

REGISTERED NUMBER: 00137114 (England and Wales)

Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 December 2020  
for  
Vale Europe Limited

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Vale Europe Limited

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for the Year Ended 31 December 2020

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Vale Europe Limited  
Company Information  
for the Year Ended 31 December 2020

**DIRECTORS:**

S D Stacey  
B Tipping  
G Gilpin  
D Poland

**SECRETARY:**

Vistra Company Secretaries Limited

**REGISTERED OFFICE:**

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

**REGISTERED NUMBER:**

00137114 (England and Wales)

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers, LLP  
Chartered Accountants and Statutory Auditors  
One Kingsway  
Cardiff  
CF10 3PW

Vale Europe Limited  
Strategic Report  
for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

**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 externally but through a tolling arrangement.

**GENERAL MARKET CONDITIONS**

**Nickel**

At the start of the COVID-19 outbreak, several nickel operations were impacted globally, however, downtimes were short lived and nearly all quickly returned to normal production. Inventory of ore and concentrates meant there was limited impact on refined nickel.

LME nickel prices averaged US\$ 13,789/t in 2020, 1% lower than in 2019, and averaged US\$ 15,930/t in 4Q20, 12% higher than in 3Q20.

Total exchange inventories (LME and SHFE) had a net increase, closing at 264.8 kt by the end of 2020, up 76.7 kt since 2019. LME inventories at the end of 2020 stood at 246.7 kt, an increase of 96.0 kt since the end of 2019. SHFE inventories declined by half, to 18.1 kt by the end of 2020.

Sales of electric vehicles accelerated in 2020 and are now expected to be ~3.1 Million unit, a year-on-year increase of ~45%. This outperformance, compared with an overall decline in automotive sales, pushed the EV penetration rate to record highs. European sales accelerated as the year progressed, mainly driven by subsidies in the large consumer markets (Germany, France, UK, Sweden, and Netherlands) and roll-out of environmental policies to reduce CO2 emissions. In China, the pandemic-related slowdown hurt EV demand in 1H20, however, since September, sales increased significantly and have been elevated.

Global stainless-steel production is expected to finish the year ~5% lower than 2019, however, production finished the year strong with 4Q20 production increasing 6% compared to 3Q20. The year decline was greatly limited by the production strength from China, which makes up ~60% of global output. Additionally, because Chinese production placed a greater focus on 300 series stainless, which contains higher levels of nickel, total nickel consumption globally in stainless-steel was essentially flat year-over-year. While visible Chinese stainless-steel inventories were elevated for most of 2020, inventories dropped 22.5% by the end of 4Q20, compared to the end of 3Q20.

Production elsewhere, such as North America and Europe was more significantly impacted, however, in a sign that the recovery has taken hold, both regions registered more than 10% growth in 4Q20 compared to 3Q20.

Looking at the automotive market, 4Q20 production greatly improved, increasing 13.6% compared to 3Q20, drove by strong numbers in the U.S. and China. Europe also showed strong quarter-over-quarter sales growth, although it was limited in December as stricter COVID-19 lockdowns in the region were implemented. Still, given the global COVID-19 lockdowns in 1H20, full year sales are expected to be roughly 14% lower compared to 2019.

The aerospace industry looks to be on the rebound as aircraft deliveries from Boeing and Airbus increased in 4Q20 and air passenger traffic numbers improved. With the Boeing Max now cleared by the FAA for flight, deliveries are expected to climb in 2021.

The oil and gas sector has rebounded with demand and price increases, however, rig counts are still depressed, and well below the average. Towards the end of 2020, as prices rallied, rigs began coming back online.

Chinese NPI production declined 12% in 2020, compared to 2019, and declined by 8% in 4Q20 compared to 3Q20. Overall Chinese NPI output was stronger than many anticipated given the Indonesian Ore ban at the start of 2020. The country relied heavily on ore stocks and imports from Philippines, which were briefly interrupted in April, due COVID-19 related port closures.

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Indonesian NPI production conversely, increased in 2020, by more than 50%, compared to 2019. 4Q20 production was 16% higher compared to 3Q20. The 2020 ore ban has succeeded in accelerating smelter production in the country, which has now surpassed China as the largest NPI producer. The country's HPAL (High-Pressure Acid Leach) projects however had suffered some delays due to complexity (e.g. tailings disposal solutions), costs, and COVID-19 related travel restrictions. These projects are expected to partially supply the EV market by producing a battery-suitable nickel material.

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.

**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.

**Liquidity risk**

The company pools its cash reserves with Vale Canada Limited (VCL) via an intercompany loan and VCL manages the company's cash position.

**Brexit**

The company had undertaken a review of its supply chain, including meeting with key suppliers, to identify the risks of exiting the EU under different scenarios and taken actions to mitigate the risks where possible. This included increasing stocks of critical inventory items in Clydach, increasing the stock of finished products in European warehouses and reviewing plans with hauliers to manage through any disruption.

Although the UK exited with a deal there has still been considerable disruption during the first months of the year to supply chains and the movement of containers through ports. Further exasperated by the impact of COVID-19 on global supply chains resulting in shortages of containers in some locations and a shortage of port space in others.

However, the work completed by the cross functional Brexit team during 2020 has allowed the company to navigate this initial disruption without any impact to our operations or customers. We continue to monitor the situation and resolve problems as they arise, but the Directors don't believe there to be any long term impact on our operations.

**COVID-19**

The coronavirus outbreak ("COVID-19") was first reported in December 2019 and has since spread through various countries, with reports of multiple fatalities from the virus, including locations where Vale has its main operations.

