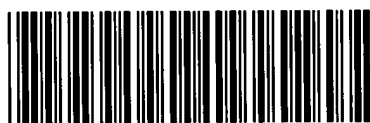


REGISTERED NUMBER: 00137114 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2018
for
Vale Europe Limited

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Vale Europe Limited

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for the Year Ended 31 December 2018

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Vale Europe Limited
Company Information
for the Year Ended 31 December 2018

DIRECTORS: S D Stacey
B Tipping
M McCann
G Gilpin

SECRETARY: Jordan Company Secretaries Limited

REGISTERED OFFICE: Suite 1, 3rd Floor
11-12 St. James's Square
London
SW1Y 4LB

REGISTERED NUMBER: 00137114 (England and Wales)

SENIOR STATUTORY AUDITOR: Jeremy Thomas

AUDITOR: KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Vale Europe Limited
Strategic Report
for the Year Ended 31 December 2018

REVIEW OF BUSINESS

Products

The company produces and sells a variety of refined metal products, which can be summarised as follows:

Nickel - pellets and powders: produced not sold

Platinum Group Metals ("PGM")- platinum, palladium, other precious metals.

GENERAL MARKET CONDITIONS

Nickel

London Metals Exchange (LME) nickel prices declined during 4Q18 to an average of US\$ 11,516/t, from US\$ 13,266/t, in 3Q18. Despite this decline, nickel prices were still higher in 2018 at an average US\$ 13,122/t compared to 2017's average of US\$ 10,411/t. Total exchange inventories LME and Shanghai Futures Exchange (SHFE) continued to decline, closing at 223 kt by the end of 2018, down 46% since the end of 2017 indicated tighter fundamentals.

Supply increased approximately 2.3% in 2018 relative to 2017, maintaining its divergent trends among product quality levels: Class I material supply declined (-5.0%) whereas Class II Nickel Pig Iron (NPI) showed material growth (+8.8%) in the same period.

Global stainless-steel production decreased 0.7% in 4Q18 relative 4Q17, while sales of Electric Vehicles (EVs) worldwide grew 63% in 4Q18 relative to 4Q17. Demand for nickel in other applications is mixed, with a positive super alloy sector and underperformed plating sector.

Macroeconomic factors and political uncertainty such as the ongoing trade dispute between major powers introduce volatility to the Base Metals price complex, nickel included. Our near term outlook remains cautiously optimistic as physical market fundamentals remain positive with continued deficits.

Clydach operates as a tolling refinery and therefore the fluctuations in nickel price do not directly affect the revenues of Vale Europe Limited given all costs are reimbursed. However, over the longer term the nickel price outlook will be a factor in the decision of how to allocate ore feed within the Vale network of operations.

Platinum Group Metals

Platinum and palladium are heavily used in the production of auto catalysts but are also used in jewellery. Auto catalysts are used to reduce vehicle emissions and thus demand is tied to both automotive sales as well as policy shift towards low / zero emission.

In 2018, platinum supply reduced by approximately 3.7% predominately on the mine production side which was down approximately 5.5% while recycling increased by 5%. Although supply reduced, demand reduced as well in 2018 by approximately 5.1%. As a result, the market surplus widened in 2018 with platinum prices reflecting fundamentals with a decline in 2018 of 7.2% (from US\$ 948/tr.oz in 2017 to US\$ 879 /tr.oz in 2018).

Palladium on the other hand saw supply increase approximately 5% mainly on the mine production side but also recycling. Demand for palladium decreased approximately 2.3%. Despite this, the market continued to see a deficit in 2018. As a result, palladium prices increased 18.5% (from US\$ 869/tr.oz in 2017 to US\$ 1,030/tr.oz in 2018).

Over the near term, we expect the market dynamics to continue along the same path. We expect demand from automotive to continue to grow but at a slower rate compared to recent years. Physical fundamentals in the market are expected to remain relatively the same with platinum in surplus and palladium in deficit, albeit both much smaller versus 2018 as supply adjusts to demand.

Longer term, we see the rise of EVs as a threat to demand for platinum and palladium as the need for auto catalysts lowers.

Platinum group metals are refined at the Acton site with feed coming both from Vale sources (tolling service) and 3rd parties.

Vale Europe Limited
Strategic Report
for the Year Ended 31 December 2018

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are largely integrated with the principal risks and uncertainties of the ultimate parent undertaking. However, from a UK perspective there are nevertheless certain risks that the company is exposed to as a result of its operations.

