

For immediate release

PT Vale Records Significant Quarterly Income Increase

Jakarta, July 24, 2014 – Today, PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) announced its unaudited results for the second quarter of 2014 (2Q14), with quarterly income of US\$50.0 million, the highest since 4Q11. An income of US\$50.0 million is 179% higher than 1Q14 income.

While PT Vale’s production in 2Q14 that reached 19,224 metric tons (t) slightly lower than the production in 1Q14 recorded at 19,604 t, its revenues for the respective period increased by 26% as the average realized price increased significantly. Production for the first six month of 2014 was 3% higher than production in the same period of 2013. However, the average realized nickel price achieved in the first half of 2014 was 5% lower than average realized price in the first half of 2013, resulting in a 5% decline in revenues.

The Company continued to realize improved cost discipline and productivity in its operation as a result of the focus on our cost reduction strategy. Our cost of revenue – excluding inventory movements – in 2Q14 increased by only 1% to US\$178.6 million from US\$176.7 million in 1Q14. This increase was mainly due to services and contracts. On a year to date basis, cost of revenue recorded in the first half of 2014 declined by 14% period over period due to lower fuel, lubricant and employee costs.

PT Vale’s High Sulphur Fuel Oil (HSFO) and diesel fuel consumption in 2Q14 were:

- HSFO: volumes were 405,236 barrels while its average price was US\$99.83 per barrel versus 432,937 barrels consumed in 1Q14 at average price US\$99.77 per barrel,
- Diesel fuel: volumes were 16,343 kiloliters and the average price was US\$0.91 per litre versus 15,510 kilolitres at an average price of US\$0.88 per litre.

These factors all contributed to an improved margin in the second quarter of 2014. Gross and operating profits for 2Q14 increased by 146% and 159% versus the prior period and for the first half of 2014 gross and operating profits increased by 36% and 48% respectively.

The Company’s cash and cash equivalent as at June 30, 2014 and December 31, 2013 were US\$293.4 million and US\$200.0 million respectively. During the quarter, the Company disbursed approximately US\$14.9 million in capital expenditures.

In 2014, PT Vale will retain its focus on improving costs to sustain competitiveness in the long run without compromising our foremost value: life matters most. The Company also will continue to leverage its enhanced smelting capacity and process



optimization and plans to produce 5% more nickel in matte in 2014 than in 2013, at around 79,600 t.

The management of PT Vale believes that the Company is on track to execute its strategy to ensure long-term profitable growth by improving efficiency and cost competitiveness, and maximizing production through operational excellence.

Readers are encouraged to look at the summary of the Company's results including 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

	<u>2Q14</u>	<u>1Q14</u>	<u>1H14</u>	<u>1H13</u>
Nickel in matte production ¹	19,224	19,604	38,828	37,732
Nickel matte deliveries ¹	19,614	19,423	39,037	39,008
Average realized price per metric ton ²	13,733	10,972	12,360	12,964
EBITDA ³	106.8	49.3	156.1	123.3
Revenue ³	269.4	213.1	482.5	505.7
Earnings ³	50.0	18.0	68.0	44.1
Earnings per share ²	0.0050	0.0018	0.0068	0.0044

¹ metric tons (t)

² US\$

³ US\$ million

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

	<u>2Q14</u>	<u>1Q14</u>	<u>1H14</u>	<u>1H13</u>
Revenue	269,367	213,110	482,477	505,699
Cost of revenue	<u>180,074</u>	<u>176,862</u>	<u>356,936</u>	<u>413,104</u>
Gross profit	89,293	36,248	125,541	92,595
Other income	(148)	(127)	(275)	(242)
Operating expenses	3,966	3,109	7,075	6,671
Other expenses	<u>14,611</u>	<u>5,921</u>	<u>20,532</u>	<u>19,666</u>
Operating profit	70,864	27,345	98,209	66,500
Finance costs	<u>3,391</u>	<u>3,300</u>	<u>6,691</u>	<u>7,573</u>
Profit before income tax	67,473	24,045	91,518	58,927
Income tax expense	<u>17,445</u>	<u>6,082</u>	<u>23,527</u>	<u>14,861</u>
Profit for the period	50,028	17,963	67,991	44,066
Other comprehensive income				
Actuarial loss from defined benefit plan and post-retirement medical benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>
Total comprehensive income for the period	50,028	17,963	67,991	44,039
Earnings per share				
- Basic (in US Dollars)	<u>0.0050</u>	<u>0.0018</u>	<u>0.0068</u>	<u>0.0044</u>

