

PT Vale Indonesia Tbk Reports Second Quarter 2012 Earnings of US\$1.7 million

Jakarta, July 30, 2012 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announces its unaudited results for the second quarter of 2012 (2Q12).

During 2Q12 PT Vale re-established its normal production capacity of four electric furnaces as Electric Furnace 2 recommenced operations in May after a major upgrade and shutdown which began in early of November 2011. As a result, the Company produced 16,562 metric tons (t) nickel in matte which was 33% more than 1Q12 production of 12,431 t. Coinciding with this increase in production, the Company delivered 30% more nickel in matte to its customers in the second quarter than in the first quarter of 2012, from 12,514 t to 16,250 t.

Compared to results of the first half of 2011, production and sales volumes in the first half of this year were 17% and 18% lower respectively. However the Company is positive about its increased production capacity going forward as it produced more than 7,000 t of nickel in matte in June.

The LME nickel price fluctuated unfavourably throughout 2012 particularly in the second quarter. PT Vale’s average realized price for the second quarter of 2012 is US\$13,816 per ton, which was 11% lower than the 1Q12 average realized price. Despite that, the Company recorded 16% higher sales in 2Q12 than in 1Q12 mainly because of higher nickel in matte delivered.

The Company’s average price in the first half of 2012 declined by 28% from US\$20,052 per t realized in first half of 2011 contributing significantly to a 41% reduction in sales period over period.

The Company’s total cost of goods sold (COGS) in 2Q12 increased by 21% compared to COGS incurred in the 1Q12 as it sold 30% more nickel in matte in the respective quarters.

Meanwhile, the COGS for the first six months of 2012 increased slightly by 4% from US\$367 million in the first six months of 2011 mainly because of higher fuel prices.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled US\$30.9 million in 2Q12, compared to US\$33.8 million in 1Q12. Lower EBITDA recorded in 2Q12 than in 1Q12 was due to lower average realized price during the period despite higher volume delivered to customers. Comparing to EBITDA in the first half of 2011, EBITDA achieved in the first half of 2012 was also 82% lower due to lower delivered volume and lower average realized price.

The Company recorded earnings of US\$1.7 million in 2Q12 (US\$0.0002 per share) compared to US\$3.8 million (US\$0.0004 per share) achieved in 1Q12. Meanwhile,



earnings of the first half of 2012 and 2011 were US\$5.5 million and US\$238.1 million respectively.

In 2Q12, the Company used 554,226 barrels of High Sulphur Fuel Oil (HSFO) at an average cost of US\$ 116.33 per barrel compared to 410,095 barrels at an average cost of US\$110.14 per barrel in the previous quarter.

In 2Q12, the Company also used 13,222 kilolitres of diesel fuel at an average cost of US\$0.90 per litre while in 1Q12 it consumed 12,691 kilolitres at an average cost of US\$0.86 per litre.

The Company's cash and cash equivalent as of June 30, 2012 and March 31, 2012 were US\$138.5 million and US\$300.4 million respectively.

During the second quarter of 2012 PT Vale had concluded the 2011 final dividend payment of US\$84.4 million (around 25% of 2011 earnings). That final dividend payment reflects its commitment to create value and generate returns for its shareholders, as well as its commitment to disciplined capital allocation.

In the same quarter the Company spent another nearly US\$43 million in capital expenditures, mainly in the Electric Furnace 2 rebuild, sustaining capital and cost efficiency according to the plan to increase the annual production to 120,000 t in the next few years.

PT Vale is continually strengthening its commitment to improving its competitiveness by conducting several projects and initiatives such as the Operations and Maintenance Improvement Program (OMIP) and the Coal Conversion Project for the dryers (CCP1). These projects are expected to improve cost efficiency and savings as well as increasing production.

At the same time the Company has taken necessary measures to prepare plans to reduce costs focusing mainly on the fixed costs. Considering these plans together with the new potential of the production capacity, PT Vale believes that it is on the right track to achieve its mission to transform natural resources into prosperity and sustainable development.