Price risk

Company revenues are exposed to commodity price risk. The directors monitor market movements in commodity prices (principally platinum group metals) on a regular basis but do not undertake any further hedging arrangements.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made as well as regularly reviewing existing customers' creditworthiness.

Liquidity risk

The company actively maintains short-term debt finance that is designed to ensure the company has sufficient funds for operations.

Brexit risk

At the time of signing the Directors report no agreement has been reached as to the terms of exit from the EU, and hence there are still risks that at this stage are difficult to quantify reliably. There are still a number of possible outcomes for Brexit, all of which have the potential to change the risk profile of the Company. Although the UK government continue to state that the risk of 'no deal' is unlikely, prudence requires the Company to consider this risk and plans for appropriate mitigation.

Every business in the UK will face similar risks and the main ones are as follows:

With regard to disruption to supply chains the risk in particular is that goods imported are disrupted by additional Customs formalities. If, for example, goods are delayed in clearing customs this could have a knock on effect on production if the necessary feed is not readily available. This in turn could have a knock on effect when shipping refined metals to end customers.

The company has undertaken a review of its supply chain, including meeting with key suppliers, to identify the risks and taken steps to increase inventories in the short term of key raw materials. This will allow operations to continue without any impact to production in the event of a no deal and disruption at the port of entry. The company has also reviewed plans with hauliers to manage through any disruption and identified alternative shipping lines that can be activated within a few days. Furthermore the company has a planned shutdown during May and June this year for maintenance which reduces the demand for supplies during the initial post Brexit period.

With regards to customer supplies the company has already taken steps to move some inventory holdings into warehousing in the Netherlands to provide a buffer during any port disruption.

With regard to people, the Company employs some EU nationals in the UK but does not anticipate any disruption to the operations in the event that restrictions are introduced limiting the ability of EU Nationals to work in the UK.

Health, safety and environment (HSE)

The company operates two refineries in the UK and these operations are subject to numerous laws and regulations relating to health, safety and environment. Although we believe that our current operations are in compliance with current regulations, violations of such laws and regulations can lead to fines and penalties. The company's operations are qualified to ISO 14001 (Environmental Management) and OHSAS 1800 (Occupational Health & Safety) Standard. The company is committed to the highest standards of Health, Safety and Environmental practice and HSE managers in each of the operations are tasked with ensuring such practices are maintained. Specialist third party and internal auditors make regular site visits to ensure compliance with local regulations.

NICKEL MARKET OUTLOOK 2019

Our long-term outlook for nickel is positive. Nickel in electric vehicle batteries will become an increasingly important source of demand growth particularly as battery chemistries favor higher nickel content due to lower cost and higher energy density. Although capital is starting to flow back into the industry, the timing of investments may increase the lag and widen future deficits.

Vale Europe Limited
Strategic Report
for the Year Ended 31 December 2018

KEY PERFORMANCE INDICATORS (KPI'S)

The directors of Vale Europe Limited manage the company's business on a divisional platform, in line with strategic decisions that are made on a global basis by Vale Canada Limited. The directors of Vale Europe Limited provide input to the global decision making process.

Vale Europe Limited essentially acts as an intermediary for the group's global nickel and PGM activities. For this reason, the company's directors believe that an in-depth analysis using key performance indicators is not necessary nor appropriate for an understanding of the development, performance or position of the business of Vale Europe Limited.

Notwithstanding the above, a key element of the performance of Vale Europe Limited relates to the levels of turnover and gross profit. This issue to a reduction of the estimate in relation to the decommissioning liability.

The company's turnover can be split between Nickel sales at the Clydach refinery and PGM sales at the Acton refinery. The turnover was greater at Acton although Clydach achieved a higher level of gross profit due to a reduction of the estimate in relation to the decommissioning liability.

	Clydach £'000	Acton £'000
Turnover	60,425	85,443
Gross Profit	29,070	7,293
Gross Profit %	48%	9%

FUTURE DEVELOPMENTS AND SIGNIFICANT EVENTS

The Company is confident that it will continue to trade and meet its financial obligations for the foreseeable future.

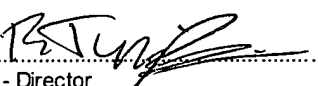
On the 29th June 2018 the company closed the Acton refinery, and is in the process of decommissioning the site.

