



PT Vale Indonesia Tbk Reports Third Quarter 2012 Earnings of US\$23.4 million

Jakarta, October 30, 2012 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announces its unaudited results for the third quarter of 2012 (3Q12).

In 3Q12 PT Vale achieved a strong performance in terms of production: 20,418 metric tons (t). This important achievement is a result of a successful ramp-up of the upgraded Electrical Furnace 2 operation combined with an excellent operational performance. The Company produced 23% more nickel in matte than in 2Q12 and delivered 29% more nickel in matte to its customers in the third quarter than in the second quarter of 2012, from 16,534 t to 21,345 t.

PT Vale produced 49,411 t of nickel in matte during the first nine months of 2012. In the same period, the Company shipped 50,611 t of nickel in matte, which was slightly lower than the deliveries for the first nine months of 2011.

The LME nickel price fluctuation in 3Q12 remained unfavourable. PT Vale’s average realized price for the third quarter of 2012 was US\$12,570 per t, which was 9% lower than the 2Q12 average realized price. Even with the decline in price, the Company recorded 17% higher sales in 3Q12 than in 2Q12 because of the higher volume of nickel in matte deliveries.

The average price of nickel in matte realized by the Company for the first nine months of 2012 was 29% lower than the average price achieved in the same period of 2011. The lower price resulted in the Company recording 31% lower sales in the period compared to the corresponding period in 2011.

Although the Company sold more nickel in matte in 3Q12 by 17%, its total cost of goods sold (COGS) increased only by 3% compared to the 2Q12. This is mainly related to higher operation efficiency and lower prices for fuel and consumables.

In 3Q12, the Company consumed 670,143 barrels of High Sulphur Fuel Oil (HSFO) at an average cost of US\$107.49 per barrel compared to 554,226 barrels at an average cost of US\$116.33 per barrel in the previous quarter.

In 3Q12, the Company also used 13,854 kilolitres of diesel fuel at an average cost of US\$0.85 per litre while in 2Q12 it consumed 13,222 kilolitres at an average cost of US\$0.90 per litre.

The COGS for the first nine months of 2012 was US\$596 million compared to US\$532 million in the first nine months of 2011. The 12 % increase is mainly related to services and contracts and employment costs.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled US\$59.7 million in 3Q12, compared to US\$30.9 million in 2Q12. Higher EBITDA



recorded in 3Q12 than in 2Q12 was due to increased deliveries to customers and lower costs per metric ton partially offset by a lower average realized price during the period. EBITDA achieved in the first nine months of 2012 was 75% lower than in the same period of 2011, mainly due to a lower average realized price.

The Company recorded earnings of US\$23.4 million in 3Q12 (US\$0.0024 per share) compared to US\$1.7 million (US\$0.0002 per share) achieved in 2Q12. Meanwhile, earnings for the nine month period ended September 30, 2012 and 2011 were US\$28.9 million and US\$319.9 million, respectively.

The Company's cash and cash equivalents as of September 30, 2012 and June 30, 2012 were US\$171.7 million and US\$138.5 million respectively.

In 3Q12, the Company spent another US\$31 million in capital expenditures, primarily for the sustainability of operation and the Dryer Coal Conversion Project (CCP), which is to improve cost efficiency. Construction of the Dryer CCP is on schedule to be and is expected to be completed at the end of 2012 and commissioned in the first quarter of 2013.

The Company is engaged in a program to control and reduce its costs in order to face the challenge of nickel price volatility. We believe that the 3Q12 operational performance can still be improved based on the progress of the Operational and Maintenance Improvement Program (OMIP) and other initiatives. PT Vale is also aiming higher production targets in the next quarters.

PT Vale is engaged in a growth plan to increase its production capacity to 120,000 t per year in the long term following its mission to transform natural resources into prosperity and sustainable development.

Readers are encouraged to review the summary of the Company's results on the following pages, including operational achievements and unaudited financial results – 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**

	Third Quarter <u>2012</u>	Second Quarter <u>2012</u>	Nine Months <u>2012</u>	Nine Months <u>2011</u>
Nickel in matte production ¹	20,418	16,562	49,411	53,173
Nickel in matte deliveries ¹	21,345	16,534	50,611	51,211
Average realized price per metric ton ²	12,570	13,816	13,706	19,323
EBITDA ³	59.7	30.9	124.3	500.8
Sales ³	268.3	228.4	693.7	1,005.5
Earnings ³	23.4	1.7	28.9	319.9
Earnings per share ²	0.0024	0.0002	0.0029	0.0322

¹ metric tons (t)

