

Press Release

**PT Vale Indonesia Tbk Reports
Fourth Quarter 2011 Net Earnings
of US\$13.1 million**



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Jakarta, February 16, 2012 – PT Vale Indonesia Tbk (“PT Vale Indonesia”, “PTVI” or the “Company”; IDX: INCO) today announces its unaudited results for the fourth quarter of 2011 (4Q11).

PTVI delivered 15,604 metric tons (t) of nickel in matte in 4Q11. For 2011 and 2010 the Company delivered 66,815 t and 75,839 t of nickel in matte respectively.

Productions for nickel in matte in the third and fourth quarters of 2011 were 18,073 and 13,728 t, respectively. As expected, the Company produced less nickel in matte in the fourth quarter compared to previous quarter due to the rebuild of its Furnace #2 as part of the plan to increase the production. While shutting it down, we had an incident that impacted Furnace #1 and the Company decided to utilize the situation to move forward scheduled maintenance work on this Furnace #1 initially scheduled for late 2012. The company operated two furnaces in November and December 2011.

The Company recorded an average realized price of nickel in matte of US\$14,928 per t during 4Q11, compared to US\$17,735 per t in 3Q11. Throughout the year, the Company’s average realized price of US\$18,296 per t, was about 10% more than the 2010 average realized price.

Sales were US\$237.0 million for the three months ended December 31, 2011 and US\$290.1 million in 3Q11. Sales in 2011 declined by about 3% compared to the 2010 net sales.

The Company’s total cost of goods sold (COGS) in 4Q11 increased by more than 16% to US\$194.1 million from US\$166.8 million in 3Q11 mainly due to increases in services and contracts.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled US\$48.0 million in 4Q11, compared to US\$134.2 million in 3Q11. EBITDA in 2011 of US\$548.8 million was 19% less than US\$677.6 million EBITDA obtained in 2010. Lower net earnings and EBITDA in 4Q11 in comparison to 3Q11 were mainly due to higher COGS as well as lower average realized price during the period.

The Company recorded net earnings of US\$13.1 million in 4Q11 (US\$0.001 per share) compared to US\$81.7 million (US\$0.008 per share) achieved in the previous quarter. Total net earnings in 2011 of US\$333.0 million were 24% lower than net earnings of US\$437.4 million in 2010.

In 4Q11 the Company used 13,009 kilolitres of diesel fuel at an average cost of US\$0.85 per litre while in 3Q11 it consumed 18,492 kilolitres at an average cost of US\$0.87 per litre.

In this same period the Company also consumed 425,089 barrels of High Sulphur Fuel Oil (HSFO) at an average cost of US\$105.99 per barrel compared to 697,872 barrels at an average cost of US\$105.56 per barrel in the previous quarter.

PT Vale Indonesia paid interim dividends of US\$99.4 million in November 2011. The total dividend payments on a cash basis reached US\$244.4 million in 2011.

By end of 2011 the Company had nearly US\$399 million of cash and cash equivalents.

Production recovery in 2012 and projects to improve competitiveness and support growth agenda

PTVI completed Furnace #1 repair in mid of January 2012. The repair also included maintenance work scheduled for late 2012. Hence the Company expects that Furnace #1 will run throughout 2012 without any stoppage for maintenance bringing production level back to normal.

The Karebbe hydroelectric power plant came on stream in September 2011 and is projected to add 90 megawatts of average generating capacity. The plant supplies power to our operations, which reduces our production costs and enables the potential expansion of production of nickel in matte capacity.

The rebuild of Furnace #2 has started in November 2011 and is still underway. It will commence its commissioning stage in March 2012. The rebuild will increase Furnace #2's power capacity and enable it to produce more nickel in matte. PTVI also continued the implementation of the Operations and Maintenance Improvement Program (OMIP) and other projects according to its plan to improve the productivity and reduce costs.

The company has successfully completed the rebranding program of becoming PT Vale Indonesia Tbk.

PT Vale Indonesia's mission is to transform natural resources into prosperity and sustainable development. We are committed to improve the competitiveness of the Company as well as to implement our plan to increase the level of annual production to 120,000 t in the next years, given the high mineral potential in our concession areas.

Readers are encouraged to look at summary of the Company's results on the following pages.

The Company's results are summarized below (unaudited) – all figures are in US\$ except for nickel in matte production and deliveries which are in metric tons.