On the 8th February 2019, it agreed the sale of the Acton land to a 3rd party. The transaction takes the form of a sale and leaseback agreement, with the lease running for the duration of the decommissioning process at zero cost.

Vale Europe will receive the proceeds from the sale less a retention value in February 2019, and expects to conclude the decommissioning and finish the lease period in the early part of 2021.

Acton will be shown in the financial statements as a discontinued operation.

ON BEHALF OF THE BOARD:


B Tipping - Director

Date: 20/2/19

Suite 1, 3rd Floor
11-12 St. James's Square
London
SW1Y 4LB

Report of the Directors
for the Year Ended 31 December 2018

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activities of Vale Europe Limited ("the company") during the year were the refining of nickel and the refining and selling of platinum group metals.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018.

RESEARCH AND DEVELOPMENT

The company continues to be involved in research and development programmes within its various fields of activity, particularly in the development of new and improved production processes.

DIRECTORS

S D Stacey has held office during the whole of the period from 1 January 2018 to the date of this report.

Other changes in directors holding office are as follows:

MJ Cox - resigned 31 December 2018
C F Spollen - resigned 15 September 2018
C B Thomson - resigned 31 December 2018
B Tipping - appointed 24 September 2018
M McCann - appointed 24 September 2018

G Gilpin was appointed as a director after 31 December 2018 but prior to the date of this report.

FINANCIAL RESULTS AND DIVIDEND

The financial profit for the year ended 31 December 2018 was £29 million (2017: £97 thousand loss). Turnover was £146 million (2017: £147 million).

The retained profit for the year has been transferred to revenue reserves.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Contributions to United Kingdom charitable, educational and scientific organisations in 2018 amounted to £16,860 (2017: £30,165). No political contributions were made.

EMPLOYEE PARTICIPATION

The company continued to consult employees, to provide them systematically with information and to achieve a common awareness of economic and financial factors, by a variety of means including regular meetings between senior management and all employees, a network of consultative committees and the regular publication of financial and other information.

The company has in place profit-sharing or bonus arrangements related to financial performances, in which all employees participate.

DISABLED PERSONS

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue whenever possible the employment of those who have become disabled and to provide equal opportunities for the training and career development of disabled employees. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.


Vale Europe Limited (Registered number: 00137114)

Report of the Directors
for the Year Ended 31 December 2018

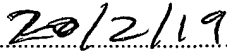
AUDITOR

The auditors, PWC, Statutory Auditor, will be proposed for appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
B Tipping - Director

Date:



Suite 1, 3rd Floor
11-12 St. James's Square
London
SW1Y 4LB

Vale Europe Limited

Statement of Directors' Responsibilities
for the Year Ended 31 December 2018

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the Independent Auditor to the Members of
Vale Europe Limited

Opinion

We have audited the financial statements of Vale Europe Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Statement of Other Comprehensive income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Report of the Independent Auditor to the Members of
Vale Europe Limited

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

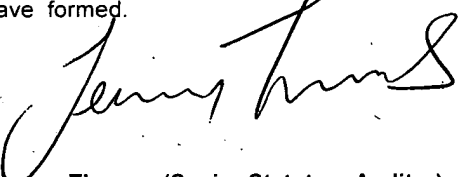
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Date: 1 March 2019

Vale Europe Limited

Income Statement
for the Year Ended 31 December 2018

	Notes	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000
TURNOVER	4	60,425	85,443	145,868
Cost of sales		<u>(31,355)</u>	<u>(78,204)</u>	<u>(109,559)</u>
GROSS PROFIT		29,070	7,239	36,309
Distribution costs		(57)	(74)	(131)
Administrative expenses		<u>(286)</u>	<u>(4,895)</u>	<u>(5,181)</u>
OPERATING PROFIT		28,727	2,270	30,997
Interest receivable and similar income	6	1,845	135	1,980
Interest payable and similar expenses	7	<u>(935)</u>	<u>-</u>	<u>(935)</u>
PROFIT BEFORE TAXATION	8	29,637	2,405	32,042
Tax on profit	9	<u>(1,428)</u>	<u>(1,406)</u>	<u>(2,834)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>28,209</u>	<u>999</u>	<u>29,208</u>

