

PT Vale reports lower sales in 1Q17

Jakarta, April 27, 2017 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the first quarter of 2017 (“1Q17”). The Company recorded sales of US\$143.9 million in the quarter, 19% lower than sales in 4Q16 but 32% higher than 1Q16 sales as the Company delivered 17,524 metric tons (t) of nickel matte.

“We realized a slightly lower sales price in the first quarter of 2017 compared to the fourth quarter of 2016,” reported Nico Kanter, CEO and President Director of the Company. “And we believe that the nickel price in 2017 will remain low as inventory levels on the London Metal Exchange (“LME”) and Shanghai Futures Exchange (“SHFE”) are still high. There is also uncertainty in the global nickel market over whether the Indonesian ore export quota will add additional volume or simply replace a diminishing ore supply from the Philippines to China. This underlines the importance of remaining focused on optimizing production capacity, improving efficiency and reducing costs.”

As reported last week, PT Vale conducted planned maintenance activities in 1Q17 but with a shorter shutdown duration than in 1Q16. As a result, nickel in matte production volume in 1Q17 was 2% higher than in 1Q16. These maintenance activities are crucial to improving operational efficiency and continuity.

PT Vale’s cost of revenue fell by 6% from US\$155.1 million in 4Q16 to US\$146.4 million in 1Q17. However, cost of revenue per metric ton of nickel matte sold in 1Q17 increased by 17% from the previous quarter driven by higher costs of employment, fuels and supplies. Lower production and sales volumes also contributed to a higher cost of revenue per metric ton of nickel matte sold. This reinforces the necessity of maximizing production capacity. As a result, the Company reported negative gross profit in 1Q17.

The following table provides details on PT Vale’s High Sulphur Fuel Oil (“HSFO”), diesel and coal consumption in 1Q17, 4Q16 and 1Q16:

	<u>1Q17</u>	<u>4Q16</u>	<u>1Q16</u>
HSFO volume (barrels)	346,635	351,503	346,800
HSFO average price per barrel	US\$50.89	US\$43.99	US\$36.84
Diesel volume (kilo litres)	17,605	18,514	22,631
Diesel average price per litre	US\$0.49	US\$0.45	US\$0.40
Coal volume (t)	93,554	104,908	82,260
Coal average price per t	US\$124.06	US\$104.94	US\$82.70

Note: Coal price is presented in the dry metric ton (“dmt”) basis

Press Release



Fuel prices, particularly the price of HSFO, increased significantly in 1Q17 as compared to 4Q16. Fuel consumption per metric ton of production in 1Q17 was also affected by a lower production volume. However, this will improve with planned maintenance activities completed by the end of the first quarter of 2017.

A higher coal price in 1Q17, which increased by 18% over the previous quarter, contributed to a higher cost of supplies in the quarter. Nonetheless, the Company remains confident that it is more efficient to use coal for its dryers and reduction kilns and is continuing its Coal Conversion Project 2 (“CCP2”).

PT Vale delivered EBITDA of US\$24.5 million and disbursed approximately US\$18.8 million in capital expenditures in 1Q17. The Company’s cash and cash equivalents as of March 31, 2017 and December 31, 2016 were US\$235.5 million and US\$185.6 million, respectively. PT Vale will continue to exercise prudent control of its spending to preserve cash.

Readers are encouraged to review the Company’s results. Operational achievements as well as the 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.

For further information, please contact:
Febriany, Chief Financial Officer
ptvi.investorrelations@vale.com
or visit our website at
www.vale.com/indonesia

Press Release



PT Vale Indonesia Tbk Production and Financial Highlights

	1Q17	4Q16	1Q16
Nickel in matte production ¹	17,224	19,581	16,894
Nickel matte deliveries ¹	17,524	21,689	16,427
Average realized price ²	8,214	8,238	6,618
EBITDA ³	24.5	50.6	9.2
Revenue ³	143.9	178.7	108.7
Earnings ³	(6.2)	8.9	(15.4)
Earnings per share ⁴	(0.0006)	0.0008	(0.0016)

¹ metric ton (t)