On March 11, 2020, the World Health Organization assessed COVID-19 as a pandemic. During the month of March 2020, governmental authorities in various jurisdictions imposed lockdowns or other restrictions to contain the virus, and as a result, various businesses suspended or reduced their operations. The lockdowns continued during 2020 with different strategies employed by each of the devolved nations, but all ultimately restricting economic activity.

As the outbreak continues in the regions where Vale operates, the Company may face workforce related operational difficulties and may need to adopt contingency measures. A significant portion of Vale's revenue is originated from sales made to customers in North America, Asia and Europe, and Vale relies on an extensive logistics and supply chain, including several ports, distribution centers and suppliers that have operations in affected regions. The Company continues to monitor the impact of COVID-19 on its business, however it did not significantly impact the delivery of the 2020 production and cost budgets and unless there is a significant change the Directors expect a similar situation in 2021. Below is a summary of the impacts on Vale's business to date:

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**Operating plant stoppages** - during 2020 Vale chose to temporarily halt operations at Voisey's Bay for a short period to manage the risk of COVID-19 to the local population and Vale workforce.

**Production - COVID-19** is estimated to have reduced Nickel production in Base Metals by 7.9 kt in 2020 resulting in a total of 214.7 kt of Nickel produced.

**Fair value of other assets and liabilities** - At this time, the COVID-19 outbreak has not caused any significant impact on the fair value of the Company's assets and liabilities. However, abnormally large changes have occurred in the valuation of financial assets across many markets since the outbreak. The outbreak continues to be uncertain, making it impossible to forecast the final impact it could have on the economy, and in turn, on the Company's business, liquidity, and financial position meaning that the fair values of the Company's assets and liabilities may change in later periods.

**Supply chain** - The Company's supply chain has inevitably experienced some delays and challenges due to COVID-19, in particular securing the supply of masks and other hygiene products during the first peak of the pandemic. However, these were managed effectively by the Procurement team without any impact to the refinery operations or its customers.

**Health, safety and environment (HSE)**

The company operates one refinery 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.

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**SECTION 172(1) STATEMENT**

This section serves as our section 172 statement and should be read in conjunction with the Strategic report. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term. Whilst the importance of giving due consideration to our stakeholders is not new, we are explaining in more detail this year how the Board engages with our stakeholders, thus seeking to comply with the requirement to include a statement setting out how our Directors have discharged this duty.

- The Directors have established the Clydach Leadership Team (CLT). The CLT, comprises the senior functional management roles and together is comprised of those with responsibility for interacting with the Company's principal stakeholders. It is envisaged that this management structure will ensure due consideration of all stakeholder interests in decision making at both Board and management level.

- The CLT meet weekly to discuss current issues for each function and track progress towards strategic goals. On a monthly cadence a performance meeting is held to review key performance indicators and variance analysis.

- On an annual basis the CLT coordinates a strategy setting process utilising the Hoshin Kanri X matrix approach to align all levels of the organisation to the short and long term objectives of the company. The objectives are set by the board in collaboration with supervisors and managers of all departments taking into account the wider group goals, a SWOT analysis of the business and local needs.

- The Board continues to enhance its methods of engagement with the workforce. Within the CLT employee engagement is owned by the Corporate Affairs Specialist, she is responsible for designing and executing the engagement strategy. For 2020 this included monthly engagement council meetings with representatives from all departments attending, regular internal newsletters, bi-annual training days for all employees and regular union/management meetings.

- The Board is committed to maintaining its strong relationship with the local community that has been built during its more than 100 years of operation. Each year The Board approves donations to local organisations such as the Clydach Mens Shed, Leon Heart Fund and Clydach Army Cadets.

- We aim to work responsibly with our suppliers with the relationship governed by a code of conduct signed by both parties to document the standards by which we operate and expect our suppliers to operate.

- The Board continues to strive for operational excellence in all areas of the business and has maintained a number of ISO standards over the past years including 9001 Quality and 14001 Environment. In 2019 we added to this list ISO 45001 Safety Management System which recognises the consistent high standards we have throughout our business.

**NICKEL MARKET OUTLOOK 2021**

Our near-term view for nickel improved, as we continue to see the market at surplus in 2021 albeit less than the surplus seen in 2020. COVID-19 has impacted demand, particularly in the high-value markets, such as aerospace, automotive and oil & gas sectors. However, positive signs have emerged such as strength in Chinese stainless-steel production and a rebound in automotive sales. The pandemic has sped up the green electrification of economies, which in turn has led to a significant increase in electric vehicle sales. The market is now recognizing the growth potential, especially as battery chemistry continues to favor higher nickel content due to lower cost and higher energy density.

Our long-term outlook for nickel continues to remain positive. Depending on the speed and success of COVID-19 vaccine distributions, depressed markets, such as Aerospace and Oil & Gas, could either remain challenged or return rather quickly. Also, we see prolonged support driven by record stimulus provided by governments globally. Additionally, growth in electric vehicles and the infrastructure needed to support them is crucial if decarbonization goals, set by an increasing number of major economies, are to be achieved. Further, the long-term outlook for EVs remains bright as fundamental costs continue to decline, and technology continues to advance.

Vale Europe Limited  
Strategic Report  
for the Year Ended 31 December 2020

**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.

The leadership team at Clydach Refinery monitor 26 KPIs on a monthly basis during a refinery performance meeting, the KPIs cover 6 main areas of activity: Health and Safety, Environment, People, Production, Finance and Maintenance. Health and Safety indicators include the number of high potential incidents and injury frequency rate, Environment monitors our compliance with regulatory requirements, People focuses on overall headcount but also absenteeism and overtime costs, Production tracks the finished Nickel produced compared to budget, Finance KPIs include operational and capital budgets while Maintenance has a number of KPIs that look at the performance of maintenance jobs versus the plan.

