

PT Vale posts net loss but positive EBITDA in 1Q19

Jakarta, April 24, 2019 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the first quarter of 2019 (“1Q19”). The Company recorded sales of US\$126.4 million in the quarter. Sales in 1Q19 were 36% lower than in 4Q18 and 26% lower than 1Q18 due to a combination of lower production volumes and a lower average realized price in 1Q19.

“Production in the first quarter of 2019 was approximately 36% lower than production in 4Q18 due to a combination of planned maintenance activities related to the Larona Canal Relining and unplanned electric furnace 4 issues,” said Nico Kanter, CEO and President Director of PT Vale. “These maintenance activities are crucial to improving operational efficiency and ensuring operational continuity. Due to furnace 4 issues, PT Vale’s nickel in matte production was revised to 71,000 t – 73,000 t this year. Our operations team undertook several restorative measures on the furnace and is closely monitoring its condition to ensure its continued safe operation. Despite all these challenges in the quarter, the Company was still able to generate a positive adjusted EBITDA of US\$4.0 million. We remain focused on optimizing production capacity, improving efficiencies and reducing costs.”

PT Vale’s cost of revenue fell by 21% from US\$189.8 million in 4Q18 to US\$149.7 million in 1Q19, aligned with significant lower production in 1Q19. However, the cost of revenue per metric ton of nickel in matte increased by 24% as around 50% of production costs are fixed costs. In order to control the cost, the Company continued implementing several initiatives as part of US\$50 million cost reduction program and realized cost savings of US\$3.7 million in 1Q19, on top of the US\$10.8 million realized in 2018.

The following table provides details on PT Vale’s High Sulphur Fuel Oil (“HSFO”), diesel and coal consumption in 1Q19, 4Q18 and 1Q18:

	1Q19	4Q18	1Q18
HSFO volume (barrels)	277,568	365,457	377,799
HSFO average price per barrel	US\$71.42	US\$75.47	US\$60.36
Diesel volume (kilolitres)	28,329	19,542	19,367
Diesel average price per litre	US\$0.59	US\$0.71	US\$0.58
Coal volume (t)	86,164	114,998	96,407
Coal average price per t (*)	US\$149.52	US\$169.94	US\$144.09

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

The consumption of fuel and coal in 1Q19 was lower than 4Q18 due to lower production. On the price side, the fuel and coal prices in 1Q19 were lower compared to the previous quarter due to commercial negotiations that the procurement team undertook with suppliers, coupled with favorable trends in the commodity prices in the quarter.



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PT Vale disbursed approximately US\$50.2 million in capital expenditures in 1Q19. The Company's cash and cash equivalents as of March 31, 2019 and December 31, 2018 were US\$219.4 million and US\$301.1 million, respectively. The lower cash balance in 2019 was driven primarily by lower sales as a result of lower production in 1Q19. PT Vale will continue to exercise prudent control of its spending to preserve cash.

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 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

	1Q19	4Q18	1Q18
Nickel in matte production ¹	13,080	20,579	17,141
Nickel matte deliveries ¹	13,867	21,062	17,240
Average realized price ²	9,117	9,368	9,887
Adjusted EBITDA ^{3 *}	4.0	56.8 ⁵	43.2
Revenue ³	126.4	197.3	170.5
(Loss)/Profit ³	(20.2)	5.3	6.8
(Loss)/Earnings per share ⁴	(0.0020)	0.0005	0.0007

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

	<u>1Q19</u>	<u>4Q18</u>	<u>1Q18</u>
Revenue	126,428	197,306	170,455
Cost of revenue	<u>(149,703)</u>	<u>(189,759)</u>	<u>(154,186)</u>
Gross (loss)/profit	(23,275)	7,547	16,269
Other income	1,730	5,641	-
Operating expenses	(3,070)	(2,822)	(2,838)
Other expenses	<u>(2,841)</u>	<u>(3,000)</u>	<u>(3,265)</u>
Operating (loss)/profit	(27,456)	7,366	10,166
Finance income	1,977	1,678	1,082
Finance costs	<u>(1,394)</u>	<u>(1,510)</u>	<u>(1,872)</u>
Net finance income/(cost)	583	168	(790)
(Loss)/profit before income tax	(26,873)	7,534	9,376
Income tax benefit/(expense)	<u>6,711</u>	<u>(2,232)</u>	<u>(2,539)</u>
(Loss)/profit for the period	<u>(20,162)</u>	<u>5,302</u>	<u>6,837</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
– Changes resulting from actuarial re-measurement of post-employment benefit liabilities	(5,115)	4,907	224
– Income tax on other comprehensive income	<u>1,279</u>	<u>(1,227)</u>	<u>(56)</u>
Total other comprehensive income	<u>(3,836)</u>	<u>3,680</u>	<u>168</u>
Total comprehensive (loss)/income for the period	<u>(23,998)</u>	<u>8,982</u>	<u>7,005</u>
(Loss)/earning per share			
- Basic and diluted (in full amount of US Dollars)	<u>(0.0020)</u>	<u>0.0005</u>	<u>0.0061</u>