The notes form part of these financial statements

Vale Europe Limited

Income Statement
for the Year Ended 31 December 2018

	Notes	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000
TURNOVER	4	59,061	87,998	147,059
Cost of sales		<u>(51,277)</u>	<u>(78,819)</u>	<u>(130,096)</u>
GROSS PROFIT		7,784	9,179	16,963
Distribution costs		(286)	(178)	(464)
Administrative expenses		<u>(862)</u>	<u>(17,290)</u>	<u>(18,152)</u>
		6,636	(8,289)	(1,653)
Other operating income		<u>730</u>	<u>-</u>	<u>730</u>
OPERATING PROFIT/(LOSS)		7,366	(8,289)	(923)
Interest receivable and similar income	6	1,219	34	1,253
Interest payable and similar expenses	7	<u>(817)</u>	<u>(403)</u>	<u>(1,220)</u>
PROFIT/(LOSS) BEFORE TAXATION	8	7,768	(8,658)	(890)
Tax on profit/(loss)	9	<u>(865)</u>	<u>1,658</u>	<u>793</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>6,903</u></u>	<u><u>(7,000)</u></u>	<u><u>(97)</u></u>

The notes form part of these financial statements

Vale Europe Limited

Statement of Other Comprehensive Income
for the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
PROFIT/(LOSS) FOR THE YEAR		29,208	(97)
OTHER COMPREHENSIVE INCOME			
Actuarial gain/ (loss) on pension scheme	18	3,844	(1,151)
Deferred tax movement relating to other comprehensive income		<u>(849)</u>	<u>(2,966)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>2,995</u>	<u>(4,117)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>32,203</u></u>	<u><u>(4,214)</u></u>

The notes form part of these financial statements

Vale Europe Limited (Registered number: 00137114)

Balance Sheet
31 December 2018

	Notes	2018 £'000	£'000	£'000	2017 £'000
FIXED ASSETS					
Tangible assets	10		32,878		33,007
Investments	11		<u>215</u>		<u>215</u>
			33,093		33,222
CURRENT ASSETS					
Stocks	12	2,808		3,647	
Debtors	13	145,289		147,992	
Cash at bank		<u>22,840</u>		<u>20,325</u>	
		170,937		171,964	
CREDITORS					
Amounts falling due within one year	14	<u>10,950</u>		<u>16,565</u>	
NET CURRENT ASSETS			<u>159,987</u>		<u>155,399</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			193,080	-	188,621
PROVISIONS FOR LIABILITIES	16		(130,334)		(149,586)
PENSION LIABILITY	18		<u>(16,999)</u>		<u>(25,491)</u>
NET ASSETS			<u>45,747</u>		<u>13,544</u>
CAPITAL AND RESERVES					
Called up share capital	17		35,500		35,500
Share premium			32,393		32,393
Retained earnings			<u>(22,146)</u>		<u>(54,349)</u>
SHAREHOLDERS' FUNDS			<u>45,747</u>		<u>13,544</u>

The financial statements were approved by the Board of Directors on 2012/19 and were signed on its behalf by:


B Tipping - Director

The notes form part of these financial statements

Vale Europe Limited

Statement of Changes in Equity
for the Year Ended 31 December 2018

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2017	35,500	(50,135)	32,393	17,758
Changes in equity				
Loss for the year	-	(97)	-	(97)
Other Comprehensive Income	-	(4,117)	-	(4,117)
Balance at 31 December 2017	<u>35,500</u>	<u>(54,349)</u>	<u>32,393</u>	<u>13,544</u>
Changes in equity				
Profit for the year	-	29,208	-	29,208
Other Comprehensive Income	-	2,995	-	2,995
Balance at 31 December 2018	<u>35,500</u>	<u>(22,146)</u>	<u>32,393</u>	<u>45,747</u>

The notes form part of these financial statements

Vale Europe Limited

Notes to the Financial Statements
for the Year Ended 31 December 2018

1. STATUTORY INFORMATION

Vale Europe Limited is a private company, limited by shares. It is domiciled in England and Wales, registration number 00137114. The registered office is Suite 1, 3rd Floor, 11-12 St. James's Square, London SW1Y 4LB.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

The financial statements contain information about Vale Europe Limited as an individual company and do not contain consolidated financial information as the intermediate parent of a group. The company is exempt under the provisions of S401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Vale S.A., a company incorporated in Brazil.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover comprises revenue from the sale of refined precious metals, income from third party toll refining agreements, the net proceeds from back to back precious metal sales and income from tolling arrangements relating to intergroup metal processing.

