

Q3 marks another profitable quarter in 2015 despite low nickel price

Jakarta, October 22, 2015 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) recorded another profitable quarter in the third quarter of 2015 (3Q15) despite the very low nickel price. The Company’s unaudited results for 3Q15 show earnings of US\$10.0 million.

“Our earnings have remained positive in this tough commodity cycle due to a strong focus on executing our business strategy,” said Nico Kanter, CEO and President Director of the Company, commenting on the achievement. “We continue to improve our efficiency and to reduce costs. In this quarter, PT Vale lowered its quarterly unit cash cost of revenue even further, surpassing the level reached last quarter which, at that time, was the lowest recorded in the last five years.”

PT Vale achieved this result while also maximizing production. Production in 3Q15 was 15% higher than production in 2Q15. In this quarter, nickel matte deliveries also increased 20% from the previous quarter. This enabled a 3% increase in revenue from the previous quarter, despite a 14% decrease in average realized nickel price.

PT Vale maintains its full year production target of around 80,000 metric tons (mt) of nickel. However, the Company is now closely monitoring the predicted prolonged dry season that may affect availability of electricity from the hydroelectric dams near Soroako and is examining available alternatives and potential impacts to production.

As mentioned above, the quarterly cost of revenue per mt of nickel matte sold was the lowest in the last five years. This is due mainly to lower energy costs, dilution of fixed cost per unit as a result of higher production and Rupiah depreciation.

The Company continued to improve its fuel usage per unit of production as a result of better operational efficiency. In addition, PT Vale gained from lower prices on High Sulphur Fuel Oil (HSFO), diesel oil and coal.

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The following table shows PT Vale's High Sulphur Fuel Oil (HSFO), diesel fuel and coal consumption in 3Q15, 2Q15, 9M15 and 9M14.

	<u>3Q15</u>	<u>2Q15</u>	<u>9M15</u>	<u>9M14</u>
HSFO volume (barrels)	478,705	426,242	1,280,049	1,231,842
HSFO average price per barrel	US\$58.31	US\$62.01	US\$62.95	US\$99.94
Diesel volume (kilo litres)	19,281	15,471	52,048	47,155
Diesel average price per litre	US\$0.53	US\$0.58	US\$0.58	US\$0.90
Coal volume (t)	105,225	89,565	287,097	269,574
Coal average price per t	US\$83.64	US\$101.16	US\$92.70	US\$162.51

Nonetheless, PT Vale had to book US\$9.3 million in currency translation losses in 3Q15 as part of other expenses. This materialized when Rupiah assets – mainly tax-refund receivables – were revalued at the end of the reporting period when the Rupiah (Rp) severely depreciated against the US dollar (US\$).

PT Vale continues to position itself to thrive under the current price volatility and will continue to control its costs and manage its cash flows prudently. The Company's cash and cash equivalents as of September 30, 2015 was US\$318.5 million; which was higher than the cash and cash equivalents as of June 30, 2015 of US\$270.1 million.

PT Vale has assessed its capital expenditure plan for 2015 and will reduce its forecast sustaining capital expenditures by around 6.5%, to around US\$110.8 million. The Company will also defer all capital expenditures for growth to the following years as several permits and licences required for development were delayed. This will not affect compliance to regulations, cost reductions, production or the sustainability of the operation. During the nine-month period the Company has incurred approximately US\$76.2 million for sustaining capital expenditures.

PT Vale's management team firmly believes the Company is on track to execute its strategy of ensuring long-term profitable growth by improving efficiency and cost competitiveness, and maximizing production through operational excellence.

Readers are encouraged to review the Company's results. Operational achievements and unaudited financial results are summarized on the following pages.

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PT Vale Indonesia Tbk Production and Financial Highlights

	<u>3Q15</u>	<u>2Q15</u>	<u>9M15</u>	<u>9M14</u>
Nickel in matte production ¹	22,147	19,251	58,875	58,141
Nickel matte deliveries ¹	22,750	19,006	59,796	58,867
Average realized price per metric ton ²	8,944	10,405	10,254	13,119
EBITDA ³	56.7	58.3	186.4	280.5
Revenue ³	203.5	197.8	613.1	772.3
Earnings ³	10.0	16.8	51.9	130.4
Earnings per share ²	0.0011	0.0017	0.0052	0.0131

¹ metric ton (t)

² US\$

³ US\$ million

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PT Vale Indonesia Tbk
Interim Statements of Comprehensive Income
(In thousands of US\$ except basic earnings per share)

