

Press Release



PT Vale records another profitable quarter

Jakarta, October 29, 2020 – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) and its subsidiaries (together the “Group”) today announced unaudited results for the third quarter of 2020 (“3Q20”). The Group recorded sales of 19,954 metric tons (“t”) with revenues of US\$210.6 million in the quarter. While the price realized in 3Q20 was 13% higher than the price realized in 2Q20, the cost of revenue in 3Q20 increased by 0.4% from the cost of revenue incurred in 2Q20.

“Our operation in the third quarter of 2020 was more reliable despite the pandemic, resulting in a higher production volume,” said Nico Kanter, President Director and CEO of PT Vale. “We succeeded in controlling our cost of revenue sustainably in the quarter and, at the same time, benefited from a higher nickel price environment.” The Company booked profits before tax of US\$32.2 million in 3Q20, 53% higher than the 2Q20 level of US\$21.1 million. Meanwhile, net earnings and EBITDA for the quarter were US\$23.5 million and US\$84.7 million, respectively. The higher EBITDA in the quarter was mainly driven by a higher average realized nickel price.

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

	<u>3Q20</u>	<u>2Q20</u>	<u>9M20</u>	<u>9M19</u>
HSFO volume (barrels)	363,237	316,336	1,012,730	992,769
HSFO average price per barrel	US\$36.40	US\$39.30	US\$41.99	US\$69.10
Diesel volume (kilolitres)	19,058	18,547	57,942	67,284
Diesel average price per litre	US\$0.28	US\$0.39	US\$0.41	US\$0.59
Coal volume (t)	116,805	108,936	318,170	280,696
Coal average price per t (*)	US\$96.77	US\$102.66	US\$101.47	US\$124.68

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

When compared to 2Q20, HSFO, diesel and coal consumption increased by 15%, 3% and 7% respectively, while prices decreased by 7%, 28% and 6% respectively. The increase in energy consumption was in line with higher nickel in matte production in 3Q20.

The Group’s cash and cash equivalents as of September 30, 2020 were US\$361.4 million, an increase of US\$72.7 million from the balance at June 30, 2020, due mainly to higher collections from customers. PT Vale will continue to exercise prudent control over its spending to preserve cash.

PT Vale disbursed approximately US\$34.8 million in capital expenditures this quarter, bringing year to date disbursements to US\$104.5 million.



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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 unaudited financial results are summarized on the following pages.

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PT Vale Indonesia Tbk Production and Financial Highlights

	<u>3Q20</u>	<u>2Q20</u>	<u>9M20</u>	<u>9M19</u>
Nickel in matte production ¹	19,477	18,701	55,792	50,531
Nickel matte deliveries ¹	19,954	19,887	56,554	50,832
Average realized price ²	10,556	9,339	10,097	9,963
EBITDA ³	84.7	59.4	199.0	103.2
Revenue ³	210.6	185.7	571.0	506.5
Profit ³	23.5	24.2	76.6	0.16
Earnings per share ⁴	0.0024	0.0024	0.0077	0.0000

¹ metric ton (t)

² US\$ per t

³ US\$ million

⁴ 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>3Q20</u>	<u>2Q20</u>	<u>9M20</u>	<u>9M19</u>
Revenue	210,643	185,718	571,020	506,461
Cost of revenue	<u>(166,229)</u>	<u>(165,624)</u>	<u>(486,031)</u>	<u>(485,436)</u>
Gross profit	44,414	20,094	84,989	21,025
Other income	324	3,756	6,680	316
Operating expenses	(1,981)	(1,738)	(5,326)	(9,759)
Other expenses	<u>(10,691)</u>	<u>(1,518)</u>	<u>(15,621)</u>	<u>(10,720)</u>
Operating profit	32,066	20,594	70,722	862
Finance income	1,694	1,083	8,230	3,496
Finance costs	<u>(1,584)</u>	<u>(572)</u>	<u>(2,640)</u>	<u>(3,315)</u>
Net finance income	110	511	5,590	181
Profit before income tax	32,176	21,105	76,312	1,043
Income tax benefit/(expenses)	<u>(8,662)</u>	3,064	328	(883)
Profit for the period	<u>23,514</u>	<u>24,169</u>	<u>76,640</u>	<u>160</u>
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
– Changes resulting from actuarial remeasurement of post-employment benefit liabilities	-	(504)	-	1,344
– Income tax on other comprehensive (loss)/income	-	126	-	(336)
Total other comprehensive (loss)/income	<u>-</u>	<u>(378)</u>	<u>-</u>	<u>1,008</u>
Total comprehensive Income for the period	<u>23,514</u>	<u>23,791</u>	<u>76,640</u>	<u>1,168</u>
Earnings per share				
- Basic and diluted (in US Dollars)	<u>0.0024</u>	<u>0.0024</u>	<u>0.0077</u>	<u>0.0000</u>

