

PT Vale reports higher production and sales in the second quarter of 2019

Jakarta, August 5, 2019 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its interim audited results for the second quarter of 2019 (“2Q19”). The Company recorded production of 17,631 MT of nickel in matte, and sales of US\$165.8 million in the quarter.

“Production of nickel in matte was about 35% higher in 2Q19 than in 1Q19,” said Nico Kanter, CEO and President Director of the Company. “In addition, revenue was about 31% higher, due to higher deliveries and average realized price in 2Q19. Nickel matte deliveries increased by approximately 22% to 16,965 MT, and average realized price rose by around 7% to US\$9,774 per ton in 2Q19 compared to 1Q19. However, considering the volatility in the market, we remain focused on optimizing our production capacity, improving efficiencies and reducing costs while continuously improving our practices and discipline on Health, Safety, and Environment.”

PT Vale recorded EBITDA of US\$28.8 million in 2Q19, significantly higher than the 1Q19 of US\$4.0 million, primarily due to higher deliveries, higher average realized price and lower cash cost of revenue per metric ton of nickel. The Company produced and delivered more nickel in matte in the 2Q19 compared to 1Q19 as planned maintenance activities were completed. The production and cash cost per unit of production showed good trend in May and June. In addition, the HSFO price decreased by 3%, diesel by 1% and coal by 18% on a unit cost basis resulting to a lower unit cash cost of production compared to 1Q19. Energy costs represent one of PT Vale’s largest costs.

The following table provides details on PT Vale’s High Sulphur Fuel Oil (HSFO), diesel and coal consumption in 2Q19, 1Q19, 1H19 and 1H18:

	<u>2Q19</u>	<u>1Q19</u>	<u>1H19</u>	<u>1H18</u>
HSFO volume (barrels)	322,932	277,568	600,500	743,247
HSFO average price per barrel	US\$69.56	US\$71.42	US\$70.42	US\$61.93
Diesel volume (kilolitres)	19,978	28,329	48,307	38,303
Diesel average price per litre	US\$0.58	US\$0.59	US\$0.59	US\$0.60
Coal volume (t)	95,426	86,164	181,590	195,288
Coal average price per t (*)	US\$123.17	US\$149.52	US\$135.67	US\$142.62

(*) Price in DMT (Dry Metric Ton) and CFR (Cost & Freight) basis

When compared to 1Q19, HSFO, diesel and coal consumption per metric ton of nickel in matte decreased in 2Q19 by 14%, 48% and 18% respectively in line with higher nickel in matte production in 2Q19. The significant decrease in diesel consumption was mainly due to the return of the Larona hydro power plant to normal capacity after the completion of a canal lining project at the end of April. As a result, a diesel-fuelled thermal power generator being used as a backup source of energy, was no longer required.

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The Company's cash and cash equivalents decreased to US\$111.9 million as of June 30, 2019, from US\$219.4 million on March 31, 2019, mainly due to capex-related payments, timing of collection and early settlement of bank loans in 2Q19. PT Vale will continue to exercise prudent control of its spending to preserve cash.

PT Vale disbursed approximately US\$42.2 million in capital expenditures this quarter, down from US\$50.2 million in 1Q19.

In 2019, PT Vale plans to produce approximately 71,000-73,000 t of nickel in matte. At the same time, the Company will maintain its focus on improving cost efficiency to sustain competitiveness in the long term without compromising the Company's foremost value: *Life Matters Most and Prize our Planet*.

Readers are encouraged to review the Company's results. Operational achievements as well as interim 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

	<u>2Q19</u>	<u>1Q19</u>	<u>1H19</u>	<u>1H18</u>
Nickel in matte production ¹	17,631	13,080	30,711	36,034
Nickel matte deliveries ¹	16,965	13,867	30,832	36,003
Average realized price ²	9,774	9,117	9,479	10,405
EBITDA ³	28.8	4.0	32.8	109.3
Revenue ³	165.8	126.4	292.2	374.6
(Loss)/Profit ³	(6.0)	(20.2)	(26.2)	29.4
(Loss)/Earnings per share ⁴	(0.0006)	(0.0020)	(0.0026)	0.0030

¹ metric ton (t)

² US\$ per t

³ US\$ million

⁴ US\$

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PT Vale Indonesia Tbk
Interim Statements of Profit or Loss and Other Comprehensive Income or Loss
(In thousands of US\$ except basic (loss)/earnings per share)