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

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)	March 31, 2018 (Unaudited)
Assets			
Cash and cash equivalents	219,381	301,153	177,912
Restricted cash	-	15,607	3,962
Trade receivables - Related parties	82,341	124,248	152,478
Inventories, net	148,642	131,779	128,126
Prepaid taxes - Corporate income tax	9,250	9,250	24,895
- Other taxes	45,728	41,548	52,868
Prepayments and advances	2,735	4,887	4,069
Other current financial assets	2,255	2,526	2,905
Total current assets	510,332	630,998	547,215
Restricted cash	23,417	14,345	14,345
Prepaid taxes - Corporate income tax	33,876	-	9,863
- Other taxes	117,762	116,281	109,205
Non-trade receivables - Related parties	10	18	52
Fixed assets, net	1,448,061	1,434,510	1,469,750
Other non-current financial assets	5,898	6,300	7,085
Total non-current assets	1,629,024	1,571,454	1,610,300
Total assets	2,139,356	2,202,452	2,157,515
Liabilities and Equity			
Trade payables - Related parties	1,189	1,620	2,114
- Third parties	77,564	89,561	45,850
Accruals	24,939	25,599	12,501
Short-term employee benefit liabilities	8,856	15,823	9,963
Taxes payable	3,718	2,900	5,820
Current portion of long-term bank borrowings	18,108	36,519	36,879
Share-based payment liabilities	724	2,042	1,698
Other current financial liabilities	1,931	1,276	3,369
Total current liabilities	137,029	175,340	118,194
Long-term bank borrowings	-	-	17,654
Long-term post-employment benefit liabilities	15,438	14,878	19,311
Deferred tax liabilities, net	83,963	90,674	103,352
Provision for asset retirement	43,197	37,833	72,632
Total non-current liabilities	142,598	143,385	212,949
Total liabilities	279,627	318,725	331,143
Equity	1,859,729	1,883,727	1,826,372
Total liabilities and equity	2,139,356	2,202,452	2,157,515

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

	<u>1Q19</u>	<u>4Q18</u>	<u>1Q18</u>
Cash flows from operating activities			
Receipts from customers	168,335	230,594	183,553
Payments to suppliers	(119,355)	(100,331)	(99,394)
Payments of corporate income tax	(34,812)	(29,146)	(1,895)
Payments of taxes, net	(2,320)	1,876	(63,580)
Payments to employees	(31,369)	(21,186)	(30,003)
Placement of financial guarantee	(7,848)	(128)	-
Withdrawal of financial guarantee	5,413	128	-
Other receipts	1,977	1,678	1,082
Other payments	(7,522)	(10,611)	(8,348)
Net cash flows from operating activities	(27,501)	72,874	(18,585)
Cash flows from investing activities			
Payments for acquisition of fixed assets	(50,236)	(26,327)	(16,468)
Net cash flows used in investing activities	(50,236)	(26,327)	(16,468)
Cash flows from financing activities			
Placement of restricted cash	(3,902)	(11,705)	(7,935)
Usage of restricted cash	19,509	-	19,863
Payments of long-term borrowings	(18,750)	-	(18,750)
Payments of finance costs	(1,042)	(21)	(1,696)
Net cash flows used in financing activities	(4,185)	(11,726)	(8,518)
Net increase in cash and cash equivalents	(81,922)	34,821	(43,571)
Cash and cash equivalents at the beginning of the period	301,153	266,282	221,699
Effect of exchange rate changes on cash and cash equivalents	150	50	(216)
Cash and cash equivalents at the end of the period	219,381	301,153	177,912