



PT Vale Indonesia Tbk achieved strong operational performance in Fourth Quarter 2012

Jakarta, February 28, 2013 – Today, PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) announces its unaudited results for the fourth quarter of 2012 (4Q12). The 2012 audited financial statement will be available by end of March 2013.

In 4Q12, PT Vale achieved an all-time high quarterly production record of 21,306 metric tons (t) of nickel in matte. This best ever quarterly production of nickel in matte resulted in a 6% increase in production volumes in 2012 compared to production in 2011. In line with the increase in production, sales volume in 2012 also rose by 5% from 2011.

The uncertainties in the global economy during 2012 weakened the metals and nickel markets and resulted in lower prices. PT Vale’s average realized price per metric ton in 2012 was US\$13,552, which was 26% lower than US\$18,296 in 2011. The decline in price resulted in a 22% decline in sales compared to 2011.

Cost of revenue of the Company in 2012 also increased by 10% mainly due to higher High Sulphur Fuel Oil (HSFO) price and increased supply costs associated with furnace repair activities executed in the first half of 2012. As a result of the decline in realized prices and increased cost of revenues, earnings for the Company in 2012 were US\$67 million.

Achievements in 4Q12

Sales in 4Q12 were 2% higher than sales in 3Q12 as average realized price in 4Q12 improved by 5% from previous quarter.

At the same time the Company’s cost of revenue declined from US\$215 million in 3Q12 to US\$202 million in 4Q12. This was related to higher operational efficiencies despite the rising fuel price.

In 4Q12, the Company consumed 655,520 barrels of HSFO at an average cost of US\$108.87 per barrel compared to 670,143 barrels at an average cost of US\$107.49 per barrel in the previous quarter.

In 4Q12, the Company used 15,108 kilolitres of diesel fuel at an average cost of US\$0.86 per litre while in 3Q12 it consumed 13,854 kilolitres at an average cost of US\$0.85 per litre.

The Company recorded earnings of US\$38.6 million in 4Q12 (US\$0.0039 per share) compared to US\$23.4 million (US\$0.0024 per share) in the previous quarter. It was the highest quarterly earnings of 2012.



In November 2012 the Board of Commissioners of PT Vale approved the distribution of 2012 interim dividend of US\$25 million. Including the final dividend for 2011 paid in May 2012, the total dividend paid in 2012 was US\$110 million. PT Vale's cash balance by the end of 2012 remained solid as its cash and cash equivalents were US\$172.2 million.

The management of PT Vale Indonesia believes that the Company is on track to reach its annual production aspiration of 120,000 t in the next few years. The company is prepared to improve annual production in 2013 given the Electric Furnace 2 (EF 2) upgrade that was completed in 2012. At the same time the management is fully committed to improve PT Vale's capital discipline and cost competitiveness amid current nickel price volatility. PT Vale expects to conclude the coal conversion for the dryers in 2013, which will bring significant cost savings to the Company.

Readers are encouraged to review the summary of the Company's results on the following pages, including operational achievements and unaudited financial results – 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**

	Fourth Quarter <u>2012</u>	Third Quarter <u>2012</u>	Full Year <u>2012</u>	Full Year <u>2011</u>¹
Nickel in matte production ²	21,306	20,418	70,717	66,900
Nickel in matte deliveries ²	20,768	21,345	71,379	67,916
Average realized price per metric ton ³	13,176	12,570	13,552	18,296
EBITDA ⁴	82.6	59.7	207	549
Sales ⁴	273.6	268.3	967	1,243
Earnings ⁴	38.6	23.4	67	334
Earnings per share ³	0.0039	0.0024	0.007	0.034

¹ audited figures

² metric tons (t)

³ US\$

⁴ US\$ million



PT Vale Indonesia Tbk
Condensed Statements of Comprehensive Earnings (Unaudited)
(In thousands of US\$ except Basic Comprehensive Earnings per Share Amount)

	Fourth Quarter 2012	Third Quarter 2012 ²	Full Year 2012	Full Year 2011 ¹
Revenue	273,639	268,304	967,327	1,242,555
Cost of revenue	202,367	215,260	800,622	727,194
Gross profit	71,272	53,044	166,705	515,361
Selling, general and administration expenses	4,783	4,102	12,613	28,981
Project development costs	9,703	9,225	38,704	29,391
Finance costs	3,761	3,873	15,485	5,388
Loss/(gain) on currency translation adjustments	906	3,367	6,353	(5,134)
Finance income	(114)	(81)	(564)	(857)
Others, net	(91)	1,308	2,691	5,270
Earnings before income tax	52,324	31,250	91,423	452,322
Income tax expense	13,766	7,833	23,929	118,559
Earnings for the year	38,558	23,417	67,494	333,763
Other comprehensive income	-	-	4,737	-
Total comprehensive earnings for the period	38,558	23,417	62,757	333,763
Basic comprehensive earnings per share	0.0039	0.0024	0.0068	0.0336

