

Delivering Improved Performance

Jakarta, October 31, 2014 – Today, PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) announced its unaudited results for the third quarter of 2014 (3Q14). Income for the period rose to US\$62.4 million, a 25% increase over the previous quarter. This is also the highest quarterly income since 4Q11.

The Company’s performance in 3Q14 was characterized by continued strong production, a higher selling price of nickel and a lower unit cost of revenue.

PT Vale’s production and sales volumes for both 3Q14 and the first nine months of 2014 (9M14) were relatively stable when compared to production and sales for 2Q14 and 9M13 respectively.

In 3Q14 and the first nine months of 2014 the Company realized a higher average selling price of 6% and 7% respectively compared to 2Q14 and 9M13. This resulted in higher revenues for 3Q14 and 9M14 of 8% and 7% respectively when compared to revenues for 2Q14 and 9M13.

On a year to date basis, the cost of revenue for the first nine months of 2014 declined 11% over the same period in 2013, driven by lower fuel, lubricant and employee costs. This reflects continuous improvement in cost discipline and operating productivity by PT Vale, and highlights the success of the Company’s cost reduction strategy. A major component of this strategy is the Company’s coal conversion phase 1 project (CCP1), which replaces high sulfur fuel oil (HSFO) with coal in the ore dryers. This conversion results in a significant cost reduction.

PT Vale’s cost of revenue in 3Q14 increased by less than 1% to US\$181.2 million from US\$180.1 million in 2Q14. Factoring in a sales volume increase of 1%, the cost of revenue on a unit basis was slightly lower in 3Q14.

PT Vale’s High Sulfur Fuel Oil (HSFO) and diesel fuel consumption in 3Q14, 2Q14, 9M14 and 9M13 are captured in a table below:

	3Q14	2Q14	9M14	9M13
HSFO volume (barrels)	393,669	405,236	1,231,842	1,894,903
HSFO average price per barrel	US\$100.22	US\$99.83	US\$99.94	US\$101.14
Diesel volume (kilo litres)	15,302	16,343	47,155	43,939
Diesel average price per litre	US\$0.92	US\$0.91	US\$0.90	US\$0.86

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The table shows a trend of decreasing fuel consumption achieved through the CCP1 project mentioned above, and also through improved fuel-efficiency in the reduction kilns, a result of the Company's operational improvement program.

The higher selling price and improved cost efficiencies contributed to improved margins in the third quarter of 2014 and 9M14.

The Company's cash and cash equivalent as of September 30, 2014 and June 30, 2014 were US\$372.4 million and US\$293.4 million respectively. During the quarter, the Company disbursed approximately US\$19.7 million in capital expenditures.

For the remainder of 2014, PT Vale will maintain its focus on improving costs to sustain competitiveness in the long run without compromising the Company's foremost value: life matters most. The Company will also continue to leverage its enhanced smelting capacity and process optimization.

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. The amendment of the Contract of Work (CoW) earlier this month has provided greater certainty for the Company's long-term future, and paves the way for the development of future growth programs.

Readers are encouraged to look at the summary of the Company's results. 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>3Q14</u>	<u>2Q14</u>	<u>9M14</u>	<u>9M13</u>
Nickel in matte production ¹	19,313	19,224	58,141	57,503
Nickel matte deliveries ¹	19,830	19,614	58,867	58,621
Average realized price per metric ton ²	14,616	13,733	13,119	12,301
EBITDA ³	124.4	106.8	280.5	162.7
Revenue ³	289.8	269.4	772.3	721.1
Earnings ³	62.4	50.0	130.4	47.3
Earnings per share ²	0.0063	0.0050	0.0131	0.0048

¹ metric ton (t)

² US\$

³ US\$ million

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

	<u>3Q14</u>	<u>2Q14</u>	<u>9M14</u>	<u>9M13</u>
Revenue	289,820	269,367	772,297	721,071
Cost of revenue	<u>181,172</u>	<u>180,074</u>	<u>538,108</u>	<u>605,242</u>
Gross profit	108,648	89,293	234,189	115,829
Other income	(295)	(148)	(570)	(353)
Operating expenses	4,178	3,966	11,253	9,765
Other expenses	<u>14,311</u>	<u>14,611</u>	<u>34,843</u>	<u>29,107</u>
Operating profit	90,454	70,864	188,663	77,310
Finance costs	<u>2,431</u>	<u>3,391</u>	<u>9,122</u>	<u>11,192</u>
Profit before income tax	88,023	67,473	179,541	66,118
Income tax expense	<u>25,662</u>	<u>17,445</u>	<u>49,189</u>	<u>18,835</u>
Profit for the period	62,361	50,028	130,352	47,283
Other comprehensive income				
Actuarial loss from defined benefit plan and post-retirement medical benefits	-	-	-	(15)
Total comprehensive income for the period	<u>62,361</u>	<u>50,028</u>	<u>130,352</u>	<u>47,268</u>
Earnings per share				
- Basic (in US Dollars)	<u>0.0063</u>	<u>0.0050</u>	<u>0.0131</u>	<u>0.0048</u>

