

Production in 2Q15 increases and costs remain competitive providing support against lower prices

Jakarta, July 30, 2015 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the second quarter of 2015 (2Q15). Production for the quarter rose to 19,251 metric tons (t), an increase of 10% from the previous quarter and on target with the full year production plan of around 80,000 t for 2015.

The realized nickel price in the second quarter was 11% lower than in the first quarter. “We are monitoring this price volatility continuously and, more notably, maintaining our efforts to improve efficiencies and reduce costs,” said Nico Kanter, CEO and President Director of the Company. “While the Company has benefited from lower oil prices it has not diminished our resolve to find further improvements in all aspects of the business.”

The following table shows PT Vale’s High Sulphur Fuel Oil (HSFO), diesel fuel and coal consumption in 2Q15, 1Q15, 1H15 and 1H14. It also illustrates the benefit derived from lower prices in 2Q15; significantly lower than in 2014.

	<u>2Q15</u>	<u>1Q15</u>	<u>1H15</u>	<u>1H14</u>
HSFO volume (barrels)	426,242	375,102	801,344	838,173
HSFO average price per barrel	US\$62.01	US\$69.92	US\$65.71	US\$99.80
Diesel volume (kilo litres)	15,471	17,296	32,767	31,853
Diesel average price per litre	US\$0.58	US\$0.63	US\$0.61	US\$0.90
Coal volume (t)	89,565	92,307	181,872	175,774
Coal average price per t	US\$101.16	US\$94.80	US\$97.93	US\$125.14

While benefiting from lower prices, lower fuel and lubricant costs also reflect the results of sustained improvements in operational efficiency. Oil consumption per metric ton – both for HSFO and diesel oil – was relatively stable from the previous quarter. PT Vale will sustain these levels. Reductions in other cost components, including supplies and employment costs, contributed to a decline in cost of revenue.

These efforts helped PT Vale record its lowest quarterly unit cash cost of revenue in the last five years in 2Q15.

The Company then registered earnings of US\$16.8 million for 2Q15 period, or a decline of 33% from 1Q15.

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In addition to controlling costs, and in anticipation of a continuing unfavourable nickel price environment, PT Vale is managing its cash flows prudently. The Company's cash and cash equivalents as of June 30, 2015 and March 31, 2015 were US\$270.1 million and US\$328.2 million respectively, while the Company disbursed approximately US\$27.7 million in capital expenditures in 2Q15.

The Company continues to assess its capital expenditure plans amid a low nickel price environment. However, this assessment will not affect compliance to regulations, cost reductions, production or the sustainability of the operation. This includes measures such as utilizing available hydropower and debottlenecking the process plant.

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

Readers are encouraged to review the Company's results. Operational achievements and unaudited financial results are summarized on the following pages.

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PT Vale Indonesia Tbk Production and Financial Highlights

	<u>2Q15</u>	<u>1Q15</u>	<u>1H15</u>	<u>1H14</u>
Nickel in matte production ¹	19,251	17,476	36,727	38,828
Nickel matte deliveries ¹	19,006	18,040	37,046	39,037
Average realized price per metric ton ²	10,405	11,745	11,058	12,360
EBITDA ³	58.3	71.4	129.7	156.1
Revenue ³	197.8	211.9	409.7	482.5
Earnings ³	16.8	25.1	41.8	68.0
Earnings per share ²	0.0017	0.0025	0.0042	0.0068

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>2Q15</u>	<u>1Q15</u>	<u>1H15</u>	<u>1H14</u>
Revenue	197,774	211,882	409,656	482,477
Cost of revenue	(163,536)	(165,422)	(328,958)	(356,936)
Gross profit	34,238	46,460	80,698	125,541
Other income	333	376	709	275
Operating expenses	(3,098)	(3,373)	(6,471)	(7,075)
Other expenses	(6,472)	(6,637)	(13,109)	(20,532)
Operating profit	25,001	36,826	61,827	98,209
Finance costs	(2,558)	(3,239)	(5,797)	(6,691)
Profit before income tax	22,443	33,587	56,030	91,518
Income tax expense	(5,665)	(8,530)	(14,195)	(23,527)
Profit for the period	16,778	25,057	41,835	67,991
Other comprehensive income				
Actuarial loss from pension plan and post-retirement medical benefits, net	-	(562)	(562)	-
Total comprehensive income for the period	16,778	24,495	41,273	67,991
Earnings per share				
- Basic (in US Dollars)	0.0017	0.0025	0.0042	0.0068

