

2014 marks year of achievements for PT Vale

Jakarta, February 26, 2015 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its audited results for 2014 (FY14). Earnings for the year were US\$172.3 million – more than four times higher than earnings recorded in 2013.

PT Vale recorded the highest annual production volume in its history in 2014, successfully executing its strategy to lower unit cost of revenue and benefiting from an improved realized price over 2013.

“The year 2014 was an important one for PT Vale on many fronts,” said Nico Kanter, CEO and President Director of the Company. “In 2014 we successfully concluded our Contract of Work renegotiation with the Government of Indonesia, we improved efficiencies and effectively restructured our production costs to the point that we are now are less susceptible to global oil prices. Each of these alone, and certainly all of these together, have enhanced our competitive position as we look to grow the business going forward.”

PT Vale’s nickel in matte production increased by 4% in 2014 over production in 2013, attributable in large part to higher average electric power from our hydroelectric generating facilities and improved operation of the electric furnaces. On a quarter over quarter basis, nickel in matte production increase 7% in the fourth quarter 2014 (4Q14) over 3Q14.

Sales volume in 2014 increased by 3% compared to 2013 and by 4% quarter over quarter (4Q14 vs 3Q 14). The Company also realized a 9% higher average selling price in 2014 over 2013, resulting in 13% higher revenues for the year.

The cost of revenue for the Company declined 6% in 2014 over 2013, driven predominantly by lower fuel, lubricant and employment costs. This reflects continuous improvement in cost discipline and operating productivity at PT Vale and highlights the success of the Company’s cost reduction strategy – a major component of which is the coal conversion phase 1 project (CCP1), which replaces high sulphur fuel oil (HSFO) with coal in the ore dryers.

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PT Vale's HSFO and diesel fuel consumption in 4Q14, 3Q14, 2014 and 2013 are captured in the table below:

	<u>4Q14</u>	<u>3Q14</u>	<u>2014</u>	<u>2013</u>
HSFO volume (barrels)	412,418	393,669	1,644,260	2,331,063
HSFO average price per barrel	US\$94.01	US\$100.22	US\$98.45	US\$100.79
Diesel volume (kilo litres)	16,189	15,302	63,344	59,224
Diesel average price per litre	US\$0.87	US\$0.92	US\$0.89	US\$0.87

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

The Company's cash and cash equivalent as of December 31, 2014 and September 30, 2014 were US\$302.3 million and US\$372.4 million respectively. During the year, the Company disbursed approximately US\$76.8 million in capital expenditures.

In 2015, PT Vale plans to maximize its capacity and produce approximately 80,000 metric tons (t) of nickel in matte. At the same time, the Company 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.

PT Vale's management team firmly believes 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 in October provides greater certainty for the Company's long-term future, and paves the way for the development and advancement of our growth programs.

Readers are encouraged to review the Company's results. Operational achievements and audited 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>4Q14</u>	<u>3Q14</u>	<u>2014</u> ¹	<u>2013</u> ¹
Nickel in matte production ²	20,586	19,313	78,726	75,802
Nickel matte deliveries ²	20,611	19,830	79,477	77,198
Average realized price per metric ton ³	12,895	14,616	13,061	11,939
EBITDA ⁴	91.3	124.4	371.8	203.4
Revenue ⁴	265.8	289.8	1,038.1	921.6
Earnings ⁴	41.9	62.4	172.3	38.7
Earnings per share ³	0.0042	0.0063	0.0173	0.0039

¹ audited figures

² metric ton (t)

³ US\$

⁴ US\$ million

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

	<u>4Q14</u>	<u>3Q14</u>	<u>2014</u> (Audited)	2013 (Audited)
Revenue	265,785	289,820	1,038,082	921,638
Cost of revenue	(193,312)	(181,172)	(731,420)	(781,744)
Gross profit	72,473	108,648	306,662	139,894
Other income	343	295	913	455
Operating expenses	(3,211)	(4,178)	(14,464)	(13,041)
Other expenses	(8,823)	(14,311)	(43,666)	(57,171)
Operating profit	60,782	90,454	249,445	70,137
Finance costs	(3,392)	(2,431)	(12,514)	(14,678)
Profit before income tax	57,390	88,023	236,931	55,459
Income tax expense	(15,471)	(25,662)	(64,660)	(16,807)
Profit for the period	41,919	62,361	172,271	38,652
Other comprehensive income				
Actuarial (loss)/gain from defined contribution plan and post-retirement medical benefits, net	(1,125)	-	(1,125)	4,260
Total comprehensive income for the period	40,794	62,361	171,146	42,912
Earnings per share				
- Basic (in US Dollars)	0.0042	0.0063	0.0173	0.0039

