

PT Vale reports loss as major planned maintenance completed in the first quarter of 2016

Jakarta, April 28, 2016 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the first quarter of 2016 (“1Q16”). As reported last week, PT Vale’s nickel in matte production in 1Q16 was about 24% lower than the production volume realized in 4Q15 as a result of planned maintenance activities. Sales volume in the first quarter of this year was about 16,427 metric tons (“t”); 29% and 9% lower than sales volumes in 4Q15 and 1Q15, respectively.

“PT Vale successfully completed its planned maintenance requirements with shorter shutdown times than anticipated,” said Nico Kanter, CEO and President Director of the Company. “These maintenance activities are crucial to ensure our operations continue to function efficiently. We remain confident of meeting our 2016 production target and are now better positioned to face future challenges. I should note, however, that we remain cautious toward the nickel price in 2016.”

The nickel price in early 2016 continued to decline, resulting in a 13% drop in realized price, from US\$7,642 per t in 4Q15 to US\$6,618 per t in 1Q16. This, coupled with lower sales volume, resulted in 1Q16 revenue falling to US\$108.7 million, a 38% decrease from revenue of US\$176.6 million in 4Q15.

The Company’s cost of revenue – both in total and on a per unit basis – also declined from the previous quarter. Cost of revenue in 1Q16 was US\$122.8 million, down from US\$174.6 million in 4Q15. The cost of revenue for the Company also declined by 26% in 1Q16 over 1Q15. Key drivers of the cost reduction were lower fuel, services and contract costs as well as supplies. At the same time cost control discipline improved including monitoring of discretionary spending. However, the Company reported negative gross profit for 1Q16 because cost of revenue decreased only by 30% from 4Q15.

Fuel costs in the first quarter of 2016 were over 40% lower than fuel costs in 4Q15 and 1Q15 because the Company consumed less High Sulphur Fuel Oil (HSFO) in 1Q16 than in 4Q15 and 1Q15 and less diesel in 1Q16 than in 4Q15. HSFO and diesel prices were lower in 1Q16 than in 4Q15 and 1Q15.

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Please see PT Vale's HSFO, diesel and coal consumption in 1Q16, 4Q15 and 1Q15 in the following table:

	<u>1Q16</u>	<u>4Q15</u>	<u>1Q15</u>
HSFO volume (barrels)	346,800	452,225	375,102
HSFO average price per barrel	US\$36.84	US\$45.53	US\$69.92
Diesel volume (kilo litres)	22,631	34,580	17,296
Diesel average price per litre	US\$0.40	US\$0.49	US\$0.63
Coal volume (t)	82,260	100,012	92,307
Coal average price per t	US\$82.70	US\$83.54	US\$94.80

The decline in HSFO consumption in 1Q16 corresponds to the decline in production. While diesel consumption in the same period also decreased as the Company stopped operating generators to produce electrical power by mid-January 2016 after the water levels at our hydro-dams began to improve significantly thanks to higher levels of rainfall.

Coal usage per unit of production in 1Q16 increased by 9% from 4Q15, although the total volume consumed was lower with the decline in production. The increased coal usage per unit of production was driven by the commercial trial of Coal Conversion Project 2 (CCP2) in reduction kiln #3. The commercial trial will continue until the Company is confident that the configuration has reached optimum performance.

The Company's cash and cash equivalents as of March 31, 2016 and December 31, 2015 were US\$232.6 million and US\$194.8 million, respectively. PT Vale has exercised, and will continue to exercise, prudent control of its spending to preserve cash.

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 as well as interim 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>1Q16</u>	<u>4Q15</u>	<u>1Q15</u>
Nickel in matte production ¹	16,894	22,302	17,476
Nickel matte deliveries ¹	16,427	23,111	18,040
Average realized price ²	6,618	7,642	11,745
EBITDA ³	9.2	28.3	71.4
Revenue ³	108.7	176.6	211.9
Earnings ³	(15.4)	(1.4)	25.1
Earnings per share ⁴	(0.0016)	(0.0001)	0.0025

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
(In thousands of US\$ except basic (loss)/earnings per share)