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

	September 30, 2014 (Unaudited)	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets			
Cash and cash equivalents	372,425	293,438	200,020
Restricted cash	4,097	16,526	16,723
Trade receivables - Related parties	106,386	128,285	65,902
Inventories	141,086	150,161	150,996
Prepaid taxes - Corporate income tax	9,897	-	83,833
- Other taxes	37,589	26,494	28,008
Prepayments and advances	7,399	2,437	4,209
Other current financial assets	7,949	7,606	7,804
Total current assets	686,828	624,947	557,495
Prepaid taxes - Corporate income tax	-	10,544	17,913
- Other taxes	61,793	45,130	40,229
Non-trade receivables - Related parties	229	282	305
Fixed assets	1,612,641	1,625,873	1,651,762
Other non-current financial assets	14,178	12,113	13,415
Total non-current assets	1,688,841	1,693,942	1,723,624
Total assets	2,375,669	2,318,889	2,281,119
Liabilities and Equity			
Trade payables - Related parties	6,375	4,815	11,211
- Third parties	52,861	59,909	64,304
Accruals	27,892	32,962	29,972
Short-term employee benefit liabilities	18,403	14,844	16,650
Taxes payable	38,426	19,546	6,905
Current portion of long-term bank borrowings	35,979	35,979	35,863
Current portion of post-employment benefit liabilities	430	430	345
Share-based payment liabilities	396	416	430
Other current financial liabilities	4,779	1,095	3,220
Total current liabilities	185,541	169,996	168,900
Long-term bank borrowings	146,371	164,876	183,252
Long-term post-employment benefit liabilities	11,876	12,231	11,557
Deferred tax liabilities	139,224	141,683	157,302
Provision for asset retirement	48,039	47,846	45,842
Total non-current liabilities	345,510	366,636	397,953
Total liabilities	531,051	536,632	566,853
Equity	1,844,618	1,782,257	1,714,266
Total liabilities and equity	2,375,669	2,318,889	2,281,119

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

	<u>3Q14</u>	<u>2Q14</u>	<u>9M14</u>	<u>9M13</u>
Cash flows from operating activities				
Receipts from customers	311,719	230,424	731,813	737,015
Payments to suppliers	(147,649)	(145,881)	(415,568)	(449,833)
Refunds/(payments) of corporate income tax	5,816	(16,839)	(17,495)	(31,529)
(Payments)/refunds of taxes	(37,676)	75,647	49,646	49,515
Payments to employees	(23,972)	(16,277)	(69,240)	(82,225)
Other receipts	295	148	570	353
Other payments	(3,900)	(3,298)	(11,473)	(10,898)
Net cash flows provided from operating activities	104,653	123,924	268,253	212,398
Cash flows from investing activities				
Payments for acquisition of fixed assets	(19,698)	(14,852)	(66,377)	(106,066)
Net cash flows used for investing activities	(19,698)	(14,852)	(66,377)	(106,066)
Cash flows from financing activities				
Payments of dividends	(30)	(16)	(733)	(25,022)
Placement of restricted cash	(8,229)	(12,395)	(28,936)	(29,688)
Usage of restricted cash	20,658	-	41,561	42,840
Payments of long-term borrowings	(18,750)	-	(37,500)	(37,500)
Payments of finance costs	-	-	(3,860)	(9,179)
Net cash flows used for financing activities	(6,351)	(12,411)	(29,468)	(58,549)
Net increase in cash and cash equivalents	78,604	96,661	172,408	47,783
Cash and cash equivalents at the beginning of the period	293,438	199,048	200,020	172,239
Effect of exchange rate changes on cash and cash equivalents	383	(2,271)	(3)	1,323
Cash and cash equivalents at the end of the period	372,425	293,438	372,425	221,345