

For immediate release

### Continued Cost Improvement

**Jakarta, April 30, 2014** – Today, PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) announces its unaudited results for the first quarter of 2014 (1Q14) that reflects continuous cost improvement.

Cost-focus strategy adopted to combat the low price environment started to show benefits. Cost of revenue – excluding inventory movements – per metric ton (t) of nickel in matte production in 1Q14 declined by 17% to US\$9,012 per t from US\$10,849 per t incurred in 1Q13 mainly driven by lower fuel, lubricant and employee costs, as well as showing the benefit of fixed cost dilution due to higher production volumes.

Lower fuel and lubricant costs were primarily driven by PT Vale’s High Sulphur Fuel Oil (HSFO) consumption in 1Q14 for which;

- the average price was 3% lower (1Q14: US\$99.77 per barrel and 1Q13: US\$103.05 per barrel),
- volumes were 29% lower (1Q14: 432,937 barrel and 1Q13:607,539 barrel),
- usage per t of production was also 33% lower (1Q14: 22.08 barrel per t and 1Q13: 32.82 barrel per t);

compared to HSFO consumption in 1Q13.

Offsetting that reduction in the HSFO consumption, the Company consumed 15,510 kilolitres of diesel fuel at an average cost of US\$0.88 per litre in 1Q14, while in 1Q13 it consumed 14,433 kilolitres at an average cost of US\$0.85 per litre.

PT Vale also recorded higher production volumes in 1Q14 than in 4Q13 and 1Q13 by 7% and 6% respectively. Moreover, the Company reported higher deliveries to customers in 1Q14 than in 4Q13 and 1Q13 by 5% and 3% respectively. However, unfavourable nickel price levels experienced in 2013 remained, resulting in only a 2% average price increase realized in 1Q14 compared to in 4Q13. As a result, the Company’s revenue in 1Q14 was 6% higher than 4Q13 although it was still 18% lower than 1Q13.

In 2014, PT Vale will retain its focus on improving costs to sustain competitiveness in the long run without compromising our foremost value: life matters most. The Company also will continue to leverage its enhanced smelting capacity and process optimization and plans to produce 5% more nickel in matte in 2014 than in 2013, at around 79,600 t.



The management of PT Vale believes that 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.

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

	<b><u>1Q14</u></b>	<b><u>4Q13</u></b>	<b><u>1Q13</u></b>
Nickel in matte production <sup>1</sup>	<b>19,604</b>	18,299	18,514
Nickel matte deliveries <sup>1</sup>	<b>19,423</b>	18,577	18,899
Average realized price per metric ton <sup>2</sup>	<b>10,972</b>	10,797	13,673
EBITDA <sup>3</sup>	<b>49.3</b>	40.7	74.0
Revenue <sup>3</sup>	<b>213.1</b>	200.6	258.4
Earnings <sup>3</sup>	<b>18.0</b>	(8.6)	31.5
Earnings per share <sup>2</sup>	<b>0.0018</b>	(0.0009)	0.0032

<sup>1</sup> metric tons (t)

<sup>2</sup> US\$

<sup>3</sup> US\$ million

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

	<u>1Q14</u>	<u>4Q13</u>	<u>1Q13</u>
Revenue	213,110	200,567	258,413
Cost of revenue	<u>176,862</u>	<u>176,502</u>	<u>200,058</u>
<b>Gross profit</b>	<b>36,248</b>	24,065	58,355
Other income	(127)	(102)	(77)
Operating expenses	3,109	3,276	2,470
Other expenses	<u>5,921</u>	<u>28,064</u>	<u>9,888</u>
<b>Operating profit /(loss)</b>	<b>27,345</b>	(7,173)	46,074
Finance costs	<u>3,300</u>	<u>3,486</u>	<u>3,900</u>
<b>Profit /(loss) before income tax</b>	<b>24,045</b>	(10,659)	42,174
Income tax expense/(recovery)	<u>6,082</u>	<u>(2,028)</u>	<u>10,664</u>
<b>Profit/(loss) for the period</b>	<b><u>17,963</u></b>	<b><u>(8,631)</u></b>	<b><u>31,510</u></b>
<b>Other comprehensive income</b>			
Actuarial gain from defined benefit plan and post-retirement medical benefits	-	(4,275)	-
<b>Total comprehensive income /(loss) for the period</b>	<b><u>17,963</u></b>	<b><u>(4,356)</u></b>	<b><u>31,510</u></b>
<b>Earnings per share</b>			
- Basic (in US Dollars)	<b><u>0.0018</u></b>	<b><u>(0.0009)</u></b>	<b><u>0.0032</u></b>