¹ audited figures, reclassified

² reclassified



PT Vale Indonesia Tbk
Condensed Balance Sheets
(In thousands of US\$)

	December 31, 2012 (Unaudited)	September 30, 2012 ¹ (Unaudited)	December 31, 2011 ¹ (Audited)
<u>Assets</u>			
Cash and cash equivalents	172,239	171,678	399,155
Restricted cash	17,333	4,333	17,464
Trade receivables – related parties	112,640	135,026	66,013
Inventories	152,849	140,308	163,271
Prepaid taxes	89,622	104,421	120,550
Prepayments and advances	8,185	4,771	5,105
Other current financial assets	10,548	10,173	9,156
Total current assets	564,890	570,710	780,624
Prepaid taxes	126,885	126,899	45,782
Non – trade receivables - related parties	121	-	-
Fixed assets	1,624,571	1,606,120	1,579,351
Other non-current financial assets	16,613	17,097	15,605
Total assets	2,333,080	2,320,826	2,421,362
<u>Liabilities and Equity</u>			
Trade payables – Related parties	10,888	5,993	6,427
– Third parties	68,149	66,407	77,724
Accrued expenses	31,654	37,439	36,006
Short-term employee benefit liabilities	13,259	14,969	13,849
Taxes payable	4,654	2,890	6,487
Current portion of long-term bank borrowings	35,643	37,500	35,442
Other current financial liabilities	1,442	1,013	1,390
Current portion of share-based payment liabilities	14	28	43
Total current liabilities	165,665	166,239	177,368
Long-term bank borrowings	219,991	217,889	256,711
Long-term employee benefit liabilities	21,875	16,235	11,118
Deferred tax liabilities	162,005	166,276	167,191
Provisions for asset retirement	42,110	41,534	39,805
Total non-current liabilities	445,981	441,934	474,825
Total liabilities	611,646	608,173	652,193
Equity	1,721,434	1,712,653	1,769,169
Total liabilities and equity	2,333,080	2,320,826	2,421,362

¹⁾Reclassified

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

	Fourth Quarter 2012	Third Quarter 2012	Full Year 2012	Full Year 2011¹
Cash Flows from Operating Activities				
Receipts from customers	296,025	261,099	920,700	1,300,603
Payments to suppliers	(192,982)	(144,498)	(644,843)	(592,620)
Payments of corporate income tax	(20,799)	(30,478)	(121,055)	(174,227)
Refunds/(payments) of other taxes	17,589	16,140	41,764	(26,647)
Payments to employees	(21,811)	(22,519)	(100,130)	(98,964)
Payment of tax assessments	-	-	-	(69,457)
Other receipts	114	81	564	857
Other payments	(3,639)	(3,627)	(14,096)	(18,748)
Net Cash Flows Provided from Operating Activities	74,497	76,198	82,904	320,797
Cash Flows from Investing Activities				
Payments for property, plant and equipment	(35,383)	(31,156)	(150,707)	(208,651)
Net Cash Flows Used for Investing Activities	(35,383)	(31,156)	(150,707)	(208,651)
Cash Flows from Financing Activities				
Payment of dividends	(24,994)	(1,013)	(110,460)	(242,606)
Payment of long-term bank borrowings	-	(18,750)	(37,500)	-
Proceeds from long-term bank borrowings (Placement) / usage of restricted cash	(12,999)	13,257	131	(16,253)
Payment of finance costs	-	(5,382)	(10,724)	(8,214)
Net Cash Flows Used for Financing Activities	(37,993)	(11,888)	(158,553)	(117,073)
Increase/(Decrease) in Cash and Cash Equivalents	1,121	33,154	(226,356)	(4,927)
Cash and Cash Equivalents at the Beginning of the Period	171,678	138,524	399,155	404,129
Effect of exchange rate changes on cash and cash equivalents	(560)	-	(560)	(47)
Cash and Cash Equivalents at the End of the Period	172,239	171,678	172,239	399,155

¹ audited figures, reclassified