

Press Release



PT Vale reports Net Earnings of US\$29 million in 1Q20

Jakarta, April 28, 2020 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) and its subsidiaries (together the “Group”) today announced its unaudited results for the first quarter of 2020 (“1Q20”).

The Group recorded positive earnings of US\$29 million in 1Q20, significantly higher than in the same quarter last year when the Group recorded a net loss of US\$20.2 million. However, it was 49% lower than earnings in 4Q19 of US\$57.2 million, mainly due to a lower nickel price and lower shipments.

“We appreciate the hard work of all employees at PT Vale,” said Nico Kanter, CEO and President Director of the Company. “Despite having to focus on anticipating possible impacts of COVID-19 on our operations, we were still able to achieve good results this quarter.” The COVID-19 pandemic has been spreading rapidly across the globe, causing an economic slowdown which negatively impacted supply-demand in the nickel industry. This, in turn, drove a downward trend in nickel prices in the first quarter of 2020, a trend that could potentially continue into the second quarter.

The Group has been executing several measures to anticipate and mitigate the potential impact of COVID-19 spread to the operation. While health and safety remains the top priority, the Group is committed to continuing production and project activities to the extent possible. Several important decisions and actions have been taken to minimize the risk of infection in the workplace. The Group is also working with local government to “flatten the curve” of the pandemic in the surrounding areas.

The average realized price in 1Q20 was US\$10,428 per t, about 20% lower than the 4Q19 average realized price of US\$12,991 per t. PT Vale recorded sales of US\$174.6 million in 1Q20, 37% lower than sales recorded in 4Q19 of US\$275.5 million. The Group’s cost of revenue in 1Q20 decreased by 14% to US\$154.2 million from US\$180.1 million in 4Q19.

The following table provides details on PT Vale’s High Sulphur Fuel Oil (“HSFO”), diesel and coal consumption and average price:

	<u>1Q20</u>	<u>4Q19</u>	<u>1Q19</u>
HSFO volume (barrels)	333,157	431,930	277,568
HSFO average price per barrel	US\$50.66	US\$56.91	US\$71.42
Diesel volume (kilo litres)	20,337	18,602	28,329
Diesel average price per litre	US\$0.55	US\$0.52	US\$0.59
Coal volume (t)	92,429	90,722	86,164
Coal average price per t (*)	US\$106.01	US\$103.45	US\$149.52

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

HSFO usage per ton of nickel produced decreased by 10% compared to the previous quarter and decreased by 11% compared to last year. On the other hand, diesel and coal consumption in 1Q20 increased by 9% and 2% respectively over the previous quarter. The higher diesel consumption was mainly due to longer mining hauling distances.

Press Release



Production in 1Q20 was approximately 35% higher than in 1Q19. However, it was 14% lower than production in 4Q19 due to planned maintenance activities in the processing facilities. “Looking at this achievement so far and assuming there are no major impacts of COVID-19 on our operation, we remain confident of achieving our production target in 2020,” said Mr. Kanter.

The Group’s cash and cash equivalents as of March 31, 2020 was US\$292.8 million, an increase of US\$43.8 million from the balance at December 31, 2019. This was mainly due to lower cash spending on capital expenditures in 1Q20 of US\$33.0 million, compared to US\$57.7 million spent in 4Q19.

On March 31, 2020, PT Vale, together with its shareholders, Vale Canada Ltd (“VCL”) and Sumitomo Metal Mining Co., Ltd (“SMM”) and PT Indonesia Asahan Aluminium (Persero) (“Inalum”) agreed to extend the signing deadline for the definitive agreements of Divestment to the end of May 2020.

PT Vale will continue to maintain its focus on improving cost efficiency to sustain competitiveness in the long term without compromising the Company’s foremost values: *Life Matters Most* and *Prize Our Planet*.

Readers are encouraged to review the Group’s results. Operational achievements as well as 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.

For further information, please contact:
Bernardus Irmanto, Chief Financial Officer
ptvi.investorrelations@vale.com
or visit our website at
www.vale.com/indonesia

Press Release



PT Vale Indonesia Tbk Production and Financial Highlights

	<u>1Q20</u>	<u>4Q19</u>	<u>1Q19</u>
Nickel in matte production ¹	17,614	20,494	13,080
Nickel matte deliveries ¹	16,713	21,211	13,867
Average realized price ²	10,428	12,991	9,117
EBITDA ³	54.9	129.2	4.0
Revenue ³	174.7	275.5	126.4
Profit/(Loss) ³	29	57.2	(20.2)
Earnings/(Loss) per share ⁴	0.0029	0.0058	(0.0020)

¹ metric ton (t)

