

Press Release



A profitable quarter for PT Vale

Jakarta, October 26, 2017 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the third quarter of 2017 (“3Q17”) with a profit of US\$1.9 million.

“I am pleased to report a profitable third quarter for 2017 as we continue our focus on improving efficiency and reducing costs,” said Nico Kanter, CEO and President Director of the Company. The average realized nickel price in 3Q17 was 1% higher than the average realized price in 2Q17. “However, appreciating the volatility in the market, we continue to exercise caution towards the nickel price,” said Nico Kanter.

On the cost side, the Company’s cost of revenue per metric ton of nickel matte sold in 3Q17 declined by 13% from the previous quarter. This was driven primarily by a recovery in provision for decline in inventory value. Excluding the depreciation, amortization and impact of recovery in provision for decline in inventory value, the cash cost of revenue per metric ton of nickel matte sold in 3Q17 declined by 1% from the previous quarter.

PT Vale’s High Sulphur Fuel Oil (“HSFO”), diesel and coal consumption in 3Q17, 2Q17, 9M17 and 9M16 are captured in the following table:

	<u>3Q17</u>	<u>2Q17</u>	<u>9M17</u>	<u>9M16</u>
HSFO volume (barrels)	436,331	422,475	1,205,441	1,204,531
HSFO average price per barrel	US\$51.72	US\$52.63	US\$51.80	US\$36.90
Diesel volume (kilolitres)	19,150	19,025	55,780	59,129
Diesel average price per litre	US\$0.48	US\$0.50	US\$0.49	US\$0.40
Coal volume (t)	91,670	97,326	282,550	278,649
Coal average price per t ¹	US\$125.39	US\$120.71	US\$123.34	US\$82.08

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

Higher HSFO and diesel consumption per metric ton of production in 3Q17 over 2Q17 was offset by lower HSFO and diesel prices. Lower coal consumption in 3Q17 was due to a coal mill issue that persisted into July 2017. This resulted in lower coal consumption per metric ton and a lower conversion rate in the period. The issue was resolved in July, and the operation returned to targeted conversion rates in August and September.

Compared to 2Q17, sales volume and revenues in 3Q17 were 5% and 6% higher, respectively.

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PT Vale's EBITDA in 3Q17 was US\$34.1 million, higher than the US\$10.9 million in 2Q17, primarily due to higher sales volume. The Company's cash and cash equivalents as of September 30, 2017 and June 30, 2017 were US\$236.6 million and US\$260.7 million, respectively as the Company received higher tax refunds in 2Q17. PT Vale will continue to exercise prudent control of its spending to preserve cash.

PT Vale disbursed approximately US\$16.9 million in capital expenditures this quarter, up from US\$11.9 million in 2Q17. Our capital expenditure forecast for 2017 is now approximately US\$66 million.

Our production forecast for 2017 is now around 78,000 t, which is close to the actual production in 2016 of 77,581 t. 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 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>3Q17</u>	<u>2Q17</u>	<u>9M17</u>	<u>9M16</u>
Nickel in matte production ¹	20,163	20,107	57,494	58,000
Nickel matte deliveries ¹	20,580	19,620	57,724	57,287
Average realized price ²	7,620	7,540	7,773	7,078
EBITDA ³	34.1	10.9	68.6	84.4
Revenue ³	156.8	147.9	448.7	405.5
Earnings/(Loss) ³	1.9	(15.3)	(19.8)	(7.0)
Earnings/(Loss) per share ⁴	0.0002	(0.0015)	(0.0020)	(0.0007)

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 earnings/(loss) per share)

	<u>3Q17</u>	<u>2Q17</u>	<u>9M17</u>	<u>9M16</u>
Revenue	156,821	147,942	448,708	405,459
Cost of revenue	(149,303)	(163,486)	(459,185)	(394,921)
Gross profit/(loss)	7,518	(15,544)	(10,477)	10,538
Other income	732	721	1,886	1,459
Operating expenses	(2,685)	(2,771)	(8,101)	(8,858)
Other expenses	(1,143)	(3,728)	(6,262)	(3,697)
Operating profit/(loss)	4,422	(21,322)	(22,954)	(558)
Finance costs	(1,871)	(2,018)	(6,026)	(6,917)
Profit/(loss) before income tax	2,551	(23,340)	(28,980)	(7,475)
Income tax (expense)/benefit	(699)	8,020	9,353	451
Profit/(loss) for the period	1,852	(15,320)	(19,627)	(7,024)
Other comprehensive loss				
Items that will not be reclassified to profit or loss:				
- Re-measurement of post-employment benefit liabilities	-	-	(221)	-
- Income tax on other comprehensive loss	-	-	55	-
Total other comprehensive loss	-	-	(166)	-
Total comprehensive profit/(loss) for the period	1,852	(15,320)	(19,793)	(7,024)
Earnings/(loss) per share				
- Basic and diluted (in US Dollars)	0.0002	(0.0015)	(0.0020)	(0.0007)