In addition, having adopted the Vale Production System (VPS) in Clydach during 2020, there are both daily and weekly meetings held to review KPI's at a tactical level to inform the management of the real time performance of the refinery.

The 2020 final KPI results were overall green; Nickel Production was on budget for the year, Operational costs were £3m over budget for the full year but the main overspend related to COVID-19 and some significant unbudgeted safety improvement costs that are part of an overall Vale safety strategy and the excellent Safety record of the refinery continued with a Total Recordable Injury Frequency rate below 5 and proactive safety reporting of unsafe conditions or near misses at a record level.

Profit before tax of £39m (2019: £59.4m) declined year on year with the 2019 result reflecting the sale of the Acton refinery. However, the profit generated by the continuing operations in Clydach increased by 143% from 2019 to 2020. The underlying business remains stable due to the tolling arrangement in place and is reflected in the turnover, but the 2019 cost of sales were higher due to Asset Retirement Obligation adjustments.

**FUTURE DEVELOPMENTS AND SIGNIFICANT EVENTS**

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

During January 2021 The Company, as the sole shareholder, approved a capital injection to be paid to Vale Taiwan totalling USD 6.75m.

During the financial year 2018, the company closed the Acton refinery and the decommissioning is in progress, and on target to be completed by June 2021.

**ON BEHALF OF THE BOARD:**

  
B Tipping - Director

Date: 10 June 2021



Vale Europe Limited (Registered number: 00137114)

Report of the Directors  
for the Year Ended 31 December 2020

The directors present their report with the audited financial statements of the company for the year ended 31 December 2020.

**PRINCIPAL ACTIVITIES**

The principal activity of Vale Europe Limited ("the company") during the year was the refining of nickel.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2020.

**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**

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

B Tipping  
G Gilpin

Other changes in directors holding office are as follows:

D Poland - appointed 4 August 2020  
S D Stacey - resigned 10 May 2021

**FINANCIAL RESULTS AND DIVIDEND**

The financial profit for the year ended 31 December 2020 was £32 million (2019: £51 million). Turnover was £75 million (2019: £59 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 2020 amounted to £27,500 (2019: £14,024). 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.

Vale Europe Limited (Registered number: 00137114)

Report of the Directors  
for the Year Ended 31 December 2020

**GOING CONCERN**

The directors have updated their assessment of the business in light of the current Covid - 19 pandemic in order to identify the key risks over the medium term and determined that the financial stability continues to be good despite the challenging business environment.

Vale Europe has a tolling agreement with Vale Canada and under this agreement the operational expenses are reimbursed by Vale Canada along with an additional tolling fee. The only situation in which Vale Canada would not make a payment is if it declares force majeure. Therefore, the main risk to Vale Europe continuing as a Going Concern is the ability of Vale Canada to continue fulfilling the tolling agreement.

Vale Europe's cash flow needs are met through an intercompany loan relationship with Vale Canada. The current balance of which at 30th April 2021 is £224.7m providing more than enough liquidity to support the Vale Europe operations as needed. With the Vale group continuing to generate significant free cash flow during the pandemic the Directors judge the counterparty risk to not be significant at this time.

While there has been some inevitable slow down in demand from certain customer segments the underlying fundamentals of the Nickel market remain strong and the price of Nickel recovered from an initial decline to reach a 5 year high in early January 2021 of \$18,000. The Directors therefore believe the risk of a significant change in the production levels in Clydach are unlikely. 2020 production was on budget at 35,204 tonnes, with an increase to 39,800 tonnes in 2021 budgeted due to no shutdown planned.

In the first 2 months of 2021 production for Vale Europe has been higher than budget with good plant availability and yield levels. However the forecast for the year is currently below budget due to lower feed deliveries as a result of furnace maintenance at the Indonesian mine site. Vale is reviewing alternative supply options to mitigate this issue during Q2.

Global economic indicators have recovered quickly since the first wave of COVID-19 and while they have levelled off at the beginning of 2021 reflecting the uncertainty about the exit from lockdown measures they remain in expansionary levels. For the Nickel Market in particular there continues to be optimistic expectation of economic resurgence, demand on industrial raw materials including stainless steels are expected to increase significantly, the prices of oil, non-ferrous metals, steels, chemical materials etc. have been pushed higher and higher. Chinese stainless market saw further strong performance at the beginning of 2021 reaching 3 year highs.

Our near-term view for nickel improved, as we continue to see the market at surplus in 2021 albeit less than the surplus seen in 2020. COVID-19 has impacted demand, particularly in the high-value markets, such as aerospace, automotive and oil & gas sectors. However, positive signs have emerged such as strength in Chinese stainless-steel production and a rebound in automotive sales. The pandemic has sped up the green electrification of economies, which in turn has led to a significant increase in electric vehicle sales.

Taking all of the above factors into account, 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 these financial statements.

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Report of the Directors  
for the Year Ended 31 December 2020

**STREAMLINED ENERGY AND CARBON REPORTING**

**UK Energy Use and GHG Emissions**

The tables below detail the energy used by The Company in their business activities (excluding discontinued operations) involving the combustion of gas and fuels, the purchase of electricity and business mileage in both kWh and tCO<sub>2</sub>e. They also detail the total energy and emissions by scope and as a total.

