was applied retroactively to 2008, the year Government Regulation No. 2/2008 was issued. Excluding the one-off retroactive PNBP tax, the cost of revenue per metric ton in 4Q18, decreased by US\$149 when compared to the previous quarter. The issuance of these long-awaited forestry permits give us legal certainty and reduce our business risks.

The following table provides details on PT Vale’s HSFO, diesel and coal consumption:

	4Q18	3Q18	2018	2017
HSFO volume (barrels)	365,457	398,825	1,507,529	1,637,673
HSFO average price per barrel	US\$75.47	US\$71.97	US\$67.87	US\$52.74
Diesel volume (kilo litres)	19,542	20,051	77,896	74,344
Diesel average price per litre	US\$0.71	US\$0.66	US\$0.64	US\$0.50
Coal volume (t)	114,998	95,827	406,113	370,613
Coal average price per t (*)	US\$169.94	US\$150.56	US\$152.23	US\$126.09

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

In 2018, HSFO consumption per metric ton of nickel in matte produced decreased while coal consumption increased when compared to 2017. This was due to our coal conversion initiatives, which contributed total savings of US\$40.1 million in 2018. Diesel consumption per metric ton in 2018 increased when compared to 2017. This reflects higher consumption in 2018 to operate our heavy equipment units over higher material-moved volume.



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The Company's cash and cash equivalents as of December 31, 2018 was US\$301.1 million, an increase of US\$79.5 million from the balance at December 31, 2017. Capital expenditures in 2018 were around US\$99.0 million, up from US\$68.5 million in 2017.

In 2018, PT Vale produced 74,806 metric tons of nickel in matte, a decrease of almost 3% from last year's production of 76,807 metric tons. The decrease was mainly driven by a lower average nickel grade in 2018 and the impact of unplanned maintenance activities in 3Q18.

The Company has achieved more than 30 million person-hours and counting without a Lost Time Injury and received its first Aditama safety award from the government. The Company also won the Best of the Best award for Environmental Management from the Ministry of Energy and Mineral Resources for the 4th time in 2018. The Company will maintain its focus on improving cost efficiency to sustain competitiveness in the long term without compromising the Company's foremost values: *Life Matters Most* and *Prize Our Planet*.

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.

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PT Vale Indonesia Tbk Production and Financial Highlights

	<u>4Q18</u>	<u>3Q18</u>	<u>2018</u>	<u>2017</u>
Nickel in matte production ¹	20,579	18,193	74,806	76,807
Nickel matte deliveries ¹	21,062	18,566	75,631	77,643
Average realized price ²	9,368	11,041	10,272	8,106
Adjusted EBITDA ^{3 *}	56.8⁵	69.5	235.7⁵	111.6
Revenue ³	197.3	205.0	776.9	629.3
Profit/(Loss) ³	5.3	25.8	60.5	(15.3)
Earnings/(Loss) per share ⁴	0.0005	0.0026	0.0061	(0.0015)

¹ metric ton (t)

² US\$ per t

³ US\$ million

⁴ US\$

⁵ Excludes non-recurring expenses

* EBITDA defines profit or loss before interest, tax, depreciation and amortization. PT Vale uses the term adjusted EBITDA to reflect exclusion of non-recurring expenses. Adjusted EBITDA should not be considered as a substitute for operational profit or as a better measure of liquidity than operational cash flow, which are calculated in accordance with Indonesian Financial Accounting Standards. PT Vale provides its adjusted EBITDA to give additional information about its capacity to pay debt, carry out investments and cover working capital needs.

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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>4Q18</u>	<u>3Q18</u>	<u>2018</u> <u>(Audited)</u>	<u>2017</u> <u>(Audited)</u>
Revenue	197,306	204,983	776,900	629,334
Cost of revenue	<u>(189,759)</u>	<u>(162,067)</u>	<u>(672,899)</u>	<u>(622,780)</u>
Gross profit	7,547	42,916	104,001	6,554
Other income	5,641	-	5,641	353
Operating expenses	<u>(2,822)</u>	<u>(3,028)</u>	<u>(11,578)</u>	<u>(11,339)</u>
Other expenses	<u>(3,000)</u>	<u>(4,579)</u>	<u>(13,210)</u>	<u>(13,546)</u>
Operating profit/(loss)	7,366	35,309	84,854	(17,978)
Finance income	1,678	1,033	4,552	2,763
Finance costs	<u>(1,510)</u>	<u>(1,623)</u>	<u>(6,789)</u>	<u>(7,805)</u>
Net finance costs	168	(590)	(2,237)	(5,042)
Profit/(loss) before income tax	7,534	34,719	82,617	(23,020)
Income tax (expense)/benefit	<u>(2,232)</u>	<u>(8,897)</u>	<u>(22,105)</u>	<u>7,749</u>
Profit/(loss) for the period	5,302	25,822	60,512	(15,271)
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
– Changes resulting from actuarial remeasurement of post-employment benefit liabilities	4,907	-	5,131	65
– Income tax on other comprehensive income	<u>(1,227)</u>	-	<u>(1,283)</u>	<u>(16)</u>
Total other comprehensive income	3,680	-	3,848	49
Total comprehensive income/(loss) for the period	8,982	25,822	64,360	(15,222)
Earnings/(loss) per share				
- Basic and diluted (in US Dollars)	<u>0.0005</u>	<u>0.0026</u>	<u>0.0061</u>	<u>(0.0015)</u>