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

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)	March 31, 2013 (Unaudited)
<b><u>Assets</u></b>			
Cash and cash equivalents	199,048	200,020	164,601
Restricted cash	4,132	16,723	4,235
Trade receivables - Related parties	86,983	65,902	123,290
Inventories	143,592	150,996	140,153
Prepaid taxes - Corporate income tax	83,833	83,833	45,289
- Other taxes	17,824	28,008	38,427
Prepayments and advances	4,715	4,209	6,363
Other current financial assets	8,079	7,804	10,439
<b>Total current assets</b>	<b>548,206</b>	<b>557,495</b>	<b>532,797</b>
Prepaid taxes - Corporate income tax	58,221	17,913	83,833
- Other taxes	3,021	40,229	47,225
Non-trade receivables - Related parties	310	305	94
Fixed assets	1,635,594	1,651,762	1,632,505
Other non-current financial assets	13,601	13,415	15,669
<b>Total non-current assets</b>	<b>1,710,747</b>	<b>1,723,624</b>	<b>1,779,326</b>
<b>Total assets</b>	<b>2,258,953</b>	<b>2,281,119</b>	<b>2,312,123</b>
<b><u>Liabilities and Equity</u></b>			
Trade payables - Related parties	6,919	11,211	4,247
- Third parties	53,700	64,304	42,173
Accruals	29,950	29,972	30,492
Short-term employee benefit liabilities	11,714	16,650	12,930
Taxes payable	5,585	6,905	3,773
Current portion of long-term bank borrowings	35,863	35,863	35,750
Current portion of post-employment benefit liabilities	430	345	360
Share-based payment liabilities	421	430	-
Other current financial liabilities	1,110	3,220	1,421
<b>Total current liabilities</b>	<b>145,692</b>	<b>168,900</b>	<b>131,146</b>
Long-term bank borrowings	164,747	183,252	201,379
Long-term post-employment benefit liabilities	12,542	11,557	22,400
Deferred tax liabilities	156,899	157,302	161,211
Provision for asset retirement	46,844	45,842	43,043
<b>Total non-current liabilities</b>	<b>381,032</b>	<b>397,953</b>	<b>428,033</b>
<b>Total liabilities</b>	<b>526,724</b>	<b>566,853</b>	<b>559,179</b>
<b>Equity</b>	<b>1,732,229</b>	<b>1,714,266</b>	<b>1,752,944</b>
<b>Total liabilities and equity</b>	<b>2,258,953</b>	<b>2,281,119</b>	<b>2,312,123</b>

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

	<u>1Q14</u>	<u>4Q13</u>	<u>1Q13</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	<b>189,670</b>	231,361	247,763
Payments to suppliers	<b>(122,038)</b>	(146,699)	(158,327)
Payments of corporate income tax	<b>(6,472)</b>	(6,732)	(14,923)
Refunds/(payments) of other taxes	<b>11,655</b>	(1,159)	4,292
Payments to employees	<b>(28,991)</b>	(18,382)	(24,261)
Other receipts	<b>127</b>	102	77
Other payments	<b>(4,275)</b>	(4,997)	(3,802)
<b>Net cash flows provided from operating activities</b>	<b>39,676</b>	53,494	50,819
<b>Cash flows from investing activities</b>			
Payments for acquisition of fixed assets	<b>(31,827)</b>	(34,421)	(47,941)
<b>Net cash flows used for investing activities</b>	<b>(31,827)</b>	(34,421)	(47,941)
<b>Cash flows from financing activities</b>			
Payments of dividends	<b>(687)</b>	(24,292)	-
Placement of restricted cash	<b>(8,312)</b>	(12,556)	(4,235)
Usage of restricted cash	<b>20,903</b>	14	17,333
Payments of long-term borrowings	<b>(18,750)</b>	-	(18,750)
Payments of finance costs	<b>(3,860)</b>	(13)	(4,895)
<b>Net cash flows used for financing activities</b>	<b>(10,706)</b>	(36,847)	(10,547)
<b>Net decrease in cash and cash equivalents</b>	<b>(2,857)</b>	(17,774)	(7,669)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>200,020</b>	221,345	172,239
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,885</b>	(3,551)	31
<b>Cash and cash equivalents at the end of the Period</b>	<b>199,048</b>	200,020	164,601