

## Another annual production record for PT Vale

**Jakarta, February 25, 2016** – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its audited results for 2015 (FY15). The Company delivered the highest annual production volume in its history with production of 81,177 metric tons (t), surpassing the previous record set one year earlier.

“We are proud of and grateful for this achievement. It is clearly a result of hard work and devotion from all employees of the Company,” said Nico Kanter, CEO and President Director of the Company. “At the same time it is critical that we continue to improve our cost and production efficiencies as we remain cautious toward the nickel price in 2016.”

PT Vale’s nickel in matte production in the fourth quarter of 2015 (4Q15) was approximately 8% higher than the production volume in 4Q14. This represents the highest quarterly production volume in the history of PT Vale, even as the Company saw water levels fall at its hydro-dams to near minimum levels toward the end of the year, impacting power supply. After a thorough examination, management of the Company decided to activate thermal generators to supply additional power to the furnaces as the operation continued to generate positive cash margins. In early 2016, however, the water levels at our hydro-dams began to improve significantly thanks to higher levels of rainfall. Consequently, the Company stopped operating thermal generators by mid-January (2016).

Sales volume in 2015 increased by 4% over 2014 and by 12% quarter over quarter (4Q15 vs. 4Q14). However, the average selling price declined by 27% in 2015 over 2014 due to lower nickel prices, resulting in a revenue decrease of 24% for the year.

The cost of revenue for the Company declined by 8% in 2015 over 2014. The main drivers of the cost reduction were lower fuel and employment costs as well as improved monitoring of discretionary spending. Operating, finance and other costs also declined by 20%, 21% and 35% in 2015 over 2014, respectively. These all reflect continuous improvement in cost discipline and operating productivity at PT Vale and highlight the success of the Company’s cost reduction strategy.

Diesel consumption in 2015 increased significantly by 37% from 2014. This is attributable to the decision to switch on thermal generators to compensate for lower power production from the hydro-dams as mentioned earlier. Diesel consumption increased by 79% in 4Q15 over the previous quarter. However, consumption and price of High Sulphur Fuel Oil (HSFO) decreased in 4Q15 compared to 3Q15, which helped offset the increase in diesel costs.

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PT Vale's HSFO and diesel fuel consumption in 4Q15, 3Q15, 2015 and 2014 are captured in the following table:

	<u>4Q15</u>	<u>3Q15</u>	<u>2015</u>	<u>2014</u>
HSFO volume (barrels)	<b>452,225</b>	478,705	<b>1,732,274</b>	1,644,260
HSFO average price per barrel	<b>US\$45.53</b>	US\$58.31	<b>US\$58.40</b>	US\$98.45
Diesel volume (kilo litres)	<b>34,580</b>	19,281	<b>86,628</b>	63,344
Diesel average price per litre	<b>US\$0.49</b>	US\$0.53	<b>US\$0.54</b>	US\$0.89
Coal volume (t)	<b>100,012</b>	105,225	<b>441,777</b>	369,147
Coal average price per t	<b>US\$83.54</b>	US\$83.64	<b>US\$79.15</b>	US\$118.67

The table above also shows that HSFO consumption in 2015 increased by 5% from 2014, which is consistent with the increase in production. However, the HSFO cost incurred in 2015 was lower than in 2014 as the HSFO price declined significantly.

Profits for 2015 and 2014 were US\$50.5 million and US\$172.3 million, respectively.

The Company's cash and cash equivalents as of December 31, 2015 and 2014 were US\$194.8 million and US\$302.3 million, respectively. PT Vale's current assets as of December 31, 2015 also included the short-term investments in the form of time deposits in the amount of US\$90.1 million. PT Vale has been, and will continue to, prudently control its spending to preserve cash.

During the year, the Company disbursed approximately US\$106.4 million in capital expenditures. That disbursement is in line with the capital expenditure guidance mentioned in the 3Q15 results release.