	<u>2Q19</u>	<u>1Q19</u>	<u>1H19</u>	<u>1H18</u>
Revenue	165,822	126,428	292,250	374,611
Cost of revenue	(165,315)	(149,703)	(315,018)	(321,073)
Gross profit/(loss)	507	(23,275)	(22,768)	53,538
Other income	1,695	1,730	3,425	(2,322)
Operating expenses	(4,573)	(3,070)	(7,643)	(5,728)
Other expenses	(5,578)	(2,841)	(8,419)	(7,953)
Operating (loss)/profit	(7,949)	(27,456)	(35,405)	42,179
Finance income	893	1,977	2,870	1,841
Finance costs	(1,271)	(1,394)	(2,665)	(3,656)
Net finance (costs)/income	(378)	583	205	(1,815)
(Loss)/profit before income tax	(8,327)	(26,873)	(35,200)	40,364
Income tax benefit/(expense)	2,311	6,711	9,022	(10,976)
(Loss)/Profit for the period	(6,016)	(20,162)	(26,178)	29,388
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
– Changes resulting from actuarial remeasurement of post-employment benefit liabilities	6,115	(5,115)	1,000	224
– Income tax on other comprehensive (loss)/income	(1,529)	1,279	(250)	(56)
Total other comprehensive income/(loss)	4,586	(3,836)	750	168
Total comprehensive (loss)/income for the period	(1,430)	(23,998)	(25,428)	29,556
(Loss)/Earnings per share				
- Basic and diluted (in US Dollars)	(0.0006)	(0.0020)	(0.0026)	0.0030

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

	June 30, 2019 (Audited)	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets			
Cash and cash equivalents	111,949	219,381	301,153
Restricted cash	-	-	15,607
Trade receivables - Related parties	133,400	82,341	124,248
Inventories	147,374	148,642	131,779
Prepaid taxes - Corporate income tax	6,895	9,250	9,250
- Other taxes	55,641	45,728	41,548
Prepayments and advances	2,139	2,735	4,887
Other current financial assets	2,398	2,255	2,526
Total current assets	459,796	510,332	630,998
Restricted cash	23,417	23,417	14,345
Prepaid taxes - Corporate income tax	52,973	33,876	-
- Other taxes	116,271	117,762	116,281
Non-trade receivables - Related parties	87	10	18
Fixed assets	1,451,700	1,448,061	1,434,510
Other non-current financial assets	5,382	5,898	6,300
Total non-current assets	1,649,830	1,629,024	1,571,454
Total assets	2,109,626	2,139,356	2,202,452
Liabilities and Equity			
Trade payables - Related parties	1,522	1,189	1,620
- Third parties	71,163	77,564	89,561
Accruals	18,765	24,939	25,599
Short-term employee benefit liabilities	9,931	8,856	15,823
Taxes payable - Corporate income tax	-	-	1,119
- Other taxes	1,217	3,718	1,781
Current portion of long-term bank borrowings	-	18,108	36,519
Lease liabilities	360	-	-
Share-based payment liabilities	788	724	2,042
Other current financial liabilities	2,352	1,931	1,276
Total current liabilities	106,098	137,029	175,340
Long-term post-employment benefit liabilities	16,171	15,438	14,878
Deferred tax liabilities	82,746	83,963	90,674
Lease liabilities	251	-	-
Provision for asset retirement	46,061	43,197	37,833
Total non-current liabilities	145,229	142,598	143,385
Total liabilities	251,327	279,627	318,725
Equity	1,858,299	1,859,729	1,883,727
Total liabilities and equity	2,109,626	2,139,356	2,202,452

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PT Vale Indonesia Tbk

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

	<u>2Q19</u>	<u>1Q19</u>	<u>1H19</u>	<u>1H18</u>
Cash flows from operating activities				
Receipts from customers	114,763	168,335	283,098	358,008
Payments to suppliers	(93,038)	(112,718)	(205,756)	(213,938)
Payments of corporate income tax	(18,436)	(34,812)	(53,248)	(4,560)
Payments of other taxes, net	(11,642)	(2,320)	(13,962)	(56,282)
Payments to employees	(20,788)	(31,369)	(52,157)	(53,439)
Placement of financial guarantee	-	(14,486)	(14,486)	-
Withdrawal of financial guarantee	-	5,414	5,414	-
Receipts of finance income	893	1,977	2,870	1,841
Payments of royalties and levies	(17,864)	(7,522)	(25,386)	(16,874)
Net cash flows (used in)/provided by operating activities	(46,112)	(27,501)	(73,613)	14,756
Cash flows from investing activities				
Payments for acquisition of fixed assets	(42,173)	(50,236)	(92,409)	(29,723)
Net cash flows used in investing activities	(42,173)	(50,236)	(92,409)	(29,723)
Cash flows from financing activities				
Placement of restricted cash	-	(3,902)	(3,902)	(19,824)
Withdrawal of restricted cash	-	19,509	19,509	19,863
Repayments of long-term borrowings	(18,750)	(18,750)	(37,500)	(18,750)
Payment of lease liabilities	(180)	-	(180)	-
Payments of finance costs	(195)	(1,042)	(1,237)	(1,696)
Net cash flows used in financing activities	(19,125)	(4,185)	(23,310)	(20,407)
Net decrease in cash and cash equivalents	(107,410)	(81,922)	(189,332)	(35,374)
Cash and cash equivalents at the beginning of the period	219,381	301,153	301,153	221,699
Effect of exchange rate changes on cash and cash equivalents	(22)	150	128	(429)
Cash and cash equivalents at the end of the Period	111,949	219,381	111,949	185,896