Type of activity	Energy Used	Energy Unit	GHG Emission	GHG Emission unit
Natural Gas	220,348,778	kWh	40,516	t CO <sub>2</sub> e
Grid Electricity	35,443,659	kWh	8,263	t CO <sub>2</sub> e
Diesel	22,522	Litres	57	t CO <sub>2</sub> e
Fuel reimbursed	0	Miles	0	t CO <sub>2</sub> e
Scope	Energy Used	Energy Unit	GHG Emission	GHG Emission unit
Scope 1	220,587,136	kWh	40,573	t CO <sub>2</sub> e
Scope 2	35,443,659	kWh	8,263	t CO <sub>2</sub> e
Scope 3	0	kWh	0	t CO <sub>2</sub> e

**Intensity Ratio**

To convert absolute emissions to an emissions intensity metric, the Company has calculated emissions per a relevant unit of measure.

An Intensity ratio is a way of defining the Company's emissions data in relation to an appropriate business metric, such as tonnes of CO<sub>2</sub>e per sales revenue, or tonnes of CO<sub>2</sub>e per unit of production. This allows comparison of energy efficiency performance over time and with other similar types of organisations.

SECR Intensity ratios are calculated by dividing the Company's emissions by its organisation-specific metric. In the case of the Company the metric chosen to normalise its emissions is based on tonnes of Nickel produced.

2020 Tonnes of Nickel produced is 35,204,288

Intensity ratio 2020 is therefore 1.39 t CO<sub>2</sub>e/t Ni

**Energy efficiency actions taken during the year**

During this financial reporting period the company undertook a number of energy reduction projects including:  
LED lighting - the Company continues to replace old style fluorescent tubes with LED lights when renovating offices and/or replacing broken units.

Variable Speed Drives - the Company has begun a project to fit a Variable Speed Drive onto the hydrogen blowers in the Kiln Plant. This will reduce energy consumption in this area by being able to turn the speed of the motor down when the flow can be less.

Research and Development projects - the Company is working with Swansea university to demonstrate some new technologies in an industrial environment that will either provide uses for our waste CO<sub>2</sub> or provide zero carbon methods for producing the hydrogen needed in our production process.

**Methodology**

The data used in this report is gathered directly from utility invoices for scope 1 and 2, for scope 3 a review of pool car usage and private mileage claims on expense reports was completed.

The relevant conversion multipliers were taken from the UK Government website to convert the kWh values into t CO<sub>2</sub>e.

Yale Europe Limited (Registered number: 00137114)

Report of the Directors  
for the Year Ended 31 December 2020

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO INDEPENDENT AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 419 of the Companies Act 2006) of which the company's auditors are 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 auditors are aware of that information.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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, or 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.

**INDEPENDENT AUDITORS**

The independent auditors, PricewaterhouseCoopers LLP, Statutory Auditors, will be proposed for reappointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

B Tipping - Director



Date: 10 June 2021

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

**Report on the audit of the financial statements**

**Opinion**

In our opinion, Vale Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Financial Statements (the 'Annual Report'), which comprise: the Balance Sheet as at 31 December 2020; the Income Statement; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

**Independent Auditor's Report to the Members of  
Vale Europe Limited**

**Strategic report and Report of the Directors**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

**Responsibilities for the financial statements and the audit**

**Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to environmental protection, health and safety, other employment matters and UK tax and Company Law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent transactions designed to overstate profits in order to maintain or exceed the expectations of its parent company. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular those having unusual account combinations;
- Challenging management on key accounting estimates and audited these to supporting third party documentation where applicable;
- Obtaining third party confirmations of all the Company's banking and financing arrangements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of our report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

**Other required reporting**

**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility

*Stuart Couch*

Stuart Couch (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers, LLP  
Chartered Accountants and Statutory Auditors  
Cardiff

Date: 11 JUNE 2021

**Vale Europe Limited**

**Income Statement**  
**for the Year Ended 31 December 2020**

	Notes	2020 Continuing £'000	2020 Discontinued £'000	2020 Total £'000
<b>TURNOVER</b>	<b>4</b>	<b>52,065</b>	<b>22,643</b>	<b>74,708</b>
Cost of sales		<u>(37,953)</u>	<u>(1,058)</u>	<u>(39,011)</u>
<b>GROSS PROFIT</b>		<b>14,112</b>	<b>21,585</b>	<b>35,697</b>
Administrative expenses		<u>(224)</u>	<u>3,739</u>	<u>3,515</u>
<b>OPERATING PROFIT</b>		<b>13,888</b>	<b>25,324</b>	<b>39,212</b>
Interest receivable and similar income	6	2,572	-	2,572
Amounts written off investments				
Interest payable and similar expenses	7	(445)	(156)	(601)
Other finance costs	16	<u>(2,223)</u>	<u>-</u>	<u>(2,223)</u>
<b>PROFIT BEFORE TAXATION</b>	<b>8</b>	<b>13,792</b>	<b>25,168</b>	<b>38,960</b>
Tax on profit	9	<u>(1,785)</u>	<u>(4,782)</u>	<u>(6,567)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b><u>12,007</u></b>	<b><u>20,386</u></b>	<b><u>32,393</u></b>

