

## PT Vale reports Profit Before Income Tax (“PBIT”) of US\$89.1 million for 2019

**Jakarta, February 20, 2020** – PT Vale Indonesia Tbk (“PT Vale” or the “Company”, IDX Ticker: INCO) and its subsidiaries (together the “Group”) today announced their audited results for 2019. The Group recorded Profit Before Income Tax (“PBIT”) of US\$89.1 million in 2019, driven mainly by higher nickel prices and cautious cost management. This represents an increase of 8% over PBIT in 2018. During the last two quarters of 2019, the Group also saw significant improvements in nickel production and average realized price.

“We appreciate the hard work of all employees at PT Vale, and we are grateful for this achievement,” said Nico Kanter, CEO and President Director of the Company. “The higher nickel price in the second half of 2019 had a positive impact on our financial performance and allowed us to generate more revenue and cash during the period to compensate for lower results in the first half of 2019. However, what differentiates us is our ability to manage our costs prudently, despite lower nickel production in 2019. Looking at this achievement, we are confident in our ability to maintain our production levels in 2020 and continue to manage our costs effectively.”

The average realized price in 2019 was US\$10,855 per t, about 6% higher than the 2018 average realized price. PT Vale recorded sales of US\$782.0 million in 2019, 1% above sales recorded in 2018 of US\$776.9 million. The Company’s cost of revenue in 2019 decreased by 1% to US\$665.6 million from US\$672.9 million in 2018.

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

	<u>4Q19</u>	<u>3Q19</u>	<u>2019</u>	<u>2018</u>
HSFO volume (barrels)	<b>431,930</b>	392,269	<b>1,424,699</b>	1,507,529
HSFO average price per barrel	<b>US\$56.91</b>	US\$67.08	<b>US\$65.41</b>	US\$67.87
Diesel volume (kilo litres)	<b>18,602</b>	18,976	<b>85,886</b>	77,896
Diesel average price per litre	<b>US\$0.52</b>	US\$0.58	<b>US\$0.57</b>	US\$0.64
Coal volume (t)	<b>90,722</b>	99,106	<b>371,418</b>	406,113
Coal average price per t (*)	<b>US\$103.45</b>	US\$104.54	<b>US\$119.49</b>	US\$152.23

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

HSFO and coal consumption in 2019 decreased by 5% and 9% respectively compared to 2018 due to lower volumes of nickel production. Diesel consumption in 2019 increased by 10% over 2018 due mainly to the use of diesel-fuelled thermal power generators as a backup source of energy.

The Group’s cash and cash equivalents as of December 31, 2019 was US\$249.0 million, a decrease of US\$52.1 million from the balance at December 31, 2018. This was mainly due to higher cash spending on Capital expenditures in 2019 of US\$166.6 million, an increase of 99% over the US\$83.8 million spent in 2018.



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In 2019, PT Vale recorded sales volumes of 72,044 t of nickel in matte, a decrease of 5% from last year's sales volume of 75,631 t. The decrease was mainly driven by the impact of major maintenance activities related to the Larona Canal Lining and Electric Furnace #4 in 1H19.

On October 14, 2019, PT Vale, together with its shareholders, Vale Canada Ltd ("VCL") and Sumitomo Metal Mining Co., Ltd ("SMM") and PT Indonesia Asahan Aluminium (Persero) ("Inalum") signed a Heads of Agreement, representing the beginning of the divestment process. This followed the appointment of Inalum as the Government representative to acquire PT Vale's divested shares, to fulfil PT Vale's divestment obligation. On December 30, 2019, all parties agreed to extend the signing deadline for the definitive agreements to the end of the first quarter 2020.

In 2019, for the first time in the history of PT Vale, the Company received a Green PROPER rating from the Ministry of Environment and Forestry ("KLHK"). This marks the first time such a prestigious rating has been awarded to an integrated nickel mining and processing company in Indonesia. Previously, the Company had maintained a Blue PROPER rating for six consecutive years and became a Green PROPER candidate in 2018.

A Green PROPER rating represents acknowledgement by the Government that PTVI's efforts in environmental management and community development go beyond compliance. The Company was able to achieve this performance through the implementation of environmental management systems, efficient utilization of resources, and making significant efforts to empower the community. PROPER is a program developed by the Ministry of Environment and Forestry in 2002 that includes evaluation of a company's performance by experts in the field.

