

A profitable quarter for PT Vale

Jakarta, October 27, 2016 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the third quarter of 2016 (“3Q16”) with a profit of US\$13.0 million.

“I am pleased to report profitable results for the third quarter of 2016,” said Nico Kanter, CEO and President Director of the Company. “We were able to improve efficiencies and reduce costs from the previous quarter and at the same time saw an increase in the nickel price.” The average realized price in 3Q16 was 13% higher than the average realized price in 2Q16. “However, appreciating the volatility in the market, we continue to exercise caution towards the nickel price,” said Kanter.

Sales volume in 3Q16 was also 2% higher than sales made in 2Q16 and revenues increased by 15% as compared to 2Q16.

On the cost side, the Company’s cost of revenue per metric ton of nickel matte sold in 3Q16 declined by 4% from the previous quarter, driven primarily by reductions in major production cost inputs.

The cost of supplies, which increased 10% in total, decreased by 2% on a per unit of nickel in matte production basis. Depreciation, amortization and depletion, the second biggest production cost input, remained steady in 3Q16 while service and contract costs decreased by 9%.

Fuel and employment costs in 3Q16 were consistent with 2Q16 on a per unit of nickel in matte production basis.

PT Vale’s High Sulphur Fuel Oil (HSFO), diesel and coal consumption in 3Q16, 2Q16, 9M16 and 9M15 are captured in the following table:

	3Q16	2Q16	9M16	9M15
HSFO volume (barrels)	407,186	450,545	1,204,531	1,280,049
HSFO average price per barrel	US\$39.86	US\$34.26	US\$36.90	US\$62.95
Diesel volume (kilolitres)	19,306	17,192	59,129	52,048
Diesel average price per litre	US\$0.43	US\$0.38	US\$0.40	US\$0.58
Coal volume (t)	104,056	92,332	278,649	287,097
Coal average price per t	US\$84.12	US\$79.21	US\$82.08	US\$92.70

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Higher HSFO prices in 3Q16 than in 2Q16 were offset by lower HSFO consumption per metric ton of production. In addition, a commercial trial of the Coal Conversion Project 2 (CCP2) in reduction kiln #3 in 3Q16 saw higher coal consumption. Coal use in 3Q16 increased by 23% from consumption in 2Q16. The commercial trial will continue until the Company is confident that the configuration has achieved optimum performance.

PT Vale's EBITDA in 3Q16 was US\$49.1 million, higher than the US\$26.1 million recorded in 2Q16. The Company's cash and cash equivalents as of September 30, 2016 and June 30, 2016 were US\$200.4 million and US\$257.5 million, respectively. In 3Q16, PT Vale disbursed approximately US\$10.1 million in capital expenditures, or about 60% of capital expenditure spending in 2Q16. PT Vale 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 long-term competitiveness 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 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

	<u>3Q16</u>	<u>2Q16</u>	<u>9M16</u>	<u>9M15</u>
Nickel in matte production ¹	21,744	19,362	58,000	58,875
Nickel matte deliveries ¹	20,615	20,245	57,287	59,796
Average realized price ²	7,694	6,823	7,078	10,254
EBITDA ³	49.1	26.1	84.4	186.4
Revenue ³	158.6	138.1	405.5	613.1
Earnings ³	13.0	(4.6)	(7.0)	51.9
Earnings per share ⁴	0.0013	(0.0005)	(0.0007)	0.0052

¹ metric ton (t)

² US\$ per t

³ US\$ million

⁴ US\$

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

	<u>3Q16</u>	<u>2Q16</u>	<u>9M16</u>	<u>9M15</u>
Revenue	158,622	138,122	405,459	613,135
Cost of revenue	(134,799)	(137,289)	(394,921)	(496,749)
Gross profit	23,823	833	10,538	116,386
Other income	498	469	1,459	998
Operating expenses	(2,716)	(2,946)	(8,858)	(9,527)
Other expenses	(1,230)	(1,909)	(3,697)	(28,429)
Operating profit/(loss)	20,375	(3,553)	(558)	79,428
Finance costs	(2,274)	(2,307)	(6,917)	(8,327)
Profit/(loss) before income tax	18,101	(5,860)	(7,475)	71,101
Income tax (expense)/benefit	(5,082)	1,241	451	(19,242)
Profit/(loss) for the period	13,019	(4,619)	(7,024)	51,859
Total comprehensive income/(loss) for the period	13,019	(4,619)	(7,024)	51,859
Earnings/(loss) per share				
- Basic (in US Dollars)	0.0013	(0.0005)	(0.0007)	0.0052