The notes form part of these financial statements



**Vale Europe Limited**

**Income Statement**  
**for the Year Ended 31 December 2020**

	Notes	2019 Continuing £'000	2019 Discontinued £'000	2019 Total £'000
<b>TURNOVER</b>	4	57,675	1,812	59,487
Cost of sales		(53,440)	507	(52,933)
<b>GROSS PROFIT</b>		4,235	2,319	6,554
Distribution costs		(31)	-	(31)
Administrative expenses		(644)	51,388	50,744
<b>OPERATING PROFIT</b>		3,560	53,707	57,267
Interest receivable and similar income	6	3,514	-	3,514
Amounts written off investments		-	-	-
Interest payable and similar expenses	7	(1,332)	-	(1,332)
<b>PROFIT BEFORE TAXATION</b>	8	5,742	53,707	59,449
Tax on profit	9	(1,304)	(6,851)	(8,155)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		4,438	46,856	51,294

The notes form part of these financial statements

Vale Europe Limited

Statement of Comprehensive Income  
for the Year Ended 31 December 2020

	2020 £'000	2019 £'000
<b>PROFIT FOR THE YEAR</b>	<b>32,393</b>	<b>51,294</b>
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME</b>		
Actuarial (loss)/gain on pension scheme	(8,996)	5,690
Deferred tax movement relating to other comprehensive Income	<u>2,677</u>	<u>(314)</u>
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<b>(6,319)</b>	<b>5,376</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>26,074</u></b>	<b><u>56,670</u></b>

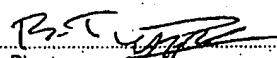
The notes form part of these financial statements

Vale Europe Limited (Registered number: 00137114)

Balance Sheet  
31 December 2020

	Notes	2020 £'000	£'000	2019 £'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	10		42,240		36,573
Investments	11		215		215
			42,455		36,788
<b>CURRENT ASSETS</b>					
Stocks	12	2,977		2,861	
Debtors	13	225,200		234,066	
Cash at bank		14,178		4,821	
		242,355		241,748	
<b>CREDITORS</b>					
Amounts falling due within one year	14	(13,842)		(23,279)	
<b>NET CURRENT ASSETS</b>			228,513		218,469
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			270,988		255,257
<b>PROVISIONS FOR LIABILITIES</b>	16		(131,176)		(145,157)
<b>ACCRUALS AND DEFERRED INCOME</b>	17		(2,761)		(1,635)
<b>PENSION LIABILITY</b>	19		(8,540)		(6,048)
<b>NET ASSETS</b>			128,491		102,417
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		35,500		35,500
Share premium			32,393		32,393
Retained earnings			60,598		34,524
<b>TOTAL SHAREHOLDERS' FUNDS</b>			128,491		102,417

The financial statements on pages 14 to 32 were approved by the Board of Directors and authorised for issue on 10 June 2021 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 2020**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
<b>Balance at 1 January 2019</b>	35,500	(22,146)	32,393	45,747
<b>Changes in equity</b>				
Profit for the financial year	-	51,294	-	51,294
Other comprehensive income	-	5,376	-	5,376
<b>Balance at 31 December 2019</b>	<b>35,500</b>	<b>34,524</b>	<b>32,393</b>	<b>102,417</b>
<b>Changes in equity</b>				
Profit for the financial year	-	32,393	-	32,393
Other comprehensive expense	-	(6,319)	-	(6,319)
<b>Balance at 31 December 2020</b>	<b>35,500</b>	<b>60,598</b>	<b>32,393</b>	<b>128,491</b>

The notes form part of these financial statements

Vale Europe Limited

Notes to the Financial Statements  
for the Year Ended 31 December 2020

1. **STATUTORY INFORMATION**

Vale Europe Limited is a private company, limited by shares and is incorporated in the United Kingdom. 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 income from tolling arrangements relating to intergroup metal processing and is recognised on a agreed annual recharge plus reimbursements of costs. The current year also includes sales of precious metals in relation to the discontinued operation and they are recognised on receipt.

**Fixed assets**

The cost of fixed assets is their purchase cost, together with any incidental cost of acquisition. Land and buildings cost include 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:

Freehold property - 2.5 - 10%  
Plant and machinery - 4 - 20%  
Fixtures and fittings - 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.

Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

3. **ACCOUNTING POLICIES - continued**

**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 and are assigned to individual items of stock on the basis of weighted average costs method. At the end of the reporting period, net realisable value of stocks are assessed and a provision for losses on obsolete or slow-moving stock may be recognised.

**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.

**Deferred 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.

**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.

## 3. ACCOUNTING POLICIES - continued

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 directors have updated their assessment of the business in light of the current Covid - 19 pandemic in order to identify the key risks over the medium term and determined that the financial stability continues to be good despite the challenging business environment.

Vale Europe has a tolling agreement with Vale Canada and under this agreement the operational expenses are reimbursed by Vale Canada along with an additional tolling fee. The only situation in which Vale Canada would not make a payment is if it declares force majeure. Therefore, the main risk to Vale Europe continuing as a Going Concern is the ability of Vale Canada to continue fulfilling the tolling agreement.

Vale Europe's cash flow needs are met through an intercompany loan relationship with Vale Canada. The current balance of which at 30th April 2021 is £224.7m providing more than enough liquidity to support the Vale Europe operations. The loan is secured by a general charge over the assets of Vale Canada. A significant free cash flow during the pandemic has reduced the counterparty risk to not be significant at this time.

While there has been some inevitable slowdown in demand from certain customer segments the underlying fundamentals of the Nickel market remain strong and the price of Nickel recovered from an initial decline to reach a 5 year high in early January 2021 of \$18,000. The Directors therefore believe the risk of a significant change in the production levels in Gerdach are unlikely. 2020 production was on budget at 35,204 tonnes, with an increase to 39,800 tonnes in 2021 budgeted due to no shutdown planned.

