

For immediate release

## Cost Improvement

**Jakarta, February 26, 2014** – Today, PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) announces its audited results for 2013 that reinforce the significant strides made in 2013 to improve its cost competitiveness amid nickel price volatility<sup>1</sup>.

Cost of revenue<sup>2</sup> per metric ton (t) of nickel in matte production in 2013 declined by 7% to US\$10,313 per t from US\$11,091 per t incurred in 2012 mainly driven by lower fuel and lubricant costs, employee costs, services and contracts costs and other costs, as well as showing the benefit of fixed cost dilution due to higher production volumes.

Lower fuel and lubricant costs were primarily caused by PT Vale’s High Sulphur Fuel Oil (HSFO) average purchase price in 2013, which was about 9% lower than the average purchase price in previous year. At the same time, the Company’s HSFO usage per t of production also improved from about 32.38 barrel per t to 30.75 barrel per t when annual production increased as the Company improved its operating efficiency.

In the second half of 2013, the Company completed construction of coal conversion for the dryers. As this project ramped up in the fourth quarter of 2013 (4Q13), HSFO consumption in that quarter was 28% less than in 3Q13 (4Q13: 436,160 barrels at an average cost of US\$99.26 per barrel; 3Q13: 608,058 barrels of HSFO at an average cost of US\$99.65 per barrel). In turn, this resulted in a 22% reduction in fuel and lubricant costs in 4Q13 compared to 3Q13. The management of PT Vale expects to see continued cost savings from this project in 2014.

Offsetting that reduction in the HSFO consumption, the Company in 4Q13 consumed 15,285 kilolitres of diesel fuel at an average cost of US\$0.89 per litre, while in 3Q13 it consumed 14,774 kilolitres at an average cost of US\$0.87 per litre representing an increase of 3.5%. This increase was a result of operating coal mills that required running the CCP.

Cost savings initiatives introduced to combat the low price environment started to show their benefits through lower employee costs, services and contracts costs and other costs. A hiring freeze, which meant that the Company did not add any job positions, combined with the depreciation of the Rupiah, particularly in the second half of 2013, resulted in employee costs declining by 5%. At the same time the

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<sup>1</sup> Press release of PT Vale dated February 28, 2013.

<sup>2</sup> Excluding inventory movements.



services and contracts costs and other costs also declined by 2% and 11% respectively.

In 2014, the Company will remain focused on its cost savings initiatives to sustain competitiveness in the long run without compromising our foremost value: life matters most.

In 2013, PT Vale produced 75,802 t nickel in matte, which was 7% higher than production in 2012. The increase in production was driven by the realization of its enhanced smelting capacity and production process optimization.

That lower cost per t in 2013 compensated for a 12% average realized price decline from 2012 to 2013. An increase in PT Vale's deliveries of 8% as a result of higher production levels helped offset some of the impact from a lower realized price in 2013. Therefore, PT Vale's revenue in 2013 was 5% lower than in 2012.

PT Vale plans to continue to leverage its enhanced smelting capacity and process optimization in 2014 and plans to produce 5% more nickel in matte or around 79,600 t. The Company will also continue to advance its cost savings initiatives and focus on ensuring its long-term sustainability.

With that, the management of PT Vale believes that the Company is on track to execute its strategy to ensure long-term profitable growth by maximizing production through operational excellence.

Readers are encouraged to look at summary of the Company's results on the following pages. Its 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**

	<b><u>4Q13</u></b>	<b><u>3Q13</u></b>	<b><u>2013</u></b> <sup>1</sup>	<b><u>2012</u></b> <sup>1</sup>
Nickel in matte production <sup>2</sup>	<b>18,299</b>	19,771	<b>75,802</b>	70,717
Nickel matte deliveries <sup>2</sup>	<b>18,577</b>	19,613	<b>77,198</b>	71,379
Average realized price per metric ton <sup>3</sup>	<b>10,797</b>	10,981	<b>11,939</b>	13,552
EBITDA <sup>4</sup>	<b>40.7</b>	39.4	<b>203.4</b>	207.0
Revenue <sup>4</sup>	<b>200.6</b>	215.4	<b>921.6</b>	967.3
Earnings <sup>4</sup>	<b>(8.6)</b>	3.2	<b>38.7</b>	67.5
Earnings per share <sup>3</sup>	<b>(0.0009)</b>	0.0003	<b>0.0039</b>	0.0068

<sup>1</sup> audited figures

<sup>2</sup> metric ton (t)

<sup>3</sup> US\$

<sup>4</sup> US\$ million

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

	<u>4Q13</u>	<u>3Q13</u>	<u>2013</u> <u>(Audited)</u>	<u>2012</u> <u>(Audited)</u>
Revenue	<b>200,567</b>	215,372	<b>921,638</b>	967,327
Cost of revenue	<b>176,502</b>	192,138	<b>781,744</b>	800,622
<b>Gross profit</b>	<b>24,065</b>	23,234	<b>139,894</b>	166,705
Other income	<b>(102)</b>	(111)	<b>(455)</b>	(564)
Operating expenses	<b>3,276</b>	3,094	<b>13,041</b>	12,613
Other expenses	<b>28,064</b>	9,441	<b>57,171</b>	47,748
<b>Operating (loss)/profit</b>	<b>(7,173)</b>	10,810	<b>70,137</b>	106,908
Finance costs	<b>3,486</b>	3,619	<b>14,678</b>	15,485
<b>(Loss)/profit before income tax</b>	<b>(10,659)</b>	7,191	<b>55,459</b>	91,423
Income tax expense/(recovery)	<b>(2,028)</b>	3,974	<b>16,807</b>	23,929
<b>(Loss)/profit for the period</b>	<b>(8,631)</b>	3,217	<b>38,652</b>	67,494
<b>Other comprehensive (income)/expense</b>				
Actuarial (gain)/ loss from defined benefit plan and post-retirement medical benefits	<b>(4,275)</b>	(12)	<b>(4,260)</b>	4,737
<b>Total comprehensive (loss)/income for the period</b>	<b>(4,356)</b>	3,229	<b>42,912</b>	62,757
Earnings per share				
- Basic (in US Dollars)	<b>(0.0009)</b>	0.0003	<b>0.0039</b>	0.0068

