

# Press Release



## PT Vale reports higher production and sales in the second quarter of 2020

**Jakarta, July 29, 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 second quarter of 2020 (“2Q20”). The Group recorded production of 18,701 metric tons (“t”) of nickel in matte, and nickel matte deliveries of 19,887 t equal to sales of US\$185.7 million in 2Q20.

Production of nickel in matte and nickel matte deliveries in 2Q20 were respectively about 6% and 19% higher than the production and deliveries volume realized in 1Q20. Meanwhile, production and deliveries in 1H20 were 18% and 19% higher than production and deliveries in 1H19, respectively. Despite a lower average realized nickel price in 2Q20, about 11% lower than 1Q20, the delivery of higher nickel matte volumes resulted in 2Q20 sales showing a 6% increase over 1Q20. “Looking at this achievement, we are confident in our ability to maintain our production levels in 2020,” said Nico Kanter, CEO and President Director of PT Vale. “We appreciate the hard work of all employees at PT Vale to continue achieving good result in this quarter, despite having to focus on managing the impacts of COVID-19 on our operations.” The Group have been executing several measures to anticipate and mitigate the impact of COVID-19 spread in the operations. While health and safety remain the top priority, the Group is committed to continuing production and project activities to the extent possible.

The Group recorded EBITDA of US\$59.4 million in 2Q20, slightly higher than the 1Q20 of US\$54.9 million, mainly driven by higher sales. The Group also recorded positive earnings of US\$24 million in 2Q20, a decrease from earnings of US\$29 million in 1Q20 mainly due to lower finance income and income tax benefit. However, it was significantly higher than in the same period last year when the Group recorded a net loss of US\$26.2 million in 1H19. The Group’s cost of revenue in 2Q20 increased by 7% to US\$165.6 million from US\$154.1 million in 1Q20.

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

	<u>2Q20</u>	<u>1Q20</u>	<u>1H20</u>	<u>1H19</u>
HSFO volume (barrels)	<b>316,336</b>	333,157	<b>649,493</b>	600,500
HSFO average price per barrel	<b>US\$39.30</b>	US\$50.66	<b>US\$45.12</b>	US\$70.42
Diesel volume (kilolitres)	<b>18,547</b>	20,337	<b>38,884</b>	48,307
Diesel average price per litre	<b>US\$0.39</b>	US\$0.55	<b>US\$0.47</b>	US\$0.59
Coal volume (t)	<b>108,936</b>	92,429	<b>201,365</b>	181,590
Coal average price per t (*)	<b>US\$102.66</b>	US\$106.01	<b>US\$104.20</b>	US\$135.67

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

When compared to 1Q20, HSFO and diesel consumption per metric ton of nickel in matte decreased by 5% and 9% respectively, while coal consumption increased by 18% in 2Q20. The increase in coal consumption was in line with higher nickel in matte production in 2Q20 and better coal conversion rate. HSFO and diesel prices decreased significantly, by 22% and 29% respectively, while the coal price slightly decreased by 3%.

[ 1 ]

PT Vale Indonesia Tbk

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The Group's cash and cash equivalents slightly decreased to US\$288.7 million as of June 30, 2020, from US\$292.8 million on March 31, 2020, mainly due to lower receipts from customers as an impact of a lower nickel price in 2Q20, compensated with lower fuel prices. PT Vale will continue to exercise prudent control of its spending to preserve cash.

PT Vale disbursed approximately of US\$44.3 million in capital expenditures this quarter, an increase from US\$33.0 million in 1Q20.

On June 19, 2020, PT Vale was informed that its shareholders, Vale Canada Limited and Sumitomo Metal Mining Co., Ltd had signed definitive agreements ("Agreements") for the sale of a 20% stake in PT Vale to PT Indonesia Asahan Aluminium (Persero) ("Inalum"), in compliance with PT Vale's divestment obligation under the Contract of Work dated January 15, 1996 with the Government of Indonesia (as amended) ("COW").

The signing of the Agreements is a continuation of the Heads of Agreement which was previously signed on October 11, 2019. Based on the COW, divestment is one of the requirements for PT Vale's continuity of operations beyond 2025.