In the first 2 months of 2021, production for Vale Europe has been higher than budget with good plant availability and yield levels. However, the forecast for the year is currently below budget due to lower feed deliveries as a result of furnace maintenance at the Indonesian mine site. Vale is reviewing alternative supply options to mitigate this issue during Q2.

Global economic indicators have recovered quickly since the first wave of COVID-19 and while they have levelled off at the beginning of 2021 reflecting the uncertainty about the exit from lockdown measures they remain in expansionary levels. For the Nickel Market in particular there continues to be optimistic expectation of economic resurgence, demand on industrial raw materials including stainless steels are expected to increase significantly, the prices of oil, non-ferrous metals, steels, chemical materials etc. have been pushed higher and higher. Chinese stainless market saw further strong performance at the beginning of 2021 reaching 3 year highs.

Our near-term view for nickel improved, as we continue to see the market at surplus in 2021 albeit less than the surplus seen in 2020. COVID-19 has impacted demand, particularly in the high-value markets, such as aerospace, automotive and oil & gas sectors. However, positive signs have emerged such as strength in Chinese stainless-steel production and a rebound in automotive sales. The pandemic has sped up the green electrification of economies, which in turn has led to a significant increase in electric vehicle sales.

Taking all of the above factors into account, 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 these financial statements.

3. ACCOUNTING POLICIES – continued

Basic financial instruments

1. Trade and other receivables / creditors  
Trade and other receivables 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.

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 are included in the cost of the asset, which is then assessed for impairment.

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 coordinated 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.

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.  
Decommissioning and closure provision - this has been based on a decommissioning plan prepared by external experts every 5 years. In addition, the timing of the cash flows and discount rates used to establish the net present value of the obligations require management's judgement, for more details see note 16.  
Defined benefit pension obligation - this has been based on advice from a specialist third party actuary. Further sensitivity analysis is shown in Note 19.



Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

4. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

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

	2020 £'000	2019 £'000
Nickel, platinum group metals - continuing	52,065	57,675
- discontinued	22,643	1,812
	<u>74,708</u>	<u>59,487</u>

An analysis of turnover by geographical market is given below:

	2020 £'000	2019 £'000
Europe	22,643	2,159
Americas	52,065	57,328
	<u>74,708</u>	<u>59,487</u>

5. **EMPLOYEES AND DIRECTORS**

	2020 £'000	2019 £'000
Wages and salaries	12,595	10,908
Social security costs	1,484	1,331
Other pension costs	2,889	2,686
	<u>16,968</u>	<u>14,925</u>

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

	2020 No	2019 No
Nickel, platinum group metals	<u>218</u>	<u>221</u>

	2020 £	2019 £
Directors' remuneration	355,308	213,728
Directors' pension contributions to money purchase schemes	<u>16,641</u>	<u>-</u>

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

	2020 No	2019 No
Money purchase schemes	2	2
Defined benefit schemes	<u>1</u>	<u>-</u>

Information regarding the highest paid director is as follows:

	2020 £	2019 £
Emoluments etc	196,360	140,404
Pension contributions to money purchase schemes	<u>11,079</u>	<u>-</u>

Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2020	2019
	£'000	£'000
Interest receivable from group undertakings	2,556	3,431
Interest receivable from third parties	16	83
	<u>2,572</u>	<u>3,514</u>

**7. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2020	2019
	£'000	£'000
Interest on pension scheme liabilities	3,898	5,087
Expected return on pension scheme assets	<u>(3,387)</u>	<u>(4,295)</u>
Net interest expense on net defined benefit pension liability ( note 18 )	511	792
Other charges	20	351
Interest paid to group undertakings	<u>70</u>	<u>189</u>
	<u>601</u>	<u>1,332</u>

**8. PROFIT BEFORE TAXATION**

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

	2020	2019
	£'000	£'000
Depreciation (owned assets)	2,590	2,261
Hire of plant and machinery - operating leases	491	474
Foreign exchange (gain)/loss on operating activities	(20)	344
Profit on disposal of fixed assets: profit on sale of Acton	-	(66,989)
Costs associated with decommissioning - continuing	2,182	9,147
- discontinued	<u>(6,055)</u>	<u>16,062</u>
Auditors' remuneration:		
Audit of these financial Statements	84	80
Audit of UK Pension Scheme	<u>16</u>	<u>16</u>

**9. TAX ON PROFIT**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax	5,891	6,850
Adjustment in respect of prior period	<u>(2,599)</u>	<u>(99)</u>
Total current tax	3,292	6,751
Deferred tax	<u>3,275</u>	<u>1,404</u>
Tax on profit	<u>6,567</u>	<u>8,155</u>

UK corporation tax was charged at 19% in 2019.

**Vale Europe Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2020**

**9. TAX ON PROFIT (Cont.)**

**Reconciliation of total tax charge 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:

	2020 £'000	2019 £'000
Profit before tax	<u>38,960</u>	<u>59,449</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	7,402	11,295
Effects of:		
Expenses not deductible for tax purposes	(1,511)	(607)
Utilisation of tax losses	-	(3,984)
Adjustments to tax charge in respect of previous periods	(2,599)	(99)
Tax on losses carried forward	-	146
Adjustment for deferred tax	<u>3,275</u>	<u>1,404</u>
Total tax charge	<u>6,567</u>	<u>8,155</u>

	2020 £'000	2019 £'000
Profit before tax	<u>38,960</u>	<u>59,449</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	7,402	11,295
Effects of:		
Expenses not deductible for tax purposes	(1,511)	(607)
Utilisation of tax losses	-	(3,984)
Adjustments to tax charge in respect of previous periods	(2,599)	(99)
Tax on losses carried forward	-	146
Adjustment for deferred tax	<u>3,275</u>	<u>1,404</u>
Total tax charge	<u>6,567</u>	<u>8,155</u>

