

Press Release



PT Vale reports a profitable third quarter of 2019

Jakarta, October 24, 2019 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) today announced its unaudited results for the third quarter of 2019 (“3Q19”). The Company recorded sales of 19,998 metric tons of nickel in matte, and revenues of US\$214.2 million in the quarter.

“We continued to deliver more sales volume in 3Q19,” said Nico Kanter, CEO and President Director of the Company. “At the same time, we also benefited from an increasing nickel price during the period. We booked profit of US\$26.3 million in 3Q19, despite a slightly higher cost of revenue compared to the previous quarter.” PT Vale’s realized price in 3Q19 was 10% higher than 2Q19; indicating an improved price environment.

Compared to 2Q19, production volume increased by 12%, while cost of revenue increased by only 3%. Fuel costs, which represent one of the largest cost items for the Company, increased by 9% from 2Q19.

The following table provides details on PT Vale’s HSFO, diesel and coal consumption in 3Q19, 2Q19, 9M19 and 9M18:

	<u>3Q19</u>	<u>2Q19</u>	<u>9M19</u>	<u>9M18</u>
HSFO volume (barrels)	392,269	322,932	992,769	1,142,072
HSFO average price per barrel	US\$67.08	US\$69.56	US\$69.10	US\$65.44
Diesel volume (kilo litres)	18,976	19,978	67,284	58,353
Diesel average price per litre	US\$0.58	US\$0.58	US\$0.59	US\$0.62
Coal volume (t)	99,106	95,426	321,336	291,115
Coal average price per t (*)	US\$95.28	US\$123.17	US\$108.91	US\$145.23

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

When compared to 2Q19, HSFO usage per metric ton in 3Q19 increased by 8% while the price decreased by 4%. In the same period, diesel usage per metric ton declined from the previous quarter with the price per litre remaining stable from 2Q19 to 3Q19.

PT Vale’s EBITDA in 3Q19 was US\$70.3 million, compared with US\$28.9 million in 2Q19, primarily due to a higher sales volume and higher realized price. The Company’s cash and cash equivalents increased to US\$201.7 million as of September 30, 2019 from US\$111.9 million on June 30, 2019. PT Vale will continue to exercise prudent cash management.

PT Vale disbursed approximately US\$16.5 million in capital expenditures in 3Q19, down from US\$42.2 million in 2Q19.

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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*. As part of this commitment, the Company is continuously improving practices and discipline on health, safety and environment.

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

	<u>3Q19</u>	<u>2Q19</u>	<u>9M19</u>	<u>9M18</u>
Nickel in matte production ¹	19,820	17,631	50,531	54,227
Nickel matte deliveries ¹	19,998	16,965	50,831	54,569
Average realized price ²	10,712	9,774	9,963	10,621
EBITDA ³	70.3	28.8	103.2	178.9
Revenue ³	214.2	165.8	506.5	579.6
Profit/(Loss) ³	26.3	(6.0)	0.16	55.2
Earnings/(Loss) per share ⁴	0.0027	(0.0006)	0.0000	0.0056

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\$ unless otherwise stated)

	<u>3Q19</u>	<u>2Q19</u>	<u>9M19</u>	<u>9M18</u>
Revenue	214,211	165,822	506,461	579,594
Cost of revenue	<u>(170,418)</u>	<u>(165,315)</u>	<u>(485,436)</u>	<u>(483,140)</u>
Gross profit	43,793	507	21,025	96,454
Other income	(3,109)	1,695	316	3,281
Operating expenses	(2,116)	(4,573)	(9,759)	(8,756)
Other expenses	<u>(2,301)</u>	<u>(5,578)</u>	<u>(10,720)</u>	<u>(13,491)</u>
Operating profit/(loss)	36,267	(7,949)	862	77,488
Finance income	626	893	3,496	2,874
Finance costs	<u>(650)</u>	<u>(1,271)</u>	<u>(3,315)</u>	<u>(5,279)</u>
Net Finance Income/(costs)	(24)	(378)	181	(2,405)
Profit before income tax	36,243	(8,327)	1,043	75,083
Income tax expense	<u>(9,905)</u>	<u>2,311</u>	<u>(883)</u>	<u>(19,873)</u>
Profit/(loss) for the period	26,338	<u>(6,016)</u>	160	<u>55,210</u>
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
– Changes resulting from actuarial re-measurement of post-employment benefit liabilities	344	6,115	1,344	224
– Income tax on other comprehensive income/(loss)	<u>(86)</u>	<u>(1,529)</u>	<u>(336)</u>	<u>(56)</u>
Total other comprehensive income	258	<u>4,586</u>	1,008	<u>168</u>
Total comprehensive income/(loss) for the period	26,596	<u>(1,430)</u>	1,168	<u>55,378</u>
Earnings/(loss) per share				
- Basic and diluted (in US Dollars)	0.0027	<u>(0.0006)</u>	0.0000	<u>0.0056</u>