Sales of precious metal are recorded as revenue upon transfer of title. Revenue in respect of third party tolling agreements is recognised when the refining contract is substantially complete. Revenue in respect of intergroup tolling arrangements is recognised on a straight-line basis over the period of the agreements. Revenue is recorded net of value added tax.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

3. **ACCOUNTING POLICIES - continued.**

Fixed assets

The cost of fixed assets is their purchase cost, together with any incidental cost of acquisition. Land and buildings cost includes capitalised elements of the decommissioning and closure provision which relate to the dismantling and removal of relevant assets. Changes in the estimate of these costs are recognised through fixed assets.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Land and buildings - 2.5 - 10%
Plant and machinery - 4 - 20%
Fixtures, fittings, tools and equipment - 4 - 14%

Freehold land is not depreciated.

Assets in the course of construction include costs incurred in the design and planning of assets prior to the commencement of their construction, where the construction of the asset can be anticipated with reasonable certainty.

Impairment of value

At each reporting date fixed assets and investments are reviewed to determine whether there is any indication that those assets/investments have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset/investment is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated amount, and an impairment loss is recognised immediately in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset/investment is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset/investment in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to sell. Cost includes an appropriate share of production overheads.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Research and development costs are charged to the profit and loss account as incurred.

Exchange rates

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year end. Exchange differences are taken to the profit and loss account.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

3. **ACCOUNTING POLICIES - continued**

Pension costs

The company operates a defined benefit scheme. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities are shown as a liability on the balance sheet and is presented separately after other net assets on the face of the balance sheet. The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the other comprehensive income statement.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

The company operates a defined contribution plan. This is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic and Directors' Report.

The company has significant financial resources and the directors believe that the company will be able to manage its business risks successfully despite the current economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in business for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basic financial instruments

1. **Trade and other debtors / creditors**

- Trade and other debtors are recognised initially at transaction price less attributable transaction costs.
- Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.
- Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses in the case of trade debtors.

2. **Cash and cash equivalents**

- Cash and cash equivalents comprise cash balances and call deposits.

Investments

Investments are stated at cost less any provision for impairment.

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

3. ACCOUNTING POLICIES - continued

Provisions

Provisions are recognised only when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that the settlement of this obligation will result in an outflow of resources, and the amount of the obligation can be reasonably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle an obligation using a pre-tax rate which reflects current market assessments of the time value of money and risks specific to the obligation.

Provision obligations relating to the dismantling and removal of fixed assets that do not relate to production are included in the cost of the asset; other provision obligations are expensed.

Provisions are recognised for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Discontinued operations

Discontinued operations are components of the company that have been closed down and are part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation.

They are included in the profit and loss account in a separate column for the current period, and re-presented for the prior period so that the disclosure relates to all operations that have been discontinued by the end of the reporting period.

4. TURNOVER

The turnover and profit (2017 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2018 £'000	2017 £'000
Nickel, platinum group metals	<u>145,868</u>	<u>147,059</u>
	<u>145,868</u>	<u>147,059</u>

An analysis of turnover by geographical market is given below:

	2018 £'000	2017 £'000
Europe	38,587	42,973
Asia	1,857	1,566
Americas	105,411	102,452
Other	<u>13</u>	<u>68</u>
	<u>145,868</u>	<u>147,059</u>

5. EMPLOYEES AND DIRECTORS

	2018 £'000	2017 £'000
Wages and salaries	14,043	16,632
Social security costs	1,912	2,060
Other pension costs	<u>4,279</u>	<u>4,042</u>
	<u>20,234</u>	<u>22,734</u>

The average number of employees during the year was as follows:

	2018	2017
Nickel, platinum group metals	<u>224</u>	<u>304</u>

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

5. **EMPLOYEES AND DIRECTORS - continued**

	2018	2017
	£	£
Directors' remuneration	535,016	726,075
Directors' long term incentive schemes	<u>24,703</u>	<u>70,286</u>

The number of directors to whom retirement benefits were accruing was as follows:

	2018	2017
	2	1
Money purchase schemes	<u>2</u>	<u>2</u>
Defined benefit schemes	<u>2</u>	<u>2</u>

Information regarding the highest paid director is as follows:

	2018	2017
	£	£
Emoluments etc	209,353	348,332
Accrued pension at 31 December 2018	<u>-</u>	<u>90,737</u>

6. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2018	2017
	£'000	£'000
Interest receivable from group undertakings	1,832	1,208
Interest receivable from third parties	<u>148</u>	<u>45</u>
	<u>1,980</u>	<u>1,253</u>

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018	2017
	£'000	£'000
Interest on pension scheme liabilities	4,801	5,087
Expected return on pension scheme assets	<u>(3,867)</u>	<u>(3,867)</u>
Net interest expense on net defined benefit pension liability (note 18)	934	1,220
Other charges	<u>1</u>	<u>-</u>
	<u>935</u>	<u>1,220</u>

8. **PROFIT/(LOSS) BEFORE TAXATION**

Profit/(loss) before taxation is stated after charging/(crediting) the following amounts:

	2018	2017
	£'000	£'000
Depreciation (owned assets)	2,914	7,336
Hire of plant and machinery - operating leases	442	425
Foreign exchange (gain)/loss on operating activities	2,102	818
Impairment of assets	0	15,580
Stock write off	0	862
Auditor's remuneration:		
Audit of these financial Statements	84	79
Audit of UK Pension Scheme	<u>10</u>	<u>10</u>

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

9. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax	1,671	2,367
Adjustment in respect of prior period	<u>198</u>	<u>317</u>
Total current tax	1,869	2,684
Deferred tax	<u>965</u>	<u>(3,477)</u>
Tax on profit/(loss)	<u><u>2,834</u></u>	<u><u>(793)</u></u>

UK corporation tax has been charged at 19% (2017 - 19.25%).

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £'000	2017 £'000
Profit/(loss) before tax	<u>32,042</u>	<u>(890)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	6,088	(171)
Effects of:		
Expenses not deductible for tax purposes	(4,417)	2,679
Income not taxable for tax purposes	-	(141)
Adjustments to tax charge in respect of previous periods	198	317
deferred tax balances		
Adjustment for deferred tax	<u>965</u>	<u>(3,477)</u>
Total tax charge/(credit)	<u><u>2,834</u></u>	<u><u>(793)</u></u>

Tax effects relating to effects of other comprehensive income

	2018		
	Gross	Tax	Net
	£'000	£'000	£'000
Actuarial gain/ (loss) on pension scheme	<u>3,844</u>	<u>(849)</u>	<u>2,995</u>
	2017		
	Gross	Tax	Net
	£'000	£'000	£'000
Actuarial gain/ (loss) on pension scheme	<u>(1,151)</u>	<u>(2,966)</u>	<u>(4,117)</u>

The current UK tax rate that has been used for the period is 19%.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. Further reductions to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2021) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

10. TANGIBLE FIXED ASSETS

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets in course of construction £'000	Totals £'000
COST					
At 1 January 2018	36,217	101,267	7,526	1,436	146,446
Additions	-	-	-	4,654	4,654
Disposals	-	(260)	-	-	(260)
Change in estimate of decommissioning obligation	(1,867)	-	-	-	(1,867)
Reclassification/transfer	835	3,769	41	(4,645)	-
At 31 December 2018	<u>35,185</u>	<u>104,776</u>	<u>7,567</u>	<u>1,445</u>	<u>148,973</u>
DEPRECIATION					
At 1 January 2018	29,300	79,712	4,427	-	113,439
Charge for year	566	1,986	362	-	2,914
Eliminated on disposal	-	(258)	-	-	(258)
At 31 December 2018	<u>29,866</u>	<u>81,440</u>	<u>4,789</u>	<u>-</u>	<u>116,095</u>
NET BOOK VALUE					
At 31 December 2018	<u>5,319</u>	<u>23,336</u>	<u>2,778</u>	<u>1,445</u>	<u>32,878</u>
At 31 December 2017	<u>6,917</u>	<u>21,555</u>	<u>3,099</u>	<u>1,436</u>	<u>33,007</u>

11. FIXED ASSET INVESTMENTS

Investment in subsidiary undertakings:

	Subsidiary undertaking £'000
Cost and net book value at 31 December 2017 and 31 December 2018	<u>215</u>

At 31 December 2018 the company's investment in subsidiary undertakings comprised the following:

	Country of incorporation	Business activity	Ordinary Shares %	Net liabilities at 31 December 2018 £'000	Loss year to 31 December 2018 £'000
Vale Taiwan Ltd	Taiwan	Nickel Refining	<u>100</u>	<u>-1,511</u>	<u>nil</u>

In the opinion of the directors, the investment in Vale Taiwan Limited is not worth less than its carrying value in the financial statements.