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 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>2Q20</u>	<u>1Q20</u>	<u>1H20</u>	<u>1H19</u>
Nickel in matte production <sup>1</sup>	<b>18,701</b>	17,614	<b>36,315</b>	30,711
Nickel matte deliveries <sup>1</sup>	<b>19,887</b>	16,713	<b>36,600</b>	30,832
Average realized price <sup>2</sup>	<b>9,300</b>	10,428	<b>9,815</b>	9,479
EBITDA <sup>3</sup>	<b>59.4</b>	54.9	<b>111.8</b>	32.8
Revenue <sup>3</sup>	<b>185.7</b>	174.7	<b>360.4</b>	292.2
Profit/(Loss) <sup>3</sup>	<b>24</b>	29	<b>53</b>	(26.2)
Earnings/(Loss) per share <sup>4</sup>	<b>0.0024</b>	0.0029	<b>0.0053</b>	(0.0026)

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

<sup>2</sup> US\$ per t

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

<sup>4</sup> US\$

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**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>2Q20</u>	<u>1Q20</u>	<u>1H20</u>	<u>1H19</u>
Revenue	185,718	174,659	360,377	292,250
Cost of revenue	<u>(165,624)</u>	<u>(154,178)</u>	<u>(319,802)</u>	<u>(315,018)</u>
<b>Gross profit/(loss)</b>	<b>20,094</b>	20,481	<b>40,575</b>	(22,768)
Other income	3,756	2,600	<b>6,356</b>	3,425
Operating expenses	<b>(1,738)</b>	(1,607)	<b>(3,345)</b>	(7,643)
Other expenses	<u>(1,518)</u>	<u>(3,412)</u>	<u>(4,930)</u>	<u>(8,419)</u>
<b>Operating profit/(loss)</b>	<b>20,594</b>	18,062	<b>38,656</b>	(35,405)
Finance income	1,083	5,453	<b>6,536</b>	2,870
Finance costs	<u>(572)</u>	<u>(484)</u>	<u>(1,056)</u>	<u>(2,665)</u>
<b>Net finance income/(costs)</b>	<b>511</b>	4,969	<b>5,480</b>	205
<b>Profit/(loss) before income tax</b>	<b>21,105</b>	23,031	<b>44,136</b>	(35,200)
Income tax benefit	<u>3,064</u>	<u>5,926</u>	<u>8,990</u>	<u>9,022</u>
<b>Profit/(loss) for the period</b>	<u><b>24,169</b></u>	<u>28,957</u>	<u><b>53,126</b></u>	<u>(26,178)</u>
<b>Other comprehensive income/(loss)</b>				
Items that will not be reclassified to profit or loss:				
– Changes resulting from actuarial remeasurement of post-employment benefit liabilities	<b>(504)</b>	504	-	1,000
– Income tax on other comprehensive (loss)/income	<u>126</u>	<u>(126)</u>	<u>-</u>	<u>(250)</u>
<b>Total other comprehensive (loss)/income</b>	<u><b>(378)</b></u>	<u>378</u>	<u>-</u>	<u>750</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><b>23,791</b></u>	<u>29,335</u>	<u><b>53,126</b></u>	<u>(25,428)</u>
<b>Earnings/(loss) per share</b>				
- Basic and diluted (in US Dollars)	<u><b>0.0024</b></u>	<u>0.0029</u>	<u><b>0.0053</b></u>	<u>(0.0026)</u>