**Tax effects relating to effects of other comprehensive income**

	2020 Gross £'000	2020 Tax £'000	2020 Net £'000
Actuarial loss on pension scheme	<u>(8,996)</u>	<u>2,677</u>	<u>(6,319)</u>
	2019 Gross £'000	2019 Tax £'000	2019 Net £'000
Actuarial gain on pension scheme	<u>5,690</u>	<u>(314)</u>	<u>5,376</u>

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

Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

10. TANGIBLE ASSETS

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets in course of construction £'000	Totals £'000
<b>COST</b>					
At 1 January 2020	35,465	73,334	5,857	557	115,213
Additions	294			10,493	10,787
Disposals	(29)	(4,396)	(144)	-	(4,569)
Reclassification/transfer	628	422	32	(1,082)	-
At 31 December 2020	<u>36,358</u>	<u>69,360</u>	<u>5,745</u>	<u>9,968</u>	<u>121,431</u>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2020	26,256	49,432	2,952	-	78,640
Charge for year	596	1,593	401	-	2,590
Eliminated on disposal	(29)	(1,892)	(118)	-	(2,039)
At 31 December 2020	<u>26,823</u>	<u>49,133</u>	<u>3,235</u>	<u>-</u>	<u>79,191</u>
<b>NET BOOK VALUE</b>					
At 31 December 2020	<u>9,535</u>	<u>20,227</u>	<u>2,510</u>	<u>9,968</u>	<u>42,240</u>
At 31 December 2019	<u>9,209</u>	<u>23,902</u>	<u>2,905</u>	<u>557</u>	<u>36,573</u>

11. INVESTMENTS

Investment in subsidiary undertakings:

	Subsidiary undertaking £'000
Cost and net book value at 31 December 2019 and 31 December 2020	<u>215</u>

At 31 December 2020 the company's investment in subsidiary undertakings comprised the following:

	Country of incorporation	Business activity	Ordinary Shares %	Net liabilities at 31 December 2020 £'000	Loss year to 31 December 2020 £'000
Vale Taiwan Ltd	Taiwan	Nickel Refining	100	(2,887)	(350)

In the opinion of the directors, the investment in Vale Taiwan Limited is not worth less than its carrying value in the financial statements.  
Address: No 40, Xingye Rd., Kaohsiung City, 83162, Taiwan

Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

12. STOCKS

	2020	2019
	£'000	£'000
Stocks	<u>2,977</u>	<u>2,861</u>

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

13. DEBTORS

	2020	2019
	£'000	£'000
Trade debtors	44	44
Amounts owed by group undertakings	224,346	221,408
Other debtors	810	5
Deferred tax asset	-	70
VAT	-	12,539
	<u>225,200</u>	<u>234,066</u>

Amounts owed by group undertakings includes loans made to Vale Canada Limited of £216m (2019: £209m). The loans are considered short term, repayable on demand and accrue interest of 1% above base rate annually.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Trade creditors	5,318	2,102
Corporation Tax Creditor	1,847	1,738
Deferred Tax	528	-
Other taxation and social security	-	635
VAT	459	-
Other creditors	5,368	6,548
Amounts owed to group undertakings	178	12,114
Deferred government grants	<u>144</u>	<u>144</u>
	<u>13,842</u>	<u>23,279</u>

**Vale Europe Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020**

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Cont.)**

The elements of deferred tax liability (2019 Asset) are as follows:

	2020 £'000	2019 £'000
Difference between accumulated depreciation and amortisation and capital allowances	2,407	1,215
Other timing differences	(257)	(257)
Deferred tax on pension liability	(1,622)	(1,028)
Deferred tax liability/ (asset)	<u>528</u>	<u>(70)</u>

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

	Deferred tax on pension liability £'000
At 1 January 2020	(1,028)
Credit to the profit and loss account during the year	2,083
Charged to the other comprehensive statement	<u>(2,677)</u>
At 31 December 2020	<u>(1,622)</u>

**15. LEASING AGREEMENTS**

At 31 December 2020 the company has non-cancellable, operating lease commitments payable as follows:

	2020 £'000	2019 £'000
Within one year	314	309
Within two to five years	774	961
After five years	<u>117</u>	<u>211</u>
	<u>1,205</u>	<u>1,481</u>

Further capital expenditure not provided in financial statements:

	2020 £'000	2019 £'000
Contracts placed	<u>12,631</u>	<u>7,656</u>

Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

**16. PROVISIONS FOR LIABILITIES**

	Decommissioning and closure £'000	Holiday Pay £'000	Total £'000
At 1 January 2020	145,012	145	145,157
Additions during the year	513	76	589
Finance costs unwind	2,223	-	2,223
Utilised during the year	(10,738)	-	(10,738)
Remeasurements	(6,055)	-	(6,055)
At 31 December 2020	<u>130,955</u>	<u>221</u>	<u>131,176</u>

**Decommissioning and closure**

This provision relates to the environmental clean-up and decommissioning costs that the Company will incur upon closure of both the Acton and Clydach Site. The Acton site ceased production in 2018 and was sold to a third party in 2019. As part of the sale agreement, the Company is required to remediate the site by 30 June 2021. A provision of £2.5m is included within the decommissioning costs, reflecting the anticipated remaining clean-up costs to be incurred in 2021. If this timeframe is met, the Company will also recognise an additional £3.0m in sale proceeds in FY21.