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

	September 30, 2016 (Unaudited)	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Assets			
Cash and cash equivalents	200,432	257,514	194,754
Short-term investments	-	10,047	90,154
Restricted cash	16,369	28,594	32,863
Trade receivables - Related parties	127,683	58,306	78,200
Inventories, net	130,797	120,176	104,066
Prepaid taxes - Corporate income tax	28,921	28,921	-
- Other taxes	68,315	59,779	91,137
Prepayments and advances	5,974	2,296	5,045
Other current financial assets	3,280	3,369	3,742
Total current assets	581,771	569,002	599,961
Prepaid taxes - Corporate income tax	24,838	20,083	28,976
- Other taxes	51,485	51,540	43,578
Non-trade receivables - Related parties	180	211	263
Fixed assets, net	1,545,916	1,563,853	1,603,302
Other non-current financial assets	11,527	12,111	13,081
Total non-current assets	1,633,946	1,647,798	1,689,200
Total assets	2,215,717	2,216,800	2,289,161
Liabilities and Equity			
Trade payables - Related parties	5,768	5,379	8,712
- Third parties	44,624	51,064	76,924
Accruals	17,078	16,602	16,802
Short-term employee benefit liabilities	8,181	4,126	5,600
Taxes payable	989	102	1,806
Current portion of long-term bank borrowings	36,201	36,219	36,219
Share-based payment liabilities	356	181	176
Other current financial liabilities	4,514	3,770	2,260
Total current liabilities	117,711	117,443	148,499
Long-term bank borrowings	73,111	91,598	109,858
Long-term post-employment benefit liabilities	16,405	15,928	14,383
Deferred tax liabilities, net	122,229	119,137	124,780
Provision for asset retirement	59,328	58,780	57,684
Total non-current liabilities	271,073	285,443	306,705
Total liabilities	388,784	402,886	455,204
Equity	1,826,933	1,813,914	1,833,957
Total liabilities and equity	2,215,717	2,216,800	2,289,161

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PT Vale Indonesia Tbk

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

	<u>3Q16</u>	<u>2Q16</u>	<u>9M16</u>	<u>9M15</u>
Cash flows from operating activities				
Receipts from customers	89,245	126,811	355,976	628,282
Payments to suppliers	(99,852)	(78,559)	(272,240)	(325,380)
Payments of corporate income tax	(6,535)	(9,449)	(26,618)	(69,168)
(Payments)/refunds of taxes, net	(7,398)	(2,994)	12,560	10,471
Payments to employees	(18,297)	(23,133)	(60,744)	(69,417)
Withdrawal/(placement) of financial guarantee	-	-	4,166	(11,569)
Other receipts	498	469	1,459	998
Other payments	(5,904)	(5,201)	(16,339)	(30,289)
Net cash flows from operating activities	<u>(48,243)</u>	<u>7,944</u>	<u>(1,780)</u>	<u>133,928</u>
Cash flows from investing activities				
Payments for acquisition of fixed assets	(10,132)	(16,805)	(52,797)	(84,923)
Withdrawal/(placement) of short-term investments	10,047	45,111	90,154	(40,056)
Net cash flows from/(used in) investing activities	<u>(85)</u>	<u>28,306</u>	<u>37,357</u>	<u>(124,979)</u>
Cash flows from financing activities				
Payments of dividends	(5)	-	(6)	(35)
Placement of restricted cash	(8,122)	(12,208)	(28,462)	(28,516)
Usage of restricted cash	20,347	-	40,661	40,843
Payments of long-term borrowings	(18,750)	-	(37,500)	(37,500)
Payments of finance costs	(2,603)	-	(5,323)	(6,044)
Net cash flows used in financing activities	<u>(9,133)</u>	<u>(12,208)</u>	<u>(30,630)</u>	<u>(31,252)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(57,461)</u>	<u>24,042</u>	<u>4,947</u>	<u>(22,303)</u>
Cash and cash equivalents at the beginning of the period	<u>257,514</u>	<u>232,562</u>	<u>194,754</u>	<u>302,256</u>
Effect of exchange rate changes on cash and cash equivalents	<u>379</u>	<u>910</u>	<u>731</u>	<u>(1,476)</u>
Cash and cash equivalents at the end of the period	<u>200,432</u>	<u>257,514</u>	<u>200,432</u>	<u>278,477</u>