

Press Release



PT Vale reports higher production and sales in the second quarter of 2017

Jakarta, July 27, 2017 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the second quarter of 2017 (“2Q17”).

“Nickel matte revenue was about 3% higher in 2Q17 than in 1Q17, despite a lower average realized price in 2Q17. More than ever, we realize the importance of remaining focused on improving efficiency and reducing costs,” reported Nico Kanter, CEO and President Director of the Company.

The cost of revenue per metric ton of nickel matte sold in 2Q17 is 2% lower than 1Q17, excluding the provision for decline in inventory value, which increased by US\$8.1 million compared to 1Q17. The decline in the cost of revenue per metric ton of nickel matte sold was driven mainly by reductions in supplies and employment costs of 11% and 17% respectively; while production increased.

Fuels and lubricant costs increased in the second quarter on both a per-unit-sold basis and in total amount. This was due to an increase in the fuel price, which was partially offset by an improved diesel consumption rate.

Please see PT Vale’s High Sulphur Fuel Oil (HSFO), diesel and coal consumption in 2Q17, 1Q17, 1H17 and 1H16 in the following table:

	<u>2Q17</u>	<u>1Q17</u>	<u>1H17</u>	<u>1H16</u>
HSFO volume (barrels)	422,475	346,635	769,110	797,345
HSFO average price per barrel	US\$52.63	US\$50.89	US\$51.84	US\$35.38
Diesel volume (kilolitres)	19,025	17,605	36,630	39,823
Diesel average price per litre	US\$0.50	US\$0.49	US\$0.50	US\$0.39
Coal volume (t)	97,326	93,554	190,880	174,592
Coal average price per t ¹	US\$120.71	US\$124.06	US\$122.35	US\$84.49

¹ Price in DMT (*Dry Metric Ton*) and CFR (*Cost & Freight*) basis

When compared to 1Q17, HSFO, diesel and coal consumption in 2Q17 increased by 22%, 8% and 4% respectively. This increase corresponded mainly to an increase in production. HSFO usage per metric ton of production in 2Q17 slightly increased by 4%, however, the usage per metric ton of production for diesel and coal actually decreased by 7% and 11% respectively.

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PT Vale's EBITDA in 2Q17 was US\$9.5M, compared with US\$24.5M in 1Q17, primarily due to a lower average realized price. Despite lower EBITDA, the Company's cash and cash equivalents increased to US\$260.7 million as of June 30, 2017, from US\$235.5 million on March 31, 2017. PT Vale will continue to exercise prudent control of its spending to preserve cash.

PT Vale disbursed approximately US\$11.9 million in capital expenditures this quarter, down from US\$18.8 million in 1Q17.

In 2017, 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 cost efficiency to sustain competitiveness in the long term 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>2Q17</u>	<u>1Q17</u>	<u>1H17</u>	<u>1H16</u>
Nickel in matte production ¹	20,107	17,224	37,331	36,256
Nickel matte deliveries ¹	19,620	17,524	37,144	36,672
Average realized price ²	7,540	8,214	7,858	6,731
EBITDA ³	9.5	24.5	34.0	35.3
Revenue ³	148.0	143.9	291.9	246.8
Loss ³	(15.3)	(6.2)	(21.5)	(20.0)
Loss per share ⁴	(0.0015)	(0.0006)	(0.0022)	(0.0020)

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

	<u>2Q17</u>	<u>1Q17</u>	<u>1H17</u>	<u>1H16</u>
Revenue	147,942	143,945	291,887	246,837
Cost of revenue	(163,486)	(146,396)	(309,882)	(260,122)
Gross loss	(15,544)	(2,451)	(17,995)	(13,285)
Other income	721	433	1,154	961
Operating expenses	(2,771)	(2,645)	(5,416)	(6,142)
Other expenses	(3,728)	(1,391)	(5,119)	(2,467)
Operating loss	(21,322)	(6,054)	(27,376)	(20,933)
Finance costs	(2,018)	(2,137)	(4,155)	(4,643)
Loss before income tax	(23,340)	(8,191)	(31,531)	(25,576)
Income tax benefit	8,020	2,032	10,052	5,533
Loss for the period	(15,320)	(6,159)	(21,479)	(20,043)
Other comprehensive loss				
Items that will not be reclassified to profit or loss:				
– Re-measurement of post-employment benefit liabilities	-	(221)	(221)	-
– Income tax on other comprehensive loss	-	55	55	-
Total other comprehensive loss	-	(166)	(166)	-
Total comprehensive loss for the period	(15,320)	(6,325)	(21,645)	(20,043)
Loss per share				
- Basic (in US Dollars)	(0.0015)	(0.0006)	(0.0022)	(0.0020)