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

	Dec 31, 2018 (Audited)	Sep 30, 2018 (Unaudited)	Dec 31, 2017 (Audited)
Assets			
Cash and cash equivalents	301,153	266,282	221,699
Restricted cash	15,607	3,902	15,890
Trade receivables - Related parties	124,248	157,536	165,577
Inventories, net	131,779	134,744	117,726
Prepaid taxes - Corporate income tax	9,250	-	24,895
- Other taxes	41,548	40,397	42,436
Prepayments and advances	4,887	5,912	5,687
Other current financial assets	2,526	3,046	3,146
Total current assets	630,998	611,819	597,056
Restricted cash	14,345	14,345	14,345
Prepaid taxes - Corporate income tax	-	9,250	9,863
- Other taxes	116,281	117,100	61,757
Non-trade receivables - Related parties	18	27	71
Fixed assets, net	1,434,510	1,427,624	1,493,789
Other non-current financial assets	6,300	6,296	7,678
Total non-current assets	1,571,454	1,574,642	1,587,503
Total assets	2,202,452	2,186,461	2,184,559
Liabilities and Equity			
Trade payables - Related parties	1,620	2,077	2,913
- Third parties	89,561	58,129	58,027
Accruals	25,599	15,583	14,722
Short-term employee benefit liabilities	15,823	14,759	12,378
Taxes payable	2,900	17,297	1,538
Current portion of long-term bank borrowings	36,519	36,274	36,743
Share-based payment liabilities	2,042	1,906	1,341
Other current financial liabilities	1,276	2,845	1,638
Total current liabilities	175,340	148,870	129,300
Long-term bank borrowings	-	-	36,295
Long-term post-employment benefit liabilities	14,878	18,710	19,289
Deferred tax liabilities, net	90,674	101,298	105,392
Provision for asset retirement	37,833	42,838	74,916
Total non-current liabilities	143,385	162,846	235,892
Total liabilities	318,725	311,716	365,192
Equity	1,883,727	1,874,745	1,819,367
Total liabilities and equity	2,202,452	2,186,461	2,184,559

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

	4Q18	3Q18	2018 (Audited)	2017 (Audited)
Cash flows from operating activities				
Receipts from customers	230,594	229,627	818,229	610,373
Payments to suppliers	(100,331)	(102,778)	(417,047)	(376,877)
Payments of corporate income tax	(29,146)	(2,642)	(36,348)	(14,966)
(Payments)/refunds of taxes, net	1,876	17,703	(36,703)	45,484
Payments to employees	(21,186)	(17,717)	(92,342)	(89,445)
Placement of financial guarantee	(128)	-	(128)	(8,925)
Withdrawal of financial guarantee	128	-	128	14,461
Other receipts	1,678	1,033	4,552	2,763
Other payments	(10,611)	(8,497)	(35,982)	(30,307)
Net cash flows from operating activities	72,874	116,729	204,359	152,561
Cash flows from investing activities				
Payments for acquisition of fixed assets	(26,327)	(27,734)	(83,784)	(74,614)
Net cash flows used in investing activities	(26,327)	(27,734)	(83,784)	(74,614)
Cash flows from financing activities				
Placement of restricted cash	(11,705)	(7,865)	(39,394)	(40,094)
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	(21)	(1,495)	(3,212)	(4,547)
Net cash flows used in financing activities	(11,726)	(8,296)	(40,429)	(41,728)
Net increase in cash and cash equivalents	34,821	80,699	80,146	36,219
Cash and cash equivalents at the beginning of the period	266,282	185,896	221,699	185,560
Effect of exchange rate changes on cash and cash equivalents	50	(313)	(692)	(80)
Cash and cash equivalents at the end of the period	301,153	266,282	301,153	221,699