12. STOCKS

	2018 £'000	2017 £'000
Stocks	<u>2,808</u>	<u>3,647</u>

In the opinion of the directors there is no material difference between the stated amount of stocks and their replacement value.

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

13. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	44	134
Amounts owed by group undertakings	125,912	108,330
Other debtors	399	1,070
Corporation Tax Debtor	409	-
Deferred tax asset	1,788	3,602
VAT	<u>16,737</u>	<u>25,933</u>
	<u>145,289</u>	<u>139,069</u>
Amounts falling due after more than one year:		
Other debtors	<u>-</u>	<u>8,923</u>
Aggregate amounts	<u>145,289</u>	<u>147,992</u>

Amounts owed by group undertakings includes loans made to Vale Canada Limited of £117m (2017: £100m). The loans are considered short term, repayable on demand and accrue interest of 1% above base rate annually.

The elements of deferred tax asset are as follows:

	2018 £'000	2017 £'000
Difference between accumulated depreciation and amortisation and capital allowances	1,359	988
Other timing differences	(257)	(257)
Deferred tax on pension liability	(2,890)	(4,333)
Deferred tax asset	<u>(1,788)</u>	<u>(3,602)</u>

The movement on the deferred tax asset in relation to the pension liability is set out below:

	Deferred tax on pension liability £'000
At 1 January 2018	(4,333)
Charged to the profit and loss account during the year	594
Charged to the other comprehensive statement	<u>849</u>
At 31 December 2018	<u>(2,890)</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade creditors	2,371	3,858
Corporation Tax Creditor	-	425
Social security and other taxes	801	509
Other creditors	7,664	11,659
Amounts owed to group undertakings	<u>114</u>	<u>114</u>
	<u>10,950</u>	<u>16,565</u>

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

15. **LEASING AGREEMENTS**

At 31 December 2018 the company has non-cancellable, operating lease commitments payable as follows:

	2018 £'000	2017 £'000
Within one year	371	465
Within two to five years	961	514
After five years	<u>392</u>	<u>-</u>
	<u>1,724</u>	<u>979</u>

Further capital expenditure not provided in financial statements:

	2018 £'000	2017 £'000
Contracts placed	<u>3,336</u>	<u>9,007</u>

16. **PROVISIONS FOR LIABILITIES**

	Decommissioning and closure £'000	Holiday Pay £'000	Total £'000
At 1 January 2018	149,310	276	149,586
Utilised during the year	-	(97)	(97)
Charged to the profit and loss account:			
Change in estimate of obligation	(17,850)	-	(17,850)
Deducted from cost of fixed assets	<u>(1,305)</u>	<u>-</u>	<u>(1,305)</u>
At 31 December 2018	<u>130,155</u>	<u>179</u>	<u>130,334</u>

The decommissioning and closure provision relates to the environmental clean-up and decommissioning costs that the Company will incur upon closure of the sites.

The discount rates used in discounting the decommissioning and closure provision to its present value is 0%, reflecting a risk free rate that matches the expected timing of the cash-flows.

The holiday pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

17. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2018	2017
Number:	Class:	Nominal value:	£'000	£'000
71,000,000	Ordinary	50p	<u>35,500</u>	<u>35,500</u>

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

18. **EMPLOYEE BENEFIT OBLIGATIONS**

Defined benefit scheme

The company sponsors a defined benefit pension scheme (the Vale Europe Pension Plan) for its employees in the UK. The Scheme is funded by payment of contributions from the company to a trustee administered fund. Benefits were built up in the Scheme during the year on a "final earnings" basis, whereby the associated pension benefits are calculated with reference to a member's Final Pensionable Earnings at retirement or on leaving the Scheme, if earlier.

On leaving the Scheme the benefits allow for revaluation to retirement in line with price inflation as measured by the Retail Prices Index, subject to a maximum of 5% per annum compound. In addition to the benefits under the Plan, the company pays discretionary pension increases directly to certain pensioners. The present values of these discretionary pensions are included in these disclosures, as are the payments and corresponding company contributions.

The last full actuarial valuation was for 31st December 2015.