In 2016, PT Vale plans to produce approximately 80,000 t of nickel in matte. At the same time, the Company will maintain its focus on improving costs to sustain competitiveness in the long run without compromising the Company's foremost value: *Life Matters Most*.

Readers are encouraged to review the Company's results. Operational achievements and 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>4Q15</u>	<u>3Q15</u>	<u>2015</u>	<u>2014</u>
Nickel in matte production <sup>1</sup>	<b>22,302</b>	22,147	<b>81,177</b>	78,726
Nickel matte deliveries <sup>1</sup>	<b>23,111</b>	22,750	<b>82,907</b>	79,477
Average realized price <sup>2</sup>	<b>7,642</b>	8,944	<b>9,526</b>	13,061
EBITDA <sup>3</sup>	<b>28.3</b>	56.7	<b>214.8</b>	371.8
Revenue <sup>3</sup>	<b>176.6</b>	203.5	<b>789.7</b>	1,038.1
Earnings <sup>3</sup>	<b>(1.4)</b>	10.0	<b>50.5</b>	172.3
Earnings per share <sup>4</sup>	<b>(0.0001)</b>	0.0010	<b>0.0051</b>	0.0173

<sup>1</sup> metric ton (t)

<sup>2</sup> US\$ per t

<sup>3</sup> US\$ million

<sup>4</sup> US\$

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**PT Vale Indonesia Tbk**  
**Statements of Profit or Loss and Other Comprehensive Income**  
(In thousands of US\$ except basic earnings per share)

	<u>4Q15</u>	<u>3Q15</u>	<u>2015</u> <b>(Audited)</b>	2014 <b>(Audited)</b>
Revenue	<b>176,610</b>	203,479	<b>789,745</b>	1,038,082
Cost of revenue	<b>(174,640)</b>	(167,791)	<b>(671,389)</b>	(731,420)
<b>Gross profit</b>	<b>1,970</b>	35,688	<b>118,356</b>	306,662
Other income	<b>359</b>	289	<b>1,357</b>	913
Operating expenses	<b>(2,035)</b>	(3,056)	<b>(11,562)</b>	(14,464)
Other income/(expenses)	<b>29</b>	(15,320)	<b>(28,400)</b>	(43,666)
<b>Operating profit</b>	<b>323</b>	17,601	<b>79,751</b>	249,445
Finance costs	<b>(1,596)</b>	(2,530)	<b>(9,923)</b>	(12,514)
<b>(Loss)/profit before income tax</b>	<b>(1,273)</b>	15,071	<b>69,828</b>	236,931
Income tax expense	<b>(85)</b>	(5,047)	<b>(19,327)</b>	(64,660)
<b>(Loss)/profit for the period</b>	<b>(1,358)</b>	10,024	<b>50,501</b>	172,271
<b>Other comprehensive loss</b>				
Items that will not be reclassified to profit or loss:				
– Re-measurement of post-employment benefit liabilities	<b>(2,530)</b>	450	<b>(2,530)</b>	(1,500)
– Income tax on other comprehensive loss	<b>633</b>	112	<b>633</b>	375
<b>Total other comprehensive loss</b>	<b>(1,897)</b>	562	<b>(1,897)</b>	(1,125)
<b>Total comprehensive (loss) / income for the period</b>	<b>(3,255)</b>	10,586	<b>48,604</b>	171,146
<b>Earnings per share</b>				
- Basic (in US Dollars)	<b>(0.0001)</b>	0.0010	<b>0.0051</b>	0.0173