The remaining decommissioning and closure provision of £128.4m relates to the Company's Clydach site, which is expected to close production in 2040 and is based on the Life of Mine plan created by Vale Canada Limited. The provision reflects the cost of returning the site to a condition so that it can be used for industrial usage. The plan includes demolishing most of the onsite buildings and remediating the land to a standard agreed with Natural Resources Wales with all significant cash flows outflows due in 2040. The discount rate used in discounting the Clydach provision to its present value is 0%, reflecting a risk-free rate that matches the expected timing of the cash flows.

The Clydach provision is based on a decommissioning plan prepared with the assistance of third-party engineers. The plan reflects the work required to remediate the site in its current state. The techniques used to remediate, and the condition of the site may be significantly different in 2040. However, there are no anticipated significant changes in estimate anticipated within the next 12 months. If the discount rate used on the site were to change by +/- 0.5%, this would give rise to a change in the provision of - / + £913k.

**Holiday Pay**

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. ACCRUALS AND DEFERRED INCOME**

	2020 £'000	2019 £'000
Deferred government grants	<u>2,761</u>	<u>1,635</u>

**18. CALLED UP SHARE CAPITAL**

Number:	Class:	Nominal value:	2020 £'000	2019 £'000
71,000,000 (2019: 71,000,000)	Ordinary	50p	<u>35,500</u>	<u>35,500</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

**19. 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 2018. The valuation was completed and submitted to the regulator on 31 March 2020.

	2020 £'000	2019 £'000
Present value of funded defined benefits obligations	214,514	188,892
Fair value of plan assets	<u>(205,974)</u>	<u>(182,844)</u>
Deficit	<u>8,540</u>	<u>6,048</u>
Movement in present value of defined benefit obligation	2020 £'000	2019 £'000
At 1 January	188,892	178,025
Service cost	2,535	2,406
Interest cost	3,898	5,087
Actuarial losses and (gains)	29,365	11,025
Curtailment Gain	(1,029)	-
Benefits paid	<u>(9,147)</u>	<u>(7,651)</u>
At 31 December	<u>214,514</u>	<u>188,892</u>
Movement in fair value of plan assets	2020 £'000	2019 £'000
At 1 January	182,844	161,026
Expected return on plan assets	3,387	4,295
Actuarial gain / (losses)	20,369	16,715
Contributions by employer	8,521	8,459
Benefits paid	<u>(9,147)</u>	<u>(7,651)</u>
At 31 December	<u>205,974</u>	<u>182,844</u>
Expense recognised in the profit and loss account	2020 £'000	2019 £'000
Current service cost	2,535	2,406
Net interest on defined benefit liability	511	792
Curtailment Gain	<u>(1,029)</u>	<u>-</u>
Total	<u>2,017</u>	<u>3,198</u>



Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

19. EMPLOYEE BENEFIT OBLIGATIONS (Cont.)

The total amount recognised in the other comprehensive income statement in respect of actuarial gains and losses is £8,996,000 loss (2019: £5,690,000 gain).

Cumulative actuarial losses reported in the other comprehensive income statement are £108,690,000 (2019: £99,694,000).

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

	2020	2019
Equities	44.0%	44.0%
Fixed interest gilts	10.4%	10.4%
Index-Linked gilts	18.3%	17.5%
Corporate bonds	27.3%	28.1%
	<u>100%</u>	<u>100%</u>
Actual return on scheme assets	<u>23.756</u>	<u>21.010</u>

Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	2020	2019
Discount Rate	1.35%	2.10%
Interest on assets	1.35%	2.10%
Inflation (RPI)	3.15%	3.15%
Inflation (CPI)	2.35%	2.25%
Rate of increase of salaries	3.90%	3.90%
Rate of increase of pensions in payment:		
Fixed	0.00%	0.00%
RPI (Max 5%)	3.05%	3.05%
RPI (Max 2.5%)	2.20%	2.20%

Pre-retirement mortality	S2 PA YOB, CMI 2019 Rate of improvement of 1.25% pa for males and 1% pa for females	S2 PA YOB, CMI 2018 Rate of improvement of 1.25% pa for males and 1% pa for females
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Post retirement mortality	S2 PA YOB, CMI 2019 rate of improvement of 1.25% pa for males and 1% pa for females	S2 PA YOB, CMI 2018 rate of improvement of 1.25% pa for males and 1% pa for females
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Withdrawals	Scheme scale	Scheme scale
Cash Commutation	Members are assumed to commute pension benefits at retirement for cash lump sums equal to 75% of the maximum permitted	Members are assumed to commute pension benefits at retirement for cash lump sums equal to 75% of the maximum permitted

Sensitivity Analysis

The following table shows the sensitivity of the defined benefit obligation in respect of the Scheme, as set out in the report on the FRS 102 accounting disclosures as at 31 December 2020 dated 25 January 2021, to changes in the discount rate, inflation, salary increase and life expectancy assumptions. In each sensitivity scenario, only the specified assumptions have been changed and all other assumptions remain unchanged.

Vale Europe Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2020

		Decrease	Increase RPI and	Increase rate of	Increase life
	2020	discount rate by	CPI inflation and	salary increase by	expectancy
Sensitivity	FRS 102	0.1% pa	all related	0.1% pa	by 1 year
Present value of			assumptions by		
funded obligations			0.1% pa		
(£000)	214,514	218,815	217,222	215,583	224,697

**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 £277,686 (2019: £244,037).

**20. 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 2020. 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. address - 200 Bay Street, Royal Bank Plaza, Suite 1500, South Tower, P.O. Box 70 Toronto, Ontario M5J 2K2 Canada