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

	June 30, 2014 (Unaudited)	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets			
Cash and cash equivalents	293,438	199,048	200,020
Restricted cash	16,526	4,132	16,723
Trade receivables - Related parties	128,285	86,983	65,902
Inventories	150,161	143,592	150,996
Prepaid taxes - Corporate income tax	-	83,833	83,833
- Other taxes	26,494	17,824	28,008
Prepayments and advances	2,437	4,715	4,209
Other current financial assets	7,606	8,079	7,804
Total current assets	624,947	548,206	557,495
Prepaid taxes - Corporate income tax	10,544	58,221	17,913
- Other taxes	45,130	3,021	40,229
Non-trade receivables - Related parties	282	310	305
Fixed assets	1,625,873	1,635,594	1,651,762
Other non-current financial assets	12,113	13,601	13,415
Total non-current assets	1,693,942	1,710,747	1,723,624
Total assets	2,318,889	2,258,953	2,281,119
Liabilities and Equity			
Trade payables - Related parties	4,815	6,919	11,211
- Third parties	59,909	53,700	64,304
Accruals	32,962	29,950	29,972
Short-term employee benefit liabilities	14,844	11,714	16,650
Taxes payable	19,546	5,585	6,905
Current portion of long-term bank borrowings	35,979	35,863	35,863
Current portion of post-employment benefit liabilities	430	430	345
Share-based payment liabilities	416	421	430
Other current financial liabilities	1,095	1,110	3,220
Total current liabilities	169,996	145,692	168,900
Long-term bank borrowings	164,876	164,747	183,252
Long-term post-employment benefit liabilities	12,231	12,542	11,557
Deferred tax liabilities	141,683	156,899	157,302
Provision for asset retirement	47,846	46,844	45,842
Total non-current liabilities	366,636	381,032	397,953
Total liabilities	536,632	526,724	566,853
Equity	1,782,257	1,732,229	1,714,266
Total liabilities and equity	2,318,889	2,258,953	2,281,119

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

	<u>2Q14</u>	<u>1Q14</u>	<u>1H14</u>	<u>1H13</u>
Cash flows from operating activities				
Receipts from customers	230,424	189,670	420,094	500,221
Payments to suppliers	(145,881)	(122,038)	(267,919)	(295,197)
Payments of corporate income tax	(16,839)	(6,472)	(23,311)	(24,575)
Refunds of other taxes	75,647	11,655	87,302	52,819
Payments to employees	(16,277)	(28,991)	(45,268)	(58,954)
Other receipts	148	127	275	242
Other payments	(3,298)	(4,275)	(7,573)	(7,350)
Net cash flows provided from operating activities	123,924	39,676	163,600	167,206
Cash flows from investing activities				
Payments for acquisition of fixed assets	(14,852)	(31,827)	(46,679)	(80,511)
Net cash flows used for investing activities	(14,852)	(31,827)	(46,679)	(80,511)
Cash flows from financing activities				
Payments of dividends	(16)	(687)	(703)	(25,019)
Placement of restricted cash	(12,395)	(8,312)	(20,707)	(21,273)
Usage of restricted cash	-	20,903	20,903	21,666
Payments of long-term borrowings	-	(18,750)	(18,750)	(18,750)
Payments of finance costs	-	(3,860)	(3,860)	(5,333)
Net cash flows used for financing activities	(12,411)	(10,706)	(23,117)	(48,709)
Net increase/(decrease) in cash and cash equivalents	96,661	(2,857)	93,804	37,986
Cash and cash equivalents at the beginning of the period	199,048	200,020	200,020	172,239
Effect of exchange rate changes on cash and cash equivalents	(2,271)	1,885	(386)	598
Cash and cash equivalents at the end of the Period	293,438	199,048	293,438	210,823