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

	December 31, 2015 (Audited)	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>Assets</b>			
Cash and cash equivalents	194,754	318,533	302,256
Short-term investments	90,154	-	-
Restricted cash	32,863	15,631	16,389
Trade receivables - Related parties	78,200	77,559	92,706
Inventories, net	104,066	115,698	139,287
Prepaid taxes - Corporate income tax	-	16,981	9,913
- Other taxes	91,137	63,376	50,841
Prepayments and advances	5,045	6,851	5,745
Other current financial assets	3,742	3,448	4,297
<b>Total current assets</b>	<b>599,961</b>	<b>618,077</b>	<b>621,434</b>
Prepaid taxes - Corporate income tax	28,976	-	647
- Other taxes	43,578	58,742	87,523
Non-trade receivables - Related parties	263	149	211
Fixed assets, net	1,603,302	1,594,124	1,608,523
Other non-current financial assets	13,081	12,882	15,852
<b>Total non-current assets</b>	<b>1,689,200</b>	<b>1,665,897</b>	<b>1,712,756</b>
<b>Total assets</b>	<b>2,289,161</b>	<b>2,283,974</b>	<b>2,334,190</b>
<b>Liabilities and Equity</b>			
Trade payables - Related parties	8,712	5,194	6,147
- Third parties	76,924	62,963	68,067
Accruals	16,802	25,063	32,030
Short-term employee benefit liabilities	5,600	6,376	20,910
Taxes payable	1,806	1,487	41,845
Current portion of long-term bank borrowings	36,219	35,975	35,979
Share-based payment liabilities	176	193	346
Other current financial liabilities	2,260	3,404	3,066
<b>Total current liabilities</b>	<b>148,499</b>	<b>140,655</b>	<b>208,390</b>
Long-term bank borrowings	109,858	109,856	146,617
Long-term post-employment benefit liabilities	14,383	10,213	10,909
Deferred tax liabilities, net	124,780	134,316	133,644
Provision for asset retirement	57,684	51,722	49,277
<b>Total non-current liabilities</b>	<b>306,705</b>	<b>306,107</b>	<b>340,447</b>
<b>Total liabilities</b>	<b>455,204</b>	<b>446,762</b>	<b>548,837</b>
<b>Equity</b>	<b>1,833,957</b>	<b>1,837,212</b>	<b>1,785,353</b>
<b>Total liabilities and equity</b>	<b>2,289,161</b>	<b>2,283,974</b>	<b>2,334,190</b>

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

	<u>4Q15</u>	<u>3Q15</u>	<u>2015</u> <b>(Audited)</b>	<u>2014</u> <b>(Audited)</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	175,970	216,196	804,251	1,011,278
Payments to suppliers	(106,685)	(113,735)	(499,397)	(551,857)
Payments of corporate income tax	(20,983)	(17,315)	(56,427)	(40,391)
(Payment)/refunds of taxes, net	(12,329)	23,047	6,298	10,214
Payments to employees	(26,504)	(17,172)	(76,167)	(86,965)
Placement of reclamation guarantee	(16,612)	-	(16,612)	-
Other receipts	359	289	1,357	913
Other payments	(4,817)	(5,678)	(29,407)	(19,864)
<b>Net cash flows (used for)/provided from operating activities</b>	<b>(11,601)</b>	<b>85,632</b>	<b>133,896</b>	<b>323,328</b>
<b>Cash flows from investing activities</b>				
Payments for acquisition of fixed assets	(21,467)	(27,036)	(106,390)	(76,846)
Placement of short-term investments	(90,154)	-	(90,154)	-
<b>Net cash flows used for investing activities</b>	<b>(111,621)</b>	<b>(27,036)</b>	<b>(196,544)</b>	<b>(76,846)</b>
<b>Cash flows from financing activities</b>				
Payments of dividends	(1)	(2)	(36)	(99,552)
Placement of restricted cash	(619)	(8,120)	(40,704)	(41,228)
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)	(7,331)
<b>Net cash flows used for financing activities</b>	<b>(620)</b>	<b>(9,401)</b>	<b>(43,441)</b>	<b>(144,050)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(123,842)</b>	<b>49,195</b>	<b>(106,089)</b>	<b>102,432</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>318,533</b>	<b>270,113</b>	<b>302,256</b>	<b>200,020</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>63</b>	<b>(775)</b>	<b>(1,413)</b>	<b>(196)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>194,754</b>	<b>318,533</b>	<b>194,754</b>	<b>302,256</b>