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

	Second Quarter <u>2012</u>	First Quarter <u>2012</u>	First Half <u>2012</u>	First Half <u>2011</u>
Nickel in matte production ¹	16,562	12,431	28,993	35,100
Nickel in matte deliveries ¹	16,250	12,514	28,763	35,127
Average realized price per metric ton ²	13,816	15,470	14,535	20,052
EBITDA ³	30.9	33.8	64.7	366.6
Sales ³	228.4	197.0	425.4	715.4
Comprehensive earnings ³	1.7	3.8	5.5	238.1
Basic comprehensive earnings per share ²	0.0002	0.0004	0.001	0.024

¹ metric tons (t)

² US\$

³ US\$ million

PT Vale Indonesia Tbk
 Statements of Comprehensive Earnings (Unaudited)
 (In thousands US\$ except basic comprehensive earnings per share amount)

	Second Quarter 2012	First Quarter 2012	First Half 2012	First Half 2011
Sales	228,421	196,963	425,384	715,381
Cost of goods sold	208,778	172,739	381,517	366,667
Gross profit	19,643	24,224	43,867	348,714
Selling, general and administration expenses	2,660	1,068	3,728	15,397
Project development costs	11,928	7,849	19,777	9,661
Finance costs	3,511	4,340	7,851	1,027
Loss/(gain) on currency translation adjustments	(798)	2,879	2,081	(2,479)
Provision for obsolete supplies, net	741	737	1,478	15
Finance income	(149)	(220)	(369)	(416)
Others, net	(782)	2,254	1,472	5,041
Earnings before income tax	2,532	5,317	7,849	320,468
Income tax expense	843	1,487	2,330	82,323
Earnings for the period	1,689	3,830	5,519	238,145
Total comprehensive earnings for the period	1,689	3,830	5,519	238,145
Basic comprehensive earnings per share	0.0002	0.0004	0.001	0.024

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

	June 30, 2012 (Unaudited)	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
Assets			
Cash and cash equivalents	138,524	300,389	399,155
Restricted cash	17,590	4,397	17,464
Trade receivables – related parties	127,821	103,848	66,013
Other receivables	9,497	8,873	9,328
Taxes receivable	121,806	99,910	120,550
Inventories, net	159,018	158,709	163,271
Prepaid expenses and advances	4,961	5,201	4,741
Total current assets	579,217	681,327	780,522
Taxes receivable	104,741	91,087	45,782
Property, plant and equipment, net	1,599,286	1,592,878	1,579,351
Other assets	16,288	14,867	15,707
Total assets	2,299,532	2,380,159	2,421,362
Liabilities and Equity			
Trade payables – Related parties	4,221	2,090	6,427
– Third parties	51,587	60,115	77,724
Accrued expenses	38,252	34,172	36,006
Taxes payable	3,694	3,181	6,487
Current maturities of long-term liabilities:			
– Borrowings	37,500	37,500	37,500
Other current liabilities	14,774	12,480	14,674
Total current liabilities	150,028	149,538	178,818
Deferred income tax liabilities, net	167,994	167,513	167,191
Long-term liabilities:			
– Borrowings	236,394	236,148	254,653
Provision for employee benefits	14,922	13,580	11,726
Provision for asset retirement	40,958	40,381	39,805
Total non-current liabilities	460,268	457,622	473,375
Total liabilities	610,296	607,160	652,193
Equity	1,689,236	1,772,999	1,769,169
Total liabilities and equity	2,299,532	2,380,159	2,421,362

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

	Second Quarter 2012	First Quarter 2012	First Half 2012	First Half 2011
Cash Flows from Operating Activities				
Receipts from customers	204,449	159,127	363,576	668,667
Payments to suppliers	(161,516)	(121,106)	(282,622)	(310,987)
Payments of corporate income tax (Payments) / refund of other taxes	(30,983) (4,928)	(38,795) 12,963	(69,778) 8,035	(121,541) (66,262)
Payments to employees	(25,206)	(30,594)	(55,800)	(53,083)
Other receipts	149	220	369	416
Other payments	(3,357)	(3,473)	(6,830)	(6,975)
Net Cash Flows (Used for)/Provided from Operating Activities	(14,776)	(28,274)	(43,050)	110,235
Cash Flows from Investing Activities				
Payments for property, plant and equipment	(42,840)	(41,990)	(84,830)	(90,830)
Net Cash Flows Used for Investing Activities	(42,840)	(41,990)	(84,830)	(90,830)
Cash Flows from Financing Activities				
Payments of dividends	(84,428)	(25)	(84,453)	(144,901)
Payment of long-term borrowings	-	(18,750)	(18,750)	-
Proceeds from long-term borrowings	-	-	-	150,000
Placement of restricted cash	(13,193)	(11,013)	(24,206)	(2,454)
Payments of finance costs	(12)	(5,330)	(5,342)	(3,089)
Payments of finance leases	-	-	-	(26)
Net Cash Flows Used for Financing Activities	(104,249)	(28,502)	(132,751)	(470)
Increase/(Decrease) in Cash and Cash Equivalents	(161,865)	(98,766)	(260,631)	18,935
Cash and Cash Equivalents at the Beginning of the Period	300,389	399,155	399,155	404,129
Cash and Cash Equivalents at the End of the Period	138,524	300,389	138,524	423,064