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

	September 30, 2020 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Assets			
Cash and cash equivalents	361,420	288,748	249,035
Restricted cash	6,465	19,842	-
Trade receivables - Related parties	79,903	84,962	107,295
Inventories	124,841	141,145	147,961
Prepaid taxes - Corporate income tax	34,268	-	6,988
- Other taxes	53,610	49,093	71,172
Prepayments and advances	4,731	1,611	3,108
Other current financial assets	2,672	2,407	2,754
Total current assets	667,910	587,808	588,313
Restricted cash	36,644	23,267	15,412
Prepaid taxes - Corporate income tax	-	34,268	29,146
- Other taxes	114,326	119,231	117,674
Non-trade receivables - Related parties	27	38	58
Fixed assets	1,455,583	1,468,270	1,467,462
Other non-current financial assets	3,884	4,371	4,623
Total non-current assets	1,610,464	1,649,445	1,634,375
Total assets	2,278,374	2,237,253	2,222,688
Liabilities and Equity			
Trade payables - Related parties	654	438	2,071
- Third parties	93,342	84,355	95,337
Accruals	14,018	15,259	16,327
Short-term employee benefit liabilities	14,250	10,562	15,563
Taxes payable – Corporate income tax	11,653	1,427	-
– Other taxes	1,015	1,373	1,774
Lease liabilities	435	351	947
Share-based payment liabilities	545	343	780
Other current financial liabilities	4,064	4,080	3,753
Total current liabilities	139,976	118,188	136,552
Long-term post-employment benefit liabilities	19,680	20,074	19,419
Deferred tax liabilities	54,708	61,439	80,490
Lease liabilities	-	-	173
Provision for asset retirement	45,667	42,723	44,361
Total non-current liabilities	120,055	124,236	144,443
Total liabilities	260,031	242,424	280,995
Equity	2,018,343	1,994,829	1,941,693
Total liabilities and equity	2,278,374	2,237,253	2,222,688

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

	<u>3Q20</u>	<u>2Q20</u>	<u>9M20</u>	<u>9M19</u>
Cash flows from operating activities				
Receipts from customers	215,701	157,392	598,350	544,890
Payments to suppliers	(72,188)	(79,163)	(267,300)	(327,359)
Payments of corporate income tax	(3,741)	(1,709)	(14,014)	(61,366)
Receipts of tax refunds/payments of other taxes, net	(4,017)	2,377	19,411	(9,964)
Payments to employees	(19,416)	(20,176)	(66,188)	(72,392)
Placement of financial guarantee	-	(11,389)	(27,697)	(14,486)
Withdrawal of financial guarantee	-	-	-	5,413
Receipts of finance income	902	1,008	2,940	3,496
Payments of royalties and levies	(11,737)	(8,897)	(29,537)	(34,830)
Net cash flows provided by operating activities	<u>105,504</u>	<u>39,443</u>	<u>215,965</u>	<u>33,402</u>
Cash flows from investing activities				
Payments for acquisition of fixed assets	(34,844)	(44,271)	(104,488)	(108,908)
Cash receipts from disposal of assets	735	(44)	735	-
Net cash flows used in investing activities	<u>(34,109)</u>	<u>(44,315)</u>	<u>(103,753)</u>	<u>(108,908)</u>
Cash flows from financing activities				
Placement of restricted cash	-	-	-	(3,902)
Withdrawal of restricted cash	-	-	-	19,509
Payments of long-term borrowings	-	-	-	(37,500)
Payment of lease liabilities	78	(427)	(744)	(859)
Payments of finance costs	-	-	-	(1,185)
Net cash flows provided by/used in financing activities	<u>78</u>	<u>(427)</u>	<u>(744)</u>	<u>(23,937)</u>
Net increase/(decrease) in cash and cash equivalents	<u>71,473</u>	<u>(5,299)</u>	<u>111,468</u>	<u>(99,443)</u>
Cash and cash equivalents at the beginning of the period	<u>288,748</u>	<u>292,796</u>	<u>249,035</u>	<u>301,153</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,199</u>	<u>1,251</u>	<u>917</u>	<u>64</u>
Cash and cash equivalents at the end of the period	<u><u>361,420</u></u>	<u><u>288,748</u></u>	<u><u>361,420</u></u>	<u><u>201,774</u></u>