	Fourth Quarter 2011	Third Quarter 2011	Full Year 2011	Full Year 2010¹
Nickel in matte production	13,728	18,073	66,900	75,989
Nickel in matte deliveries	15,604	16,084	66,815	77,035
Average realized price per t	14,928	17,735	18,296	16,568
EBITDA ²	48	134	549	678
Sales ²	237	290	1,243	1,276
Net earnings ²	13	82	333	437
Basic earnings per share	0.001	0.008	0.034	0.044

¹ Audited figures

² US\$ million

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PT Vale Indonesia Tbk
Condensed Statements of Earnings
(Unaudited)

(In thousands of US\$ except Basic Net Comprehensive Earnings per Share amount)

	Fourth Quarter 2011	Third Quarter 2011	Full Year 2011	Full Year 2010*
Sales	237,026	290,148	1,242,555	1,276,323
Cost of goods sold	(194,108)	(166,834)	(728,636)	(650,192)
Gross profit	42,918	123,314	513,919	626,131
Selling, general and administration Expenses	(4,175)	(9,408)	(28,981)	(27,704)
Operating profit	38,743	113,906	484,938	598,427
Other (expenses)/income, net	(18,215)	(2,578)	(32,616)	(17,084)
Earnings before income taxes	20,528	111,328	452,322	581,343
Income tax expense	(7,395)	(29,612)	(119,330)	(143,980)
Net comprehensive earnings attributable to shareholders	13,133	81,716	332,992	437,363
Basic net comprehensive earnings per share (in US\$)	0.001	0.008	0.034	0.044

*Audited, reclassified

PT Vale Indonesia Tbk
Condensed Balance Sheets
(In thousands of US\$)

	December 31, 2011 (Unaudited)	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	399,155	547,406	404,129
Trade receivables – related parties	66,013	87,088	124,061
Other receivables	9,328	11,433	10,893
Taxes receivable	119,779	85,272	63,858
Inventories, net	163,271	154,095	101,986
Prepaid expenses and advances	4,741	3,787	6,768
Total current assets	762,287	889,081	711,695
Restricted cash	17,464	4,366	1,211
Taxes receivable – non current	45,782	45,783	
Property, plant and equipment, net	1,579,351	1,539,810	1,464,508
Other assets	15,707	13,279	12,821
Total assets	2,420,591	2,492,319	2,190,235
<u>LIABILITIES AND EQUITY</u>			
Trade Payables – Related parties	6,427	6,557	8,556
– Third parties	77,724	58,295	32,864
Accrued expenses	36,006	47,394	43,069
Taxes payable	6,487	5,196	49,416
Current maturities of long-term liabilities:			
– Borrowings	37,500	37,500	-
Other current liabilities	14,674	15,123	24,192
Total current liabilities	178,818	170,065	158,097
Deferred income tax liabilities, net	167,191	173,390	171,931
Long-term liabilities:			
– Borrowings	254,653	254,337	140,561
Employee benefits liability	11,726	728	3,235
Asset retirement obligation	39,805	39,169	36,571
Total liabilities	652,193	637,689	510,395
Equity	1,768,398	1,854,630	1,679,840
Total liabilities and equity	2,420,591	2,492,319	2,190,235



PT Vale Indonesia Tbk
Condensed Statements of Cash Flows
(in thousands of US\$)

	Fourth Quarter 2011	Third Quarter 2011	Full Year	
			2011	2010*
Cash Flows from Operating Activities				
Receipts from customers	258,101	373,835	1,300,603	1,250,014
Payments to suppliers	(163,156)	(138,365)	(607,141)	(528,561)
Payments of corporate Income Tax	(46,762)	(32,571)	(200,874)	(110,265)
Payments to employees	(15,332)	(32,070)	(98,965)	(76,660)
Other payments	(5,780)	(1,599)	(89,983)	(30,047)
Other receipts	261	180	857	136,363
Net Cash Flows Provided from Operating Activities	27,332	169,410	304,497	640,844
Cash Flows from Investing Activities				
Payments for property, plant and equipment	(77,909)	(39,912)	(208,651)	(153,108)
Net Cash Flows Used for Investing Activities	(77,909)	(39,912)	(208,651)	(153,108)
Cash Flows from Financing Activities				
Proceeds of long-term borrowings	-	-	150,000	-
Payments of dividends	(97,674)	(31)	(242,606)	(338,829)
Payments of finance costs	-	(5,125)	(8,214)	(4,106)
Payments of finance leases	-	-	-	(1,722)
Net Cash Flows used for Financing Activities	(97,674)	(5,156)	(100,820)	(344,657)
Net (Decrease)/Increase in Cash and Cash Equivalents	(148,251)	124,342	(4,974)	143,079
Cash and Cash Equivalents at the Beginning of the Period	547,406	423,064	404,129	261,050
Cash and Cash Equivalents at the End of the Period	399,155	547,406	399,155	404,129

* Audited