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 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

	<b><u>4Q19</u></b>	<b><u>3Q19</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Nickel in matte production <sup>1</sup>	<b>20,494</b>	19,820	<b>71,025</b>	74,806
Nickel matte deliveries <sup>1</sup>	<b>21,211</b>	19,998	<b>72,044</b>	75,631
Average realized price <sup>2</sup>	<b>12,991</b>	10,712	<b>10,855</b>	10,272
Adjusted EBITDA <sup>3 *</sup>	<b>129.2</b>	70.3	<b>232.4</b>	235.7 <sup>5</sup>
Revenue <sup>3</sup>	<b>275.5</b>	214.2	<b>782.0</b>	776.9
Profit/(Loss) <sup>3</sup>	<b>57.2</b>	26.3	<b>57.4</b>	60.5
Earnings/(Loss) per share <sup>4</sup>	<b>0.0058</b>	0.0027	<b>0.0058</b>	0.0061

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

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

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

<sup>4</sup> US\$

<sup>5</sup> Excludes non-recurring expenses

\* EBITDA defines profit or loss before interest, tax, depreciation and amortization. PT Vale uses the term adjusted EBITDA to reflect exclusion of non-recurring expenses. Adjusted EBITDA should not be considered as a substitute for operational profit or as a better measure of liquidity than operational cash flow, which are calculated in accordance with Indonesian Financial Accounting Standards. PT Vale provides its adjusted EBITDA to give additional information about its capacity to pay debt, carry out investments and cover working capital needs.

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

	<u>4Q19</u>	<u>3Q19</u>	<u>2019 (Audited)</u>	<u>2018 (Audited)</u>
Revenue	275,551	214,211	782,012	776,900
Cost of revenue	<u>(180,122)</u>	<u>(170,418)</u>	<u>(665,558)</u>	<u>(672,899)</u>
<b>Gross profit</b>	<b>95,429</b>	43,793	<b>116,454</b>	104,001
Other income	2,950	(3,109)	3,266	7,615
Operating expenses	<u>(3,971)</u>	<u>(2,116)</u>	<u>(13,730)</u>	<u>(11,578)</u>
Other expenses	<u>(6,981)</u>	<u>(2,301)</u>	<u>(17,701)</u>	<u>(15,184)</u>
<b>Operating profit</b>	<b>87,427</b>	36,267	<b>88,289</b>	84,854
Finance income	1,263	626	4,759	4,552
Finance costs	<u>(597)</u>	<u>(650)</u>	<u>(3,912)</u>	<u>(6,789)</u>
<b>Net finance income/(costs)</b>	<b>666</b>	(24)	<b>847</b>	(2,237)
<b>Profit before income tax</b>	<b>88,093</b>	36,243	<b>89,136</b>	82,617
Income tax expense	<u>(30,853)</u>	<u>(9,905)</u>	<u>(31,736)</u>	<u>(22,105)</u>
<b>Profit for the period</b>	<b>57,240</b>	<u>26,338</u>	<b>57,400</b>	<u>60,512</u>
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit or loss:				
– Changes resulting from actuarial remeasurement of post-employment benefit liabilities	(589)	344	755	5,131
– Income tax on other comprehensive income	147	(86)	(189)	(1,283)
<b>Total other comprehensive income</b>	<u>(442)</u>	<u>258</u>	<u>566</u>	<u>3,848</u>
<b>Total comprehensive income for the period</b>	<u><b>56,798</b></u>	<u>26,596</u>	<u><b>57,966</b></u>	<u>64,360</u>
<b>Earnings per share</b>				
- Basic and diluted (in US Dollars)	<u><b>0.0058</b></u>	<u>0.0027</u>	<u><b>0.0058</b></u>	<u>0.0061</u>