	2018 £'000	2017 £'000
Present value of funded defined benefits obligations	178,025	186,446
Fair value of plan assets	<u>(161,026)</u>	<u>(160,955)</u>
Deficit	<u>16,999</u>	<u>25,491</u>
 Movement in present value of defined benefit obligation	 2018 £'000	 2017 £'000
At 1 January	186,446	183,279
Service cost	3,970	3,837
Interest cost	4,801	5,087
Actuarial losses and (gains)	(9,607)	4,613
Curtailment gain	0	(3,300)
Benefits paid	<u>(7,585)</u>	<u>(7,070)</u>
At 31 December	<u>178,025</u>	<u>186,446</u>
 Movement in fair value of plan assets	 2018 £'000	 2017 £'000
At 1 January	160,955	149,673
Expected return on plan assets	3,867	3,867
Actuarial (losses) / gains	(5,763)	3,463
Contributions by employer	9,552	11,022
Benefits paid	<u>(7,585)</u>	<u>(7,070)</u>
At 31 December	<u>161,026</u>	<u>160,955</u>
 Expense recognised in the profit and loss account	 2018 £'000	 2017 £'000
Current service cost	3,970	3,837
Net interest on defined benefit liability	934	1,220
Curtailment gain	<u>0</u>	<u>(3,300)</u>
Total	<u>4,904</u>	<u>1,757</u>

The total amount recognised in the other comprehensive income statement in respect of actuarial gains and losses is £3,844,000 gain (2017: £1,151,000 loss).

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

18. EMPLOYEE BENEFIT OBLIGATIONS (Cont.)

Cumulative actuarial losses reported in the other comprehensive income statement are £105,384,000 (2017: £109,228,000).

The major categories of scheme assets as a percentage of total scheme assets are:

	2018	2017
Equities	40.3%	45%
Fixed interest gilts	19.9%	18%
Index-Linked gilts	10.2%	9%
Corporate bonds	29.6%	28%
	100%	
	100%	
Actual return on scheme assets	(1,896)	7,330

Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	2018	2017
Discount Rate	2.90%	2.60%
Interest on assets	2.60%	2.60%
Inflation (RPI)	3.55%	3.50%
Inflation (CPI)	2.55%	2.50%
Rate of increase of salaries	4.30%	4.25%
Rate of increase of pensions in payment:		
Fixed	0.00%	0.00%
RPI (Max 5%)	3.40%	3.35%
RPI (Max 2.5%)	2.35%	2.30%
Pre-retirement mortality	S2 PA YOB, CMI 2017 Rate of improvement of 1.25% pa for males and 1% pa for females S2 PA YOB, CMI 2016 Rate of improvement of 1.25% pa for males and 1% pa for females	
Post retirement mortality	S2 PA YOB, CMI 2017 rate of improvement of 1.25% pa for males and 1% pa for females S2 PA YOB, CMI 2016 Rate of improvement of 1.25% pa for males and 1% pa for females	
Withdrawals	Scheme scale Members are assumed to commute pension benefits at retirement for cash lump sums equal to 75% of the maximum permitted	
Cash Commutation	Scheme scale Members are assumed to commute pension benefits at retirement for cash lump sums equal to 75% of the maximum permitted	

Defined contribution scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £230,584 (2017: £275,384).

19. POST BALANCE SHEET EVENT

On 8th February we agreed the sale of the Acton land to a 3rd party. The transaction takes the form of a sale and leaseback agreement with the lease running for the duration of the decommissioning process. Vale Europe will receive the proceeds from the sale less a retention value in 2019 and expects to conclude the decommissioning and finish the lease period in the early part of 2021. The value of the sale was £67 million, plus VAT.

Vale Europe Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

20. **ACCOUNTING ESTIMATES AND JUDGEMENTS**

In preparing these financial statements, the company has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Key Estimates and assumptions have been made in the following areas:

Useful life of tangible assets - this has been based on past experience of the life of an asset.

Recoverability of debtors - this has been based on past experience.

Shelf life of stock - this has been based on a review of the items and condition.

Deferred tax asset - this has been based on a review of the balance.

Decommissioning and closure provision - this has been based on advice from external experts.

21. **IMMEDIATE AND ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Vale Inco Europe Holdings. The ultimate parent undertaking and controlling party is Vale S.A., a company incorporated in Brazil.

Vale S.A. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Vale S.A. can be obtained from Vale S.A. Praia De Botafogo 186 Offices 701 - 1901, Botafogo 22250-145, Rio de Janeiro, Brazil.

Vale Canada Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.