	<u>1Q16</u>	<u>4Q15</u>	<u>1Q15</u>
Revenue	108,715	176,610	211,882
Cost of revenue	(122,833)	(174,640)	(165,422)
Gross (loss)/profit	(14,118)	1,970	46,460
Other income	492	359	376
Operating expenses	(3,196)	(2,035)	(3,373)
Other (expenses)/income	(558)	29	(6,637)
Operating (loss)/profit	(17,380)	323	36,826
Finance costs	(2,336)	(1,596)	(3,239)
(Loss)/profit before income tax	(19,716)	(1,273)	33,587
Income tax benefit (expense)	4,292	(85)	(8,530)
(Loss)/profit for the period	(15,424)	(1,358)	25,057
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
– Re-measurement of post-employment benefit liabilities	-	(2,530)	674
– Income tax on other comprehensive loss	-	633	(112)
Total other comprehensive loss	-	(1,897)	(562)
Total comprehensive (loss)/ income for the period	(15,424)	(3,255)	24,495
(Loss)/earnings per share			
- Basic (in US Dollars)	(0.0016)	(0.0001)	0.0025

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

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)	March 31, 2015 (Unaudited)
Assets			
Cash and cash equivalents	232,562	194,754	328,232
Short-term investments	55,158	90,154	-
Restricted cash	16,386	32,863	15,657
Trade receivables - Related parties	46,995	78,200	76,986
Inventories, net	117,759	104,066	132,244
Prepaid taxes - Corporate income tax	10,634	-	-
- Other taxes	64,681	91,137	62,785
Prepayments and advances	3,279	5,045	2,841
Other current financial assets	3,591	3,742	3,700
Total current assets	551,045	599,961	622,445
Prepaid taxes - Corporate income tax	58,829	28,976	-
- Other taxes	16,030	43,578	84,024
Non-trade receivables - Related parties	231	263	190
Fixed assets, net	1,583,060	1,603,302	1,613,463
Other non-current financial assets	12,811	13,081	14,409
Total non-current assets	1,670,961	1,689,200	1,712,086
Total assets	2,222,006	2,289,161	2,334,531
Liabilities and Equity			
Trade payables - Related parties	4,665	8,712	5,524
- Third parties	50,116	76,924	76,609
Accruals	15,405	16,802	23,255
Short-term employee benefit liabilities	7,256	5,600	14,261
Taxes payable	975	1,806	42,131
Current portion of long-term bank borrowings	36,219	36,219	35,979
Share-based payment liabilities	181	176	275
Other current financial liabilities	3,195	2,260	3,791
Total current liabilities	118,012	148,499	201,825
Long-term bank borrowings	91,352	109,858	128,112
Long-term post-employment benefit liabilities	15,389	14,383	10,726
Deferred tax liabilities, net	120,488	124,780	133,539
Provision for asset retirement	58,232	57,684	50,481
Total non-current liabilities	285,461	306,705	322,858
Total liabilities	403,473	455,204	524,683
Equity	1,818,533	1,833,957	1,809,848
Total liabilities and equity	2,222,006	2,289,161	2,334,531

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PT Vale Indonesia Tbk

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

	<u>1Q16</u>	<u>4Q15</u>	<u>1Q15</u>
Cash flows from operating activities			
Receipts from customers	139,920	175,969	227,602
Payments to suppliers	(93,829)	(106,684)	(109,029)
Payments of corporate income tax	(10,634)	(20,983)	(4,364)
Refunds/(payments) of taxes, net	22,952	(12,329)	(600)
Payments to employees	(19,314)	(26,504)	(20,672)
Withdrawal/(placement) of financial guarantee	4,166	(16,612)	(11,586)
Other receipts	492	359	376
Other payments	(5,234)	(4,817)	(15,065)
Net cash flows from/(used in) operating activities	38,519	(11,601)	66,662
Cash flows from investing activities			
Payments for acquisition of fixed assets	(25,860)	(21,467)	(30,230)
Withdrawal/(placement) of short-term investments	34,996	(90,154)	-
Net cash flows from/(used in) investing activities	9,136	(111,621)	(30,230)
Cash flows from financing activities			
Payments of dividends	(1)	(1)	(26)
Placement of restricted cash	(8,132)	(619)	(8,168)
Usage of restricted cash	20,314	-	20,486
Payments of long-term borrowings	(18,750)	-	(18,750)
Payments of finance costs	(2,720)	-	(3,158)
Net cash flows used in financing activities	(9,289)	(620)	(9,616)
Net increase/(decrease) in cash and cash equivalents	38,366	(123,842)	26,816
Cash and cash equivalents at the beginning of the period	194,754	318,533	302,256
Effect of exchange rate changes on cash and cash equivalents	(558)	63	(840)
Cash and cash equivalents at the end of the period	232,562	194,754	328,232