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

	June 30, 2020 (Unaudited)	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Assets</b>			
Cash and cash equivalents	288,748	292,796	249,035
Restricted cash	19,842	27,697	-
Trade receivables - Related parties	84,962	56,684	107,295
Inventories	141,145	145,891	147,961
Prepaid taxes - Corporate income tax	-	6,988	6,988
- Other taxes	49,093	43,949	71,172
Prepayments and advances	1,611	2,274	3,108
Other current financial assets	2,407	1,037	2,754
<b>Total current assets</b>	<b>587,808</b>	<b>577,316</b>	<b>588,313</b>
Restricted cash	23,267	15,412	15,412
Prepaid taxes - Corporate income tax	34,268	33,842	29,146
- Other taxes	119,231	106,798	117,674
Non-trade receivables - Related parties	38	41	58
Fixed assets	1,468,270	1,460,593	1,467,462
Other non-current financial assets	4,371	3,566	4,623
<b>Total non-current assets</b>	<b>1,649,445</b>	<b>1,620,252</b>	<b>1,634,375</b>
<b>Total assets</b>	<b>2,237,253</b>	<b>2,197,568</b>	<b>2,222,688</b>
<b>Liabilities and Equity</b>			
Trade payables - Related parties	438	374	2,071
- Third parties	84,355	76,191	95,337
Accruals	15,259	13,412	16,327
Short-term employee benefit liabilities	10,562	10,480	15,563
Taxes payable – Corporate income tax	1,427	-	-
- Other taxes	1,373	2,229	1,774
Lease liabilities	351	736	947
Share-based payment liabilities	343	517	780
Other current financial liabilities	4,080	3,410	3,753
<b>Total current liabilities</b>	<b>118,188</b>	<b>107,349</b>	<b>136,552</b>
Long-term post-employment benefit liabilities	20,074	16,953	19,419
Deferred tax liabilities	61,439	71,231	80,490
Lease liabilities	-	-	173
Provision for asset retirement	42,723	31,007	44,361
<b>Total non-current liabilities</b>	<b>124,236</b>	<b>119,191</b>	<b>144,443</b>
<b>Total liabilities</b>	<b>242,424</b>	<b>226,540</b>	<b>280,995</b>
<b>Equity</b>	<b>1,994,829</b>	<b>1,971,028</b>	<b>1,941,693</b>
<b>Total liabilities and equity</b>	<b>2,237,253</b>	<b>2,197,568</b>	<b>2,222,688</b>

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

	<u>2Q20</u>	<u>1Q20</u>	<u>1H20</u>	<u>1H19</u>
<b>Cash flows from operating activities</b>				
Receipts from customers	157,392	225,257	382,649	283,098
Payments to suppliers	(79,163)	(108,274)	(187,437)	(205,756)
Payments of corporate income tax	(1,709)	(8,564)	(10,273)	(53,248)
Receipts of tax refunds/payments of other taxes, net	2,377	21,051	23,428	(13,962)
Payments to employees	(20,176)	(26,596)	(46,772)	(52,157)
Placement of financial guarantee	(11,389)	(16,308)	(27,697)	(14,486)
Withdrawal of financial guarantee	-	-	-	5,414
Receipts of finance income	1,008	1,030	2,038	2,870
Payments of royalties and levies	(8,897)	(8,903)	(17,800)	(25,386)
<b>Net cash flows provided by/ (used in) operating activities</b>	<b>39,443</b>	<b>78,693</b>	<b>118,136</b>	<b>(73,613)</b>
<b>Cash flows from investing activities</b>				
Payments for acquisition of fixed assets	(44,271)	(33,048)	(77,319)	(92,409)
<b>Net cash flows used in investing activities</b>	<b>(44,271)</b>	<b>(33,048)</b>	<b>(77,319)</b>	<b>(92,409)</b>
<b>Cash flows from financing activities</b>				
Placement of restricted cash	-	-	-	(3,902)
Withdrawal of restricted cash	-	-	-	19,509
Payments of long-term borrowings	-	-	-	(37,500)
Payment of lease liabilities	(427)	(395)	(822)	(180)
Payments of finance costs	-	-	-	(1,237)
<b>Net cash flows used in financing activities</b>	<b>(427)</b>	<b>(395)</b>	<b>(822)</b>	<b>(23,310)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(5,255)</b>	<b>45,294</b>	<b>39,995</b>	<b>(189,332)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>292,796</b>	<b>249,035</b>	<b>249,035</b>	<b>301,153</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,251</b>	<b>(1,533)</b>	<b>(282)</b>	<b>128</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>288,748</b>	<b>292,796</b>	<b>288,748</b>	<b>111,949</b>