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

	June 30, 2015 (Unaudited)	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Assets			
Cash and cash equivalents	270,113	328,232	302,256
Restricted cash	27,868	15,657	16,389
Trade receivables - Related parties	90,276	76,986	92,706
Inventories, net	123,051	132,244	139,287
Prepaid taxes - Corporate income tax	15,232	9,913	9,913
- Other taxes	56,692	52,872	50,841
Prepayments and advances	1,861	2,841	5,745
Other current financial assets	3,733	3,700	4,297
Total current assets	588,826	622,445	621,434
Prepaid taxes - Corporate income tax	-	-	647
- Other taxes	83,037	84,024	87,523
Non-trade receivables - Related parties	175	190	211
Fixed assets, net	1,604,183	1,613,463	1,608,523
Other non-current financial assets	14,085	14,409	15,852
Total non-current assets	1,701,480	1,712,086	1,712,756
Total assets	2,290,306	2,334,531	2,334,190
Liabilities and Equity			
Trade payables - Related parties	4,852	5,524	6,147
- Third parties	58,125	76,609	68,067
Accruals	27,322	23,255	32,030
Short-term employee benefit liabilities	4,250	14,261	20,910
Taxes payable	2,980	42,131	41,845
Current portion of long-term bank borrowings	35,978	35,979	35,979
Share-based payment liabilities	296	275	346
Other current financial liabilities	4,432	3,791	3,066
Total current liabilities	138,235	201,825	208,390
Long-term bank borrowings	128,358	128,112	146,617
Long-term post-employment benefit liabilities	10,844	10,726	10,909
Deferred tax liabilities, net	135,141	133,539	133,644
Provision for asset retirement	51,102	50,481	49,277
Total non-current liabilities	325,445	322,858	340,447
Total liabilities	463,680	524,683	548,837
Equity	1,826,626	1,809,848	1,785,353
Total liabilities and equity	2,290,306	2,334,531	2,334,190

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

	<u>2Q15</u>	<u>1Q15</u>	<u>1H15</u>	<u>1H14</u>
Cash flows from operating activities				
Receipts from customers	184,484	227,602	412,086	420,094
Payments to suppliers	(169,949)	(109,029)	(278,978)	(267,919)
Payments of corporate income tax	(13,765)	(4,364)	(18,129)	(23,311)
(Payments)/refunds of taxes, net	(3,820)	(600)	(4,420)	87,302
Payments to employees	(11,819)	(20,672)	(32,491)	(45,268)
Other receipts	333	376	709	275
Other payments	(3,847)	(15,065)	(18,912)	(7,573)
Net- cash flows (used for)/provided from operating activities	(18,383)	78,248	59,865	163,600
Cash flows from investing activities				
Payments for acquisition of fixed assets	(27,657)	(30,230)	(57,887)	(46,679)
Net cash flows used for investing activities	(27,657)	(30,230)	(57,887)	(46,679)
Cash flows from financing activities				
Payments of dividends	(7)	(26)	(33)	(703)
Placement of restricted cash	(12,211)	(19,754)	(31,965)	(20,707)
Usage of restricted cash	-	20,486	20,486	20,903
Payments of long-term borrowings	-	(18,750)	(18,750)	(18,750)
Payments of finance costs	-	(3,158)	(3,158)	(3,860)
Net cash flows used for financing activities	(12,218)	(21,202)	(33,420)	(23,117)
Net (decrease)/increase in cash and cash equivalents	(58,258)	26,816	(31,442)	93,804
Cash and cash equivalents at the beginning of the period	328,232	302,256	302,256	200,020
Effect of exchange rate changes on cash and cash equivalents	139	(840)	(701)	(386)
Cash and cash equivalents at the end of the period	270,113	328,232	270,113	293,438