² US\$ per t

³ US\$ million

⁴ US\$

Press Release



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

	<u>1Q20</u>	<u>4Q19</u>	<u>1Q19</u>
Revenue	174,659	275,551	126,428
Cost of revenue	<u>(154,178)</u>	<u>(180,122)</u>	<u>(149,703)</u>
Gross profit/(loss)	20,481	95,429	(23,275)
Other income	2,600	2,950	1,730
Operating expenses	<u>(1,607)</u>	<u>(3,971)</u>	<u>(3,070)</u>
Other expenses	<u>(3,412)</u>	<u>(6,981)</u>	<u>(2,841)</u>
Operating profit/(loss)	18,062	87,427	(27,456)
Finance income	5,453	1,263	1,977
Finance costs	<u>(484)</u>	<u>(597)</u>	<u>(1,394)</u>
Net finance income	4,969	666	583
Profit/(loss) before income tax	23,031	88,093	(26,873)
Income tax benefit/(expense)	<u>5,926</u>	<u>(30,853)</u>	<u>6,711</u>
Profit/(loss) for the period	<u>28,957</u>	<u>57,240</u>	<u>(20,162)</u>
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
– Changes resulting from actuarial remeasurement of post-employment benefit liabilities	504	(589)	(5,115)
– Income tax on other comprehensive income	<u>(126)</u>	<u>147</u>	<u>1,279</u>
Total other comprehensive income/(loss)	<u>378</u>	<u>(442)</u>	<u>(3,836)</u>
Total comprehensive income/(loss) for the period	<u>29,335</u>	<u>56,798</u>	<u>(23,998)</u>
Earnings/(loss) per share			
- Basic and diluted (in full amount of US Dollars)	<u>0.0029</u>	<u>0.0058</u>	<u>(0.0020)</u>

Press Release



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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	March 31, 2019 (Unaudited)
Assets			
Cash and cash equivalents	292,796	249,035	219,381
Restricted cash	27,697	-	-
Trade receivables - Related parties	56,684	107,295	82,341
Inventories	145,891	147,961	148,642
Prepaid taxes - Corporate income tax	6,988	6,988	9,250
- Other taxes	43,949	71,172	45,728
Prepayments and advances	2,274	3,108	2,735
Other current financial assets	1,037	2,754	2,255
Total current assets	577,316	588,313	510,332
Restricted cash	15,412	15,412	23,417
Prepaid taxes - Corporate income tax	33,842	29,146	33,876
- Other taxes	106,798	117,674	117,762
Non-trade receivables - Related parties	41	58	10
Fixed assets	1,460,593	1,467,462	1,448,061
Other non-current financial assets	3,566	4,623	5,898
Total non-current assets	1,620,252	1,634,375	1,629,024
Total assets	2,197,568	2,222,688	2,139,356
Liabilities and Equity			
Trade payables - Related parties	374	2,071	1,189
- Third parties	76,191	95,337	77,564
Accruals	13,412	16,327	24,939
Short-term employee benefit liabilities	10,480	15,563	8,856
Taxes payable – Other taxes	2,229	1,774	3,718
Current portion of long-term bank borrowings	-	-	18,108
Lease liabilities	736	947	-
Share-based payment liabilities	517	780	724
Other current financial liabilities	3,410	3,753	1,931
Total current liabilities	107,349	136,552	137,029
Long-term post-employment benefit liabilities	16,953	19,419	15,438
Deferred tax liabilities	71,231	80,490	83,963
Lease liabilities	-	173	-
Provision for asset retirement	31,007	44,361	43,197
Total non-current liabilities	119,191	144,443	142,598
Total liabilities	226,540	280,995	279,627
Equity	1,971,028	1,941,693	1,859,729
Total liabilities and equity	2,197,568	2,222,688	2,139,356

Press Release



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

	<u>1Q20</u>	<u>4Q19</u>	<u>1Q19</u>
Cash flows from operating activities			
Receipts from customers	225,257	254,075	168,335
Payments to suppliers	(108,274)	(113,500)	(119,355)
Payments of corporate income tax	(8,564)	(9,250)	(34,812)
Payments of other taxes	(10,670)	(40,935)	(12,568)
Receipt of tax refunds	31,721	23,808	10,248
Payments to employees	(26,596)	(13,824)	(31,369)
Placement of financial guarantee	(16,308)	-	(7,848)
Withdrawal of financial guarantee	-	8,006	5,413
Receipt of finance income	1,030	1,263	1,977
Payments of royalties and levies	(8,903)	(4,848)	(7,522)
Net cash flows provided by/(used in) operating activities	<u>78,693</u>	<u>104,795</u>	<u>(27,501)</u>
Cash flows from investing activities			
Payments for acquisition of fixed assets	(33,048)	(57,652)	(50,236)
Proceeds from disposal of fixed assets	44	253	-
Net cash flows used in investing activities	<u>(33,004)</u>	<u>(57,399)</u>	<u>(50,236)</u>
Cash flows from financing activities			
Placement of restricted cash	-	-	(3,902)
Withdrawal of restricted cash	-	-	19,509
Payments of long-term borrowings	-	-	(18,750)
Payments of lease liabilities	(395)	(386)	-
Payments of finance costs	-	(68)	(1,042)
Net cash flows used in financing activities	<u>(395)</u>	<u>(454)</u>	<u>(4,185)</u>
Net increase/(decrease) in cash and cash equivalents	<u>45,294</u>	<u>46,942</u>	<u>(81,922)</u>
Cash and cash equivalents at the beginning of the period	<u>249,035</u>	<u>201,774</u>	<u>301,153</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,533)</u>	<u>319</u>	<u>150</u>
Cash and cash equivalents at the end of the period	<u>292,796</u>	<u>249,035</u>	<u>219,381</u>