² US\$

³ US\$ million



PT Vale Indonesia Tbk
Condensed Statements of Comprehensive Earnings (Unaudited)
(In thousands US\$ except Basic Net Comprehensive Earnings per Share Amount)

	Third Quarter 2012	Second Quarter 2012	Nine Months 2012	Nine Months 2011
Sales	268,304	228,421	693,688	1,005,529
Cost of goods sold	214,578	208,778	596,095	531,930
Gross profit	53,726	19,643	97,593	473,599
Selling, general and administration expenses	4,102	2,660	7,830	24,805
Project development costs	9,225	11,928	29,001	15,723
Finance costs	3,873	3,511	11,724	2,598
Loss/(gain) on currency translation adjustments	3,367	(798)	5,447	(3,951)
Provision for obsolete supplies, net	682	741	2,160	(3,270)
Finance income	(81)	(149)	(450)	(596)
Others, net	1,308	(782)	2,782	6,495
Earnings before income tax	31,250	2,532	39,099	431,795
Income tax expense	7,833	843	10,163	111,935
Earnings for the period	23,417	1,689	28,936	319,860
Total comprehensive earnings for the period	23,417	1,689	28,936	319,860
Basic comprehensive earnings per share	0.0024	0.0002	0.0029	0.0322

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

	September 30, 2012 (Unaudited)	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
<u>Assets</u>			
Cash and cash equivalents	171,678	138,524	399,155
Restricted cash	4,333	17,590	17,464
Trade receivables – related parties	135,026	127,821	66,013
Other receivables	9,884	9,497	9,328
Taxes receivable	104,421	121,806	120,550
Inventories, net	140,308	159,018	163,271
Prepaid expenses and advances	4,771	4,961	4,741
Total current assets	570,421	579,217	780,522
Taxes receivable	126,899	104,741	45,782
Property, plant and equipment, net	1,606,120	1,599,286	1,579,351
Other assets	17,386	16,288	15,707
Total assets	2,320,826	2,299,532	2,421,362
<u>Liabilities and Equity</u>			
Trade payables – Related parties	6,021	4,221	6,427
– Third parties	66,407	51,587	77,724
Accrued expenses	37,439	38,252	36,006
Taxes payable	2,890	3,694	6,487
Current maturities of long-term liabilities:			
– Borrowings	37,500	37,500	37,500
Other current liabilities	15,402	14,774	14,674
Total current liabilities	165,659	150,028	178,818
Deferred income tax liabilities, net	166,276	167,994	167,191
Long-term liabilities:			
– Borrowings	217,889	236,394	254,653
Provision for employee benefits	16,815	14,922	11,726
Provision for asset retirement	41,534	40,958	39,805
Total non-current liabilities	442,514	460,268	473,375
Total liabilities	608,173	610,296	652,193
Equity	1,712,653	1,689,236	1,769,169
Total liabilities and equity	2,320,826	2,299,532	2,421,362

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

	Third Quarter 2012	Second Quarter 2012	Nine Months 2012	Nine Months 2011
Cash Flows from Operating Activities				
Receipts from customers	261,099	204,449	624,675	1,042,502
Payments to suppliers	(144,498)	(178,980)	(451,199)	(449,377)
Payments of corporate income tax (Payments) / refunds of other taxes	(30,478) 16,140	(30,983) (4,928)	(100,256) 24,175	(161,015) (56,288)
Payments to employees	(22,519)	(25,206)	(78,319)	(85,410)
Other receipts	81	149	450	596
Other payments	(3,627)	(3,357)	(10,457)	(10,688)
Net Cash Flows (Used for)/Provided from Operating Activities	76,198	(38,856)	9,069	280,320
Cash Flows from Investing Activities				
Payments for property, plant and equipment	(31,156)	(42,840)	(115,986)	(130,742)
Net Cash Flows Used for Investing Activities	(31,156)	(42,840)	(115,986)	(130,742)
Cash Flows from Financing Activities				
Payments of dividends	(1,013)	(84,428)	(85,466)	(144,932)
Payment of long-term borrowings	(18,750)	-	(37,500)	-
Proceeds of long-term borrowings (Placement) / usage of restricted cash	-	-	-	150,000 (3,155)
Payments of finance costs	(5,382)	(12)	(10,724)	(8,214)
Net Cash Flows Used for Financing Activities	(11,888)	(80,169)	(120,560)	(6,301)
Increase/(Decrease) in Cash and Cash Equivalents	33,154	(161,865)	(227,477)	143,277
Cash and Cash Equivalents at the Beginning of the Period	138,524	300,389	399,155	404,129
Cash and Cash Equivalents at the End of the Period	171,678	138,524	171,678	547,406