	<u>3Q15</u>	<u>2Q15</u>	<u>9M15</u>	<u>9M14</u>
Revenue	203,479	197,774	613,135	772,297
Cost of revenue	(167,791)	(163,536)	(496,749)	(538,108)
Gross profit	35,688	34,238	116,386	234,189
Other income	289	333	998	570
Operating expenses	(3,056)	(3,098)	(9,527)	(11,253)
Other expenses	(15,320)	(6,472)	(28,429)	(34,843)
Operating profit	17,601	25,001	79,428	188,663
Finance costs	(2,530)	(2,558)	(8,327)	(9,122)
Profit before income tax	15,071	22,443	71,101	179,541
Income tax expense	(5,047)	(5,665)	(19,242)	(49,189)
Profit for the period	10,024	16,778	51,859	130,352
Other comprehensive income				
Actuarial gain from pension plan and post-retirement medical benefits, net	562	-	-	-
Total comprehensive income for the period	10,586	16,778	51,859	130,352
Earnings per share				
- Basic (in US Dollars)	0.0011	0.0017	0.0052	0.0131

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

	Sep 30, 2015 (Unaudited)	Jun 30, 2015 (Unaudited)	Dec 31, 2014 (Audited)
Assets			
Cash and cash equivalents	318,533	270,113	302,256
Restricted cash	15,631	27,868	16,389
Trade receivables - Related parties	77,559	90,276	92,706
Inventories, net	115,698	123,051	139,287
Prepaid taxes - Corporate income tax	16,981	15,232	9,913
- Other taxes	63,376	56,692	50,841
Prepayments and advances	6,851	1,861	5,745
Other current financial assets	3,448	3,733	4,297
Total current assets	618,077	588,826	621,434
Prepaid taxes - Corporate income tax	-	-	647
- Other taxes	58,742	83,037	87,523
Non-trade receivables - Related parties	149	175	211
Fixed assets, net	1,594,124	1,604,183	1,608,523
Other non-current financial assets	12,882	14,085	15,852
Total non-current assets	1,665,897	1,701,480	1,712,756
Total assets	2,283,974	2,290,306	2,334,190
Liabilities and Equity			
Trade payables - Related parties	5,194	4,852	6,147
- Third parties	62,963	58,125	68,067
Accruals	25,063	27,322	32,030
Short-term employee benefit liabilities	6,376	4,250	20,910
Taxes payable	1,487	2,980	41,845
Current portion of long-term bank borrowings	35,975	35,978	35,979
Share-based payment liabilities	193	296	346
Other current financial liabilities	3,404	4,432	3,066
Total current liabilities	140,655	138,235	208,390
Long-term bank borrowings	109,856	128,358	146,617
Long-term post-employment benefit liabilities	10,213	10,844	10,909
Deferred tax liabilities, net	134,316	135,141	133,644
Provision for asset retirement	51,722	51,102	49,277
Total non-current liabilities	306,107	325,445	340,447
Total liabilities	446,762	463,680	548,837
Equity	1,837,212	1,826,626	1,785,353
Total liabilities and equity	2,283,974	2,290,306	2,334,190

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

	<u>3Q15</u>	<u>2Q15</u>	<u>9M15</u>	<u>9M14</u>
Cash flows from operating activities				
Receipts from customers	216,196	184,484	628,282	731,813
Payments to suppliers	(113,735)	(169,949)	(392,713)	(415,568)
Payments of corporate income tax	(17,315)	(13,765)	(35,444)	(17,495)
Refunds/(payments) of taxes, net	23,047	(3,820)	18,627	49,646
Payments to employees	(17,172)	(11,819)	(49,663)	(69,240)
Other receipts	289	333	998	570
Other payments	(5,678)	(3,847)	(24,590)	(11,473)
Net cash flows provided from/(used for) operating activities	85,632	(18,383)	145,497	268,253
Cash flows from investing activities				
Payments for acquisition of fixed assets	(27,036)	(27,657)	(84,923)	(66,377)
Net cash flows used for investing activities	(27,036)	(27,657)	(84,923)	(66,377)
Cash flows from financing activities				
Payments of dividends	(2)	(7)	(35)	(733)
Placement of restricted cash	(8,120)	(12,211)	(40,085)	(28,936)
Usage of restricted cash	20,357	-	40,843	41,561
Payments of long-term borrowings	(18,750)	-	(37,500)	(37,500)
Payments of finance costs	(2,886)	-	(6,044)	(3,860)
Net cash flows used for financing activities	(9,401)	(12,218)	(42,821)	(29,468)
Net increase/(decrease) in cash and cash equivalents	49,195	(58,258)	17,753	172,408
Cash and cash equivalents at the beginning of the period	270,113	328,232	302,256	200,020
Effect of exchange rate changes on cash and cash equivalents	(775)	139	(1,476)	(3)
Cash and cash equivalents at the end of the period	318,533	270,113	318,533	372,425