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

	June 30, 2017 (Unaudited)	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Assets			
Cash and cash equivalents	260,717	235,491	185,560
Restricted cash	20,073	13,392	29,725
Trade receivables - Related parties	129,869	125,427	146,616
Inventories, net	128,719	136,607	129,796
Prepaid taxes - Corporate income tax	-	28,921	28,921
- Other taxes	26,514	34,188	71,533
Prepayments and advances	1,929	3,034	3,940
Other current financial assets	3,178	3,436	3,063
Total current assets	570,999	580,496	599,154
Restricted cash	5,296	6,857	6,365
Prepaid taxes - Corporate income tax	34,101	25,395	22,631
- Other taxes	59,744	57,959	54,038
Non-trade receivables - Related parties	97	110	140
Fixed assets, net	1,490,120	1,512,839	1,532,653
Other non-current financial assets	9,078	9,874	10,511
Total non-current assets	1,598,436	1,613,034	1,626,338
Total assets	2,169,435	2,193,530	2,225,492
Liabilities and Equity			
Trade payables - Related parties	5,561	5,508	6,537
- Third parties	48,499	57,315	57,737
Accruals	15,661	13,139	16,542
Short-term employee benefit liabilities	9,627	10,226	10,700
Taxes payable	1,890	858	1,490
Current portion of long-term bank borrowings	36,602	36,602	36,462
Share-based payment liabilities	955	1,217	1,273
Other current financial liabilities	2,927	1,970	1,248
Total current liabilities	121,722	126,835	131,989
Long-term bank borrowings	54,696	54,451	73,095
Long-term post-employment benefit liabilities	19,036	18,563	17,729
Deferred tax liabilities, net	107,760	112,715	115,964
Provision for asset retirement	53,277	52,702	52,126
Total non-current liabilities	234,769	238,431	258,914
Total liabilities	356,491	365,266	390,903
Equity	1,812,944	1,828,264	1,834,589
Total liabilities and equity	2,169,435	2,193,530	2,225,492

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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>2Q17</u>	<u>1Q17</u>	<u>1H17</u>	<u>1H16</u>
Cash flows from operating activities				
Receipts from customers	143,500	165,134	308,634	266,731
Payments to suppliers	(99,494)	(84,893)	(184,387)	(172,388)
Payments of corporate income tax	(5,642)	(3,925)	(9,567)	(20,083)
Refunds of taxes, net	34,115	30,599	64,714	19,958
Payments to employees	(23,974)	(28,282)	(52,256)	(42,447)
Withdrawal of financial guarantee, net	6,970	5,061	12,031	4,166
Other receipts	721	433	1,154	961
Other payments	(6,996)	(6,596)	(13,592)	(10,435)
Net cash flows from operating activities	49,200	77,531	126,731	46,463
Cash flows from investing activities				
Payments for acquisition of fixed assets	(11,870)	(18,770)	(30,640)	(42,665)
Withdrawal of short-term investments	-	-	-	80,107
Net cash flows (used in)/from investing activities	(11,870)	(18,770)	(30,640)	37,442
Cash flows from financing activities				
Payments of dividends	(1)	-	(1)	(1)
Placement of restricted cash	(12,090)	(8,083)	(20,173)	(20,340)
Usage of restricted cash	-	20,261	20,261	20,314
Payments of long-term borrowings	-	(18,750)	(18,750)	(18,750)
Payments of finance costs	-	(2,356)	(2,356)	(2,720)
Net cash flows used in financing activities	(12,091)	(8,928)	(21,019)	(21,497)
Net increase in cash and cash equivalents	25,239	49,833	75,072	62,408
Cash and cash equivalents at the beginning of the period	235,491	185,560	185,560	194,754
Effect of exchange rate changes on cash and cash equivalents	(13)	98	85	352
Cash and cash equivalents at the end of the period	260,717	235,491	260,717	257,514