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

	December 31, 2014 (Audited)	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets			
Cash and cash equivalents	302,256	372,425	200,020
Restricted cash	16,389	4,097	16,723
Trade receivables - Related parties	92,706	106,386	65,902
Inventories, net	139,287	141,086	150,996
Prepaid taxes - Corporate income tax	9,913	9,897	83,833
- Other taxes	50,841	37,589	28,008
Prepayments and advances	5,745	7,399	4,209
Other current financial assets	4,297	7,949	7,804
Total current assets	621,434	686,828	557,495
Prepaid taxes - Corporate income tax	647	-	17,913
- Other taxes	87,523	61,793	40,229
Non-trade receivables - Related parties	211	229	305
Fixed assets, net	1,608,523	1,612,641	1,651,762
Other non-current financial assets	15,852	14,178	13,415
Total non-current assets	1,712,756	1,688,841	1,723,624
Total assets	2,334,190	2,375,669	2,281,119
Liabilities and Equity			
Trade payables - Related parties	6,147	6,375	11,211
- Third parties	68,067	52,861	64,304
Accruals	32,030	27,892	29,972
Short-term employee benefit liabilities	20,910	18,403	16,650
Taxes payable	41,845	38,426	6,905
Current portion of long-term bank borrowings	35,979	35,979	35,863
Current portion of post-employment benefit liabilities	-	430	345
Share-based payment liabilities	346	396	430
Other current financial liabilities	3,066	4,779	3,220
Total current liabilities	208,390	185,541	168,900
Long-term bank borrowings	146,617	146,371	183,252
Long-term post-employment benefit liabilities	10,909	11,876	11,557
Deferred tax liabilities, net	133,644	139,224	157,302
Provision for asset retirement	49,277	48,039	45,842
Total non-current liabilities	340,447	345,510	397,953
Total liabilities	548,837	531,051	566,853
Equity	1,785,353	1,844,618	1,714,266
Total liabilities and equity	2,334,190	2,375,669	2,281,119

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

	<u>4Q14</u>	<u>3Q14</u>	<u>2014</u> (Audited)	<u>2013</u> (Audited)
Cash flows from operating activities				
Receipts from customers	279,465	311,719	1,011,278	968,376
Payments to suppliers	(118,089)	(147,649)	(533,657)	(596,532)
(Payments)/refunds of corporate income tax	(22,896)	5,816	(40,391)	(38,261)
(Payments)/refunds of taxes	(39,432)	(37,656)	10,214	48,356
Payments to employees	(35,925)	(23,972)	(105,165)	(100,607)
Other receipts	343	295	913	455
Other payments	(8,391)	(3,900)	(19,864)	(15,895)
Net cash flows provided from operating activities	55,075	104,653	323,328	265,892
Cash flows from investing activities				
Payments for acquisition of fixed assets	(10,469)	(19,698)	(76,846)	(140,487)
Net cash flows used for investing activities	(10,469)	(19,698)	(76,846)	(140,487)
Cash flows from financing activities				
Payments of dividends	(98,819)	(30)	(99,552)	(49,314)
Placement of restricted cash	(12,292)	(8,229)	(41,228)	(42,244)
Usage of restricted cash	-	20,658	41,561	42,854
Payments of long-term borrowings	-	(18,750)	(37,500)	(37,500)
Payments of finance costs	(3,471)	-	(7,331)	(9,192)
Net cash flows used for financing activities	(114,582)	(6,351)	(144,050)	(95,396)
Net(decrease)/increase in cash and cash equivalents	(69,976)	78,604	102,432	30,009
Cash and cash equivalents at the beginning of the period	372,425	293,438	200,020	172,239
Effect of exchange rate changes on cash and cash equivalents	(193)	383	(196)	(2,228)
Cash and cash equivalents at the end of the period	302,256	372,425	302,256	200,020