² US\$ per t

³ US\$ million

⁴ US\$

Press Release



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>1Q17</u>	<u>4Q16</u>	<u>1Q16</u>
Revenue	143,945	178,684	108,715
Cost of revenue	<u>(146,396)</u>	<u>(155,097)</u>	<u>(122,833)</u>
Gross (loss)/profit	(2,451)	23,587	(14,118)
Other income	433	443	492
Operating expenses	(2,645)	(3,273)	(3,196)
Other expenses	<u>(1,391)</u>	<u>(5,901)</u>	<u>(558)</u>
Operating (loss)/profit	(6,054)	14,856	(17,380)
Finance costs	<u>(2,137)</u>	<u>(2,216)</u>	<u>(2,336)</u>
(Loss)/profit before income tax	(8,191)	12,640	(19,716)
Income tax benefit (expense)	<u>2,032</u>	<u>(3,710)</u>	<u>4,292</u>
(Loss)/profit for the period	(6,159)	8,930	(15,424)
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
– Re-measurement of defined benefit liabilities	(221)	(1,699)	-
– Income tax on other comprehensive loss	55	425	-
Total other comprehensive loss	(166)	(1,274)	-
Total comprehensive (loss)/income for the period	(6,325)	7,656	(15,424)
(Loss)/earnings per share			
- Basic and diluted (in US Dollars)	(0.0006)	0.0008	(0.0016)

Press Release



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

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)	March 31, 2016 (Unaudited)
Assets			
Cash and cash equivalents	235,491	185,560	232,562
Short-term investments	-	-	55,158
Restricted cash	13,392	29,725	16,386
Trade receivables - Related parties	125,427	146,616	46,995
Inventories, net	136,607	129,796	117,759
Prepaid taxes - Corporate income tax	28,921	28,921	10,634
- Other taxes	34,188	71,533	64,681
Prepayments and advances	3,034	3,940	3,279
Other current financial assets	3,436	3,063	3,591
Total current assets	580,496	599,154	551,045
Restricted cash	6,857	6,365	-
Prepaid taxes - Corporate income tax	25,395	22,631	58,829
- Other taxes	57,959	54,038	16,030
Non-trade receivables - Related parties	110	140	231
Fixed assets, net	1,512,839	1,532,653	1,583,060
Other non-current financial assets	9,874	10,511	12,811
Total non-current assets	1,613,034	1,626,338	1,670,961
Total assets	2,193,530	2,225,492	2,222,006
Liabilities and Equity			
Trade payables - Related parties	5,508	6,537	4,665
- Third parties	57,315	57,737	50,116
Accruals	13,139	16,542	15,405
Short-term employee benefit liabilities	10,226	10,700	7,256
Taxes payable	858	1,490	975
Current portion of long-term bank borrowings	36,602	36,462	36,219
Share-based payment liabilities	1,217	1,273	181
Other current financial liabilities	1,970	1,248	3,195
Total current liabilities	126,835	131,989	118,012
Long-term bank borrowings	54,451	73,095	91,352
Long-term post-employment benefit liabilities	18,563	17,729	15,389
Deferred tax liabilities, net	112,715	115,964	120,488
Provision for asset retirement	52,702	52,126	58,232
Total non-current liabilities	238,431	258,914	285,461
Total liabilities	365,266	390,903	403,473
Equity	1,828,264	1,834,589	1,818,533
Total liabilities and equity	2,193,530	2,225,492	2,222,006

Press Release



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

	<u>1Q17</u>	<u>4Q16</u>	<u>1Q16</u>
Cash flows from operating activities			
Receipts from customers	165,134	159,751	139,920
Payments to suppliers	(84,893)	(93,719)	(93,829)
Payments of corporate income tax	(3,925)	(7,214)	(10,634)
(Payments)/refunds of taxes, net	30,599	(9,154)	22,952
Payments to employees	(28,282)	(19,058)	(19,314)
Placement of financial guarantee	5,061	(7,448)	4,166
Other receipts	433	443	492
Other payments	(6,596)	(8,401)	(5,234)
Net cash flows from operating activities	<u>77,531</u>	<u>15,200</u>	<u>38,519</u>
Cash flows from investing activities			
Payments for acquisition of fixed assets	(18,770)	(17,441)	(25,860)
Withdrawal of short-term investments	-	-	34,996
Net cash flows (used in)/from investing activities	<u>(18,770)</u>	<u>(17,441)</u>	<u>9,136</u>
Cash flows from financing activities			
Payments of dividends	-	(2)	(1)
Placement of restricted cash	(8,083)	(12,157)	(8,132)
Usage of restricted cash	20,261	-	20,314
Payments of long-term borrowings	(18,750)	-	(18,750)
Payments of finance costs	(2,356)	(35)	(2,720)
Net cash flows used in financing activities	<u>(8,928)</u>	<u>(12,194)</u>	<u>(9,289)</u>
Net increase/(decrease) in cash and cash equivalents	49,833	(14,435)	38,366
Cash and cash equivalents at the beginning of the period	185,560	200,432	194,754
Effect of exchange rate changes on cash and cash equivalents	98	(437)	(558)
Cash and cash equivalents at the end of the Period	<u>235,491</u>	<u>185,560</u>	<u>232,562</u>