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

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)	December 31, 2018 (Audited)
Assets			
Cash and cash equivalents	201,774	111,949	301,153
Restricted cash	-	-	15,607
Trade receivables - Related parties	85,819	133,400	124,248
Inventories	138,466	147,374	131,779
Prepaid taxes - Corporate income tax	-	6,895	9,250
- Other taxes	55,788	55,641	41,548
Prepayments and advances	4,567	2,139	4,887
Other current financial assets	3,185	2,398	2,526
Total current assets	489,599	459,796	630,998
Restricted cash	23,417	23,417	14,345
Prepaid taxes - Corporate income tax	56,683	52,973	-
- Other taxes	124,162	116,271	116,281
Non-trade receivables - Related parties	87	87	18
Fixed assets	1,463,385	1,451,700	1,434,510
Other non-current financial assets	4,885	5,382	6,300
Total non-current assets	1,672,619	1,649,830	1,571,454
Total assets	2,162,218	2,109,626	2,202,452
Liabilities and Equity			
Trade payables - Related parties	1,949	1,522	1,620
- Third parties	88,375	71,163	89,561
Accruals	15,978	18,765	25,599
Short-term employee benefit liabilities	12,313	9,931	15,823
Taxes payable - Corporate income tax	-	-	1,119
- Other taxes	980	1,217	1,781
Current portion of long-term bank borrowings	-	-	36,519
Lease liabilities	1,319	360	-
Share-based payment liabilities	822	788	2,042
Other current financial liabilities	3,320	2,352	1,276
Total current liabilities	125,056	106,098	175,340
Long-term post-employment benefit liabilities	16,541	16,171	14,878
Deferred tax liabilities	87,352	82,746	90,674
Lease liabilities	173	251	-
Provision for asset retirement	48,201	46,061	37,833
Total non-current liabilities	152,267	145,229	143,385
Total liabilities	277,323	251,327	318,725
Equity	1,884,895	1,858,299	1,883,727
Total liabilities and equity	2,162,218	2,109,626	2,202,452

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

	<u>3Q19</u>	<u>2Q19</u>	<u>9M19</u>	<u>9M18</u>
Cash flows from operating activities				
Receipts from customers	261,792	114,763	544,890	587,635
Payments to suppliers	(121,603)	(93,038)	(327,359)	(316,716)
Payments of corporate income tax	(8,118)	(18,436)	(61,366)	(7,202)
Payments of other taxes, net	3,998	(11,642)	(9,964)	(38,579)
Payments to employees	(20,235)	(20,788)	(72,392)	(71,156)
Placement of financial guarantee	-	-	(14,486)	-
Withdrawal of financial guarantee	(1)	-	5,413	-
Receipts of finance income	626	893	3,496	2,874
Payments of royalties and levies	(9,444)	(17,864)	(34,830)	(25,371)
Net cash flows provided by operating Activities	<u>107,015</u>	<u>(46,112)</u>	<u>33,402</u>	<u>131,485</u>
Cash flows from investing activities				
Payments for acquisition of fixed assets	(16,499)	(42,173)	(108,908)	(57,457)
Net cash flows used in investing activities	<u>(16,499)</u>	<u>(42,173)</u>	<u>(108,908)</u>	<u>(57,457)</u>
Cash flows from financing activities				
Placement of restricted cash	-	-	(3,902)	(27,689)
Withdrawal of restricted cash	-	-	19,509	39,677
Repayments of long-term borrowings	-	(18,750)	(37,500)	(37,500)
Payments of lease liabilities	(679)	(180)	(859)	-
Payments of finance costs	(52)	(195)	(1,185)	(3,191)
Net cash flows used in financing activities	<u>(627)</u>	<u>(19,125)</u>	<u>(23,937)</u>	<u>(28,703)</u>
Net (decrease)/increase in cash and cash equivalents	89,889	(107,410)	(99,443)	45,325
Cash and cash equivalents at the beginning of the period	111,949	219,381	301,153	221,699
Effect of exchange rate changes on cash and cash equivalents	(64)	(22)	64	(742)
Cash and cash equivalents at the end of the period	<u>201,774</u>	<u>111,949</u>	<u>201,774</u>	<u>266,282</u>