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

	September 30, 2017 (Unaudited)	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Assets			
Cash and cash equivalents	236,635	260,717	185,560
Restricted cash	8,703	20,073	29,725
Trade receivables - Related parties	139,681	129,869	146,616
Inventories, net	131,804	128,719	129,796
Prepaid taxes - Corporate income tax	24,895	-	28,921
- Other taxes	23,964	26,514	71,533
Prepayments and advances	6,593	1,929	3,940
Other current financial assets	3,020	3,178	3,063
Total current assets	575,295	570,999	599,154
Restricted cash	7,108	5,296	6,365
Prepaid taxes - Corporate income tax	10,264	34,101	22,631
- Other taxes	70,329	59,744	54,038
Non-trade receivables - Related parties	82	97	140
Fixed assets, net	1,491,113	1,490,120	1,532,653
Other non-current financial assets	8,429	9,078	10,511
Total non-current assets	1,587,325	1,598,436	1,626,338
Total assets	2,162,620	2,169,435	2,225,492
Liabilities and Equity			
Trade payables - Related parties	5,555	5,561	6,537
- Third parties	43,433	48,499	57,737
Accruals	11,519	15,661	16,542
Short-term employee benefit liabilities	16,176	9,627	10,700
Taxes payable	1,010	1,890	1,490
Current portion of long-term bank borrowings	36,743	36,602	36,462
Share-based payment liabilities	1,270	955	1,273
Other current financial liabilities	3,365	2,927	1,248
Total current liabilities	119,071	121,722	131,989
Long-term bank borrowings	36,050	54,696	73,095
Long-term post-employment benefit liabilities	19,329	19,036	17,729
Deferred tax liabilities, net	107,130	107,760	115,964
Provision for asset retirement	66,244	53,277	52,126
Total non-current liabilities	228,753	234,769	258,914
Total liabilities	347,824	356,491	390,903
Equity	1,814,796	1,812,944	1,834,589
Total liabilities and equity	2,162,620	2,169,435	2,225,492

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

	<u>3Q17</u>	<u>2Q17</u>	<u>9M17</u>	<u>9M16</u>
Cash flows from operating activities				
Receipts from customers	147,010	143,500	455,644	355,976
Payments to suppliers	(106,714)	(99,494)	(291,101)	(272,240)
Payments of corporate income tax	(2,387)	(5,642)	(11,954)	(26,618)
(Payments)/refunds of taxes, net	(8,812)	34,115	55,902	12,560
Payments to employees	(18,442)	(23,974)	(70,698)	(60,744)
(Placement)/withdrawal of financial guarantee, net	(2,590)	6,970	9,441	4,166
Other receipts	732	721	1,886	1,459
Other payments	(7,210)	(6,996)	(20,802)	(16,339)
Net cash flows (used in)/from operating activities	1,587	49,200	128,318	(1,780)
Cash flows from investing activities				
Payments for acquisition of fixed assets	(16,886)	(11,870)	(47,526)	(52,797)
Withdrawal of short-term investments, net	-	-	-	90,154
Net cash flows (used in)/from investing activities	(16,886)	(11,870)	(47,526)	37,357
Cash flows from financing activities				
Payments of dividends	-	(1)	(1)	(6)
Placement of restricted cash	(8,012)	(12,090)	(28,185)	(28,462)
Usage of restricted cash	20,152	-	40,413	40,661
Payments of long-term borrowings	(18,750)	-	(37,500)	(37,500)
Payments of finance costs	(2,136)	-	(4,492)	(5,323)
Net cash flows used in financing activities	(8,746)	(12,091)	(29,765)	(30,630)
Net increase/(decrease) in cash and cash equivalents	(24,045)	25,239	51,027	4,947
Cash and cash equivalents at the beginning of the period	260,717	235,491	185,560	194,754
Effect of exchange rate changes on cash and cash equivalents	(37)	(13)	48	731
Cash and cash equivalents at the end of the period	236,635	260,717	236,635	200,432