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

	<b>December 31, 2013 (Audited)</b>	<b>September 30, 2013 (Unaudited)</b>	<b>December 31, 2012 (Audited)</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	200,020	221,345	172,239
Restricted cash	16,723	4,181	17,333
Trade receivables - Related parties	65,902	96,696	112,640
Inventories	150,996	143,293	152,849
Prepaid taxes - Corporate income tax	83,833	-	45,289
- Other taxes	28,008	116,865	44,333
Prepayments and advances	4,209	6,172	9,659
Other current financial assets	7,804	8,143	10,548
<b>Total current assets</b>	<b>557,495</b>	<b>596,695</b>	<b>564,890</b>
Prepaid taxes - Corporate income tax	17,913	14,241	79,668
- Other taxes	40,229	47,292	47,217
Non-trade receivables - Related parties	305	376	111
Fixed assets	1,651,762	1,637,139	1,624,571
Other non-current financial assets	13,415	16,567	16,623
<b>Total non-current assets</b>	<b>1,723,624</b>	<b>1,715,615</b>	<b>1,768,190</b>
<b>Total assets</b>	<b>2,281,119</b>	<b>2,312,310</b>	<b>2,333,080</b>
<b><u>Liabilities and Equity</u></b>			
Trade payables - Related parties	11,211	6,037	10,888
- Third parties	64,304	59,736	68,171
Accruals	29,972	36,951	31,614
Short-term employee benefit liabilities	16,650	14,173	12,914
Taxes payable	6,905	3,572	4,654
Current portion of long-term bank borrowings	35,863	35,750	35,643
Current portion of post-employment benefit liabilities	345	345	345
Share-based payment liabilities	430	13	14
Other current financial liabilities	3,220	1,438	1,422
<b>Total current liabilities</b>	<b>168,900</b>	<b>158,015</b>	<b>165,665</b>
Long-term bank borrowings	183,252	183,120	219,991
Long-term post-employment benefit liabilities	11,557	21,567	21,875
Deferred tax liabilities	157,302	161,037	162,005
Provision for asset retirement	45,842	44,909	42,110
<b>Total non-current liabilities</b>	<b>397,953</b>	<b>410,633</b>	<b>445,981</b>
<b>Total liabilities</b>	<b>566,853</b>	<b>568,648</b>	<b>611,646</b>
<b>Equity</b>	<b>1,714,266</b>	<b>1,743,662</b>	<b>1,721,434</b>
<b>Total liabilities and equity</b>	<b>2,281,119</b>	<b>2,312,310</b>	<b>2,333,080</b>

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

	<u>4Q13</u>	<u>3Q13</u>	<u>2013</u> (Audited)	<u>2012</u> (Audited)
<b>Cash flows from operating activities</b>				
Receipts from customers	<b>231,361</b>	236,794	<b>968,376</b>	920,700
Payments to suppliers	<b>(146,699)</b>	(154,636)	<b>(596,532)</b>	(648,586)
Payments of corporate income tax	<b>(6,732)</b>	(6,954)	<b>(38,261)</b>	(121,055)
Refunds/(payments) of corporate income tax	-	(3,304)	<b>40,159</b>	-
Refunds/(payments) of other taxes	<b>(1,159)</b>	-	<b>8,197</b>	41,765
Payments to employees	<b>(18,382)</b>	(23,271)	<b>(100,607)</b>	(100,130)
Other receipts	<b>102</b>	111	<b>455</b>	564
Other payments	<b>(4,997)</b>	(3,548)	<b>(15,895)</b>	(14,096)
<b>Net cash flows provided from operating activities</b>	<b>53,494</b>	45,192	<b>265,892</b>	79,162
<b>Cash flows from investing activities</b>				
Payments for acquisition of fixed assets	<b>(34,421)</b>	(25,555)	<b>(140,487)</b>	(146,965)
<b>Net cash flows used for investing activities</b>	<b>(34,421)</b>	(25,555)	<b>(140,487)</b>	(146,965)
<b>Cash flows from financing activities</b>				
Payments of dividends	<b>(24,292)</b>	(3)	<b>(49,314)</b>	(110,460)
Placement of restricted cash	<b>(12,556)</b>	(8,415)	<b>(42,244)</b>	(43,686)
Usage of restricted cash	<b>14</b>	21,174	<b>42,854</b>	43,817
Payments of long-term borrowings	-	(18,750)	<b>(37,500)</b>	(37,500)
Payments of finance costs	<b>(13)</b>	(3,846)	<b>(9,192)</b>	(10,724)
<b>Net cash flows used for financing activities</b>	<b>(36,847)</b>	(9,840)	<b>(95,396)</b>	(158,553)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(17,774)</b>	9,797	<b>30,009</b>	(226,356)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>221,345</b>	210,823	<b>172,239</b>	399,155
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(3,551)</b>	725	<b>(2,228)</b>	(560)
<b>Cash and cash equivalents at the end of the Period</b>	<b>200,020</b>	221,345	<b>200,020</b>	172,239