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

	Dec 31, 2019 (Audited)	Sep 30, 2019 (Unaudited)	Dec 31, 2018 (Audited)
<b>Assets</b>			
Cash and cash equivalents	249,035	201,774	301,153
Restricted cash	-	-	15,607
Trade receivables - Related parties	107,295	85,819	124,248
Inventories	147,961	138,466	131,779
Prepaid taxes - Corporate income tax	6,988	-	9,250
- Other taxes	71,172	55,788	41,548
Prepayments and advances	3,108	4,567	4,887
Other current financial assets	2,754	3,185	2,526
<b>Total current assets</b>	<b>588,313</b>	<b>489,599</b>	<b>630,998</b>
Restricted cash	15,412	23,417	14,345
Prepaid taxes - Corporate income tax	29,146	56,683	-
- Other taxes	117,674	124,162	116,281
Non-trade receivables - Related parties	58	87	18
Fixed assets	1,467,462	1,463,385	1,434,510
Other non-current financial assets	4,623	4,885	6,300
<b>Total non-current assets</b>	<b>1,634,375</b>	<b>1,672,619</b>	<b>1,571,454</b>
<b>Total assets</b>	<b>2,222,688</b>	<b>2,162,218</b>	<b>2,202,452</b>
<b>Liabilities and Equity</b>			
Trade payables - Related parties	2,071	1,949	1,620
- Third parties	95,337	88,375	89,561
Accruals	16,327	15,978	25,599
Short-term employee benefit liabilities	15,563	12,313	15,823
Taxes payable - Corporate income tax	-	-	1,119
- Other taxes	1,774	980	1,781
Current portion of long-term bank borrowings	-	-	36,519
Lease liabilities	947	1,319	-
Share-based payment liabilities	780	822	2,042
Other current financial liabilities	3,753	3,320	1,276
<b>Total current liabilities</b>	<b>136,552</b>	<b>125,056</b>	<b>175,340</b>
Long-term post-employment benefit liabilities	19,419	16,541	14,878
Deferred tax liabilities	80,490	87,352	90,674
Lease liabilities	173	173	-
Provision for asset retirement	44,361	48,201	37,833
<b>Total non-current liabilities</b>	<b>144,443</b>	<b>152,267</b>	<b>143,385</b>
<b>Total liabilities</b>	<b>280,995</b>	<b>277,323</b>	<b>318,725</b>
<b>Equity</b>	<b>1,941,693</b>	<b>1,884,895</b>	<b>1,883,727</b>
<b>Total liabilities and equity</b>	<b>2,222,688</b>	<b>2,162,218</b>	<b>2,202,452</b>

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

	4Q19	3Q19	2019 (Audited)	2018 (Audited)
<b>Cash flows from operating activities</b>				
Receipts from customers	254,075	261,792	798,965	818,229
Payments to suppliers	(113,500)	(121,806)	(441,062)	(417,047)
Payments of corporate income tax	(9,250)	(8,118)	(70,616)	(36,348)
Payments of other taxes	(40,935)	3,998	(50,899)	(59,927)
Receipt of tax refunds	23,808	-	23,808	23,224
Payments to employees	(13,824)	(20,235)	(86,216)	(92,342)
Placement of financial guarantee	-	-	(14,486)	(128)
Withdrawal of financial guarantee	8,006	(1)	13,419	128
Receipt of finance income	1,263	626	4,759	4,552
Payments of royalties and levies	(4,848)	(9,444)	(39,678)	(35,982)
<b>Net cash flows provided by operating activities</b>	<b>104,795</b>	<b>106,812</b>	<b>137,994</b>	<b>204,359</b>
<b>Cash flows from investing activities</b>				
Payments for acquisition of fixed assets	(57,652)	(16,499)	(166,560)	(83,784)
Proceeds from disposal of fixed assets	253	203	456	-
<b>Net cash flows used in investing activities</b>	<b>(57,399)</b>	<b>(16,296)</b>	<b>(166,104)</b>	<b>(83,784)</b>
<b>Cash flows from financing activities</b>				
Placement of restricted cash	-	-	(3,902)	(39,394)
Withdrawal of restricted cash	-	-	19,509	39,677
Payments of long-term borrowings	-	-	(37,500)	(37,500)
Payments of lease liabilities	(386)	(679)	(1,245)	-
Payments of finance costs	(68)	52	(1,253)	(3,212)
<b>Net cash flows used in financing activities</b>	<b>(454)</b>	<b>(627)</b>	<b>(24,391)</b>	<b>(40,429)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>46,942</b>	<b>89,889</b>	<b>(52,501)</b>	<b>80,146</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>201,774</b>	<b>111,949</b>	<b>301,153</b>	<b>221,699</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>319</b>	<b>(64)</b>	<b>383</b>	<b>(692)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>249,035</b>	<b>201,774</b>	<b>249,035</b>	<b>301,153</b>