

Costs in the first quarter of 2015 remained competitive; provided support as price declined further

Jakarta, April 30, 2015 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the first quarter of 2015 (1Q15). Revenue for the quarter was US\$211.9 million after realized price for the respective quarter dropped by 9% from previous quarter.

“In the first quarter of 2015 we continued to witness further nickel price decline from level achieved in the 4Q14,” said Nico Kanter, CEO and President Director of the Company. “Nevertheless we decided to continue production and later in the quarter we performed several maintenance plans to benefitting low nickel price environment.”

That maintenance affected PT Vale’s nickel in matte production which decreased by 15% from 4Q14 production. However the Company still maintain its full year production plan of around 80,000 metric tons (t) for 2015.

At the same time PT Vale continued to control its costs prudently. The cost of revenue for 1Q15 was 14% lower than the cost of revenue incurred in the previous quarter, in line with the sales volume decrease. Lower fuel, lubricants and supplies lead to that favourable cost of revenue decline. This reflects cost discipline and operating productivity at PT Vale.

PT Vale’s High Sulphur Fuel Oil (HSFO) and diesel fuel consumption in 1Q15, 4Q14, 1Q14 and 2014 are captured in the table below:

	<u>1Q15</u>	<u>4Q14</u>	<u>1Q14</u>	<u>2014</u>
HSFO volume (barrels)	375,102	412,418	432,937	1,644,260
HSFO average price per barrel	US\$69.92	US\$94.01	US\$99.77	US\$98.45
Diesel volume (kilo litres)	17,296	16,189	15,510	63,344
Diesel average price per litre	US\$0.63	US\$0.87	US\$0.88	US\$0.89

The table shows that PT Vale benefited from lower HSFO price in 1Q15, which is significantly cheaper than in 2014.

In addition to controlling costs, in anticipating unfavourable nickel price environment PT Vale shall manage its cash flows cautiously. The Company’s cash and cash equivalent as of March 31, 2015 and December 31, 2014 were US\$328.2 million and US\$302.3 million respectively while disbursed approximately US\$30.2 million in capital expenditures in 1Q15.

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In 2015 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 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>1Q15</u>	<u>4Q14</u>	<u>1Q14</u>
Nickel in matte production ¹	17,476	20,586	19,604
Nickel matte deliveries ¹	18,040	20,611	19,423
Average realized price per metric ton ²	11,745	12,895	10,972
EBITDA ³	71.4	91.3	49.3
Revenue ³	211.9	265.8	213.1
Earnings ³	25.1	41.9	18.0
Earnings per share ²	0.0025	0.0042	0.0018

¹ metric ton (t)

² US\$

³ US\$ million

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

	<u>1Q15</u>	<u>4Q14</u>	<u>1Q14</u>
Revenue	211,882	265,785	213,110
Cost of revenue	(165,422)	(193,312)	(176,862)
Gross profit	46,460	72,473	36,248
Other income	376	343	127
Operating expenses	(3,373)	(3,211)	(3,109)
Other expenses	(6,637)	(8,823)	(5,921)
Operating profit	36,826	60,782	27,345
Finance costs	(3,239)	(3,392)	(3,300)
Profit before income tax	33,587	57,390	24,045
Income tax expense	(8,530)	(15,471)	(6,082)
Profit for the period	25,057	41,919	17,963
Other comprehensive income			
Actuarial loss from defined contribution plan and post-retirement medical benefits, net	(562)	(1,125)	-
Total comprehensive income for the period	24,495	40,794	17,963
Earnings per share			
- Basic (in US Dollars)	0.0025	0.0042	0.0018

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2014 (Unaudited)
Assets			
Cash and cash equivalents	328,232	302,256	199,048
Restricted cash	15,657	16,389	4,132
Trade receivables - Related parties	76,986	92,706	86,983
Inventories, net	132,244	139,287	143,592
Prepaid taxes - Corporate income tax	-	9,913	83,833
- Other taxes	62,785	50,841	17,824
Prepayments and advances	2,841	5,745	4,715
Other current financial assets	3,700	4,297	8,079
Total current assets	622,445	621,434	548,206
Prepaid taxes - Corporate income tax	-	647	58,221
- Other taxes	84,024	87,523	3,021
Non-trade receivables - Related parties	190	211	310
Fixed assets, net	1,613,463	1,608,523	1,635,594
Other non-current financial assets	14,409	15,852	13,601
Total non-current assets	1,712,086	1,712,756	1,710,747
Total assets	2,334,531	2,334,190	2,258,953
Liabilities and Equity			
Trade payables - Related parties	5,524	6,147	6,919
- Third parties	76,609	68,067	53,700
Accruals	23,255	32,030	29,950
Short-term employee benefit liabilities	14,261	20,910	11,714
Taxes payable	42,131	41,845	5,585
Current portion of long-term bank borrowings	35,979	35,979	35,863
Current portion of post-employment benefit liabilities	-	-	430
Share-based payment liabilities	275	346	421
Other current financial liabilities	3,791	3,066	1,110
Total current liabilities	201,825	208,390	145,692
Long-term bank borrowings	128,112	146,617	164,747
Long-term post-employment benefit liabilities	10,726	10,909	12,542
Deferred tax liabilities, net	133,539	133,644	156,899
Provision for asset retirement	50,481	49,277	46,844
Total non-current liabilities	322,858	340,447	381,032
Total liabilities	524,683	548,837	526,724
Equity	1,809,848	1,785,353	1,732,229
Total liabilities and equity	2,334,531	2,334,190	2,258,953

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

	<u>1Q15</u>	<u>4Q14</u>	<u>1Q14</u>
Cash flows from operating activities			
Receipts from customers	227,602	279,465	189,670
Payments to suppliers	(109,029)	(118,089)	(122,038)
Payments of corporate income tax	(4,364)	(22,896)	(6,472)
(Payments)/refunds of taxes, net	(600)	(39,432)	11,655
Payments to employees	(20,672)	(35,925)	(28,991)
Other receipts	376	343	127
Other payments	(15,065)	(8,391)	(4,275)
Net cash flows provided from operating activities	<u>78,248</u>	<u>55,075</u>	<u>39,676</u>
Cash flows from investing activities			
Payments for acquisition of fixed assets	(30,230)	(10,469)	(31,827)
Net cash flows used for investing activities	<u>(30,230)</u>	<u>(10,469)</u>	<u>(31,827)</u>
Cash flows from financing activities			
Payments of dividends	(26)	(98,819)	(687)
Placement of restricted cash	(19,754)	(12,292)	(8,312)
Usage of restricted cash	20,486	-	20,903
Payments of long-term borrowings	(18,750)	-	(18,750)
Payments of finance costs	(3,158)	(3,471)	(3,860)
Net cash flows used for financing activities	<u>(21,202)</u>	<u>(114,582)</u>	<u>(10,706)</u>
Net increase/(decrease) in cash and cash equivalents	26,816	(69,976)	(2,857)
Cash and cash equivalents at the beginning of the period	302,256	372,425	200,020
Effect of exchange rate changes on cash and cash equivalents	(840)	(193)	1,885
Cash and cash equivalents at the end of the period	<u>328,232</u>	<u>302,256</u>	<u>199,048</u>