# Nyrstar Consolidated Financial Statements

## For the year ended

31 December 2011

# Consolidated income statement

| EUR million | Note | 2011 | 2010 |
|---|---|---|---|
| Revenue | 7,21 | 3,347.6 | 2,696.1 |
| Raw materials used | | (2,000.6) | (1,727.6) |
| Freight expense | | (60.8) | (43.1) |
| **Gross profit** | | **1,286.2** | **925.4** |
| Other income | | 13.7 | 9.1 |
| Employee benefits expense | 10 | (339.3) | (262.2) |
| Energy expenses | | (303.6) | (269.1) |
| Stores and consumables used | | (152.1) | (103.1) |
| Contracting and consulting expense | | (145.8) | (82.9) |
| Other expense | 13 | (91.9) | (23.1) |
| Depreciation, amortisation and depletion | 14,15,18 | (145.2) | (81.7) |
| **Result from operating activities before exceptional items** | 3(z) | **122.0** | **112.4** |
| M&A related transaction expense | 9 | (14.6) | (2.8) |
| Restructuring expense | | (9.0) | (10.5) |
| Impairment loss | 14 | - | (0.9) |
| **Result from operating activities** | | **98.4** | **98.2** |
| Finance income | 11 | 5.2 | 0.8 |
| Finance expense | 11 | (66.3) | (37.6) |
| Net foreign exchange gain | 11 | 5.6 | 24.3 |
| **Net finance expense** | | **(55.5)** | **(12.5)** |
| Share of profit of equity accounted investees | 16 | 1.3 | 3.1 |
| **Profit before income tax** | | **44.2** | **88.8** |
| Income tax expense | 12 | (8.1) | (16.6) |
| **Profit for the period** | | **36.1** | **72.2** |
| | | | |
| Attributable to: | | | |
| Equity holders of the parent | | 36.0 | 72.2 |
| Non-controlling interest | | 0.1 | - |
| Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in EUR per share) | | | |
| basic | 32 | 0.24 | 0.62 |
| diluted | 32 | 0.24 | 0.60 |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

| EUR million | Note | 2011 | 2010 |
|---|---|---|---|
| Profit for the period | | 36.1 | 72.2 |
| | | | |
| Foreign currency translation differences | 25 | 30.8 | 29.4 |
| Defined benefit plans - actuarial gain / (loss) | 28 | (8.5) | (0.1) |
| Effective portion of changes in fair value of cashflow hedges | 20 | 18.0 | (16.0) |
| Change in fair value of investments in equity securities | 17 | (2.1) | 2.7 |
| Income tax on income and expenses recognised directly in other comprehensive income | 12 | (2.8) | 5.1 |
| **Other comprehensive income for the period, net of tax** | | **35.4** | **21.1** |
| | | | |
| **Total comprehensive income for the period** | | **71.5** | **93.3** |
| Attributable to: | | | |
| Equity holders of the parent | | 71.4 | 93.3 |
| Non-controlling interest | | 0.1 | - |
| **Total comprehensive income for the period** | | **71.5** | **93.3** |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated statement of financial position

| EUR million | Note | Dec 31, 2011 | Dec 31, 2010 (a) |
|---|---|---|---|
| Property, plant and equipment | 14 | 1,716.7 | 759.2 |
| Intangible assets | 15 | 166.4 | 18.7 |
| Investments in equity accounted investees | 16 | 47.9 | 50.9 |
| Investments in equity securities | 17 | 32.1 | 9.8 |
| Zinc purchase interest | 18 | 249.2 | 247.3 |
| Deferred income tax assets | 19 | 56.1 | 13.5 |
| Other financial assets | 20 | 41.4 | 23.7 |
| Other assets | 22 | 0.1 | - |
| **Total non-current assets** | | **2,309.9** | **1,123.1** |
| | | | |
| Inventories | 21 | 569.9 | 556.6 |
| Trade and other receivables | 23 | 313.9 | 209.6 |
| Prepayments | | 22.8 | 9.5 |
| Current income tax assets | | 4.6 | 7.2 |
| Other assets | 22 | 15.3 | - |
| Other financial assets | 20 | 52.3 | 36.8 |
| Cash and cash equivalents | 24 | 177.4 | 160.6 |
| **Total current assets** | | **1,156.2** | **980.3** |
| **Total assets** | | **3,466.1** | **2,103.4** |
| | | | |
| Share capital and share premium | 25 | 1,704.1 | 1,255.4 |
| Reserves | 25 | (184.9) | (258.3) |
| Accumulated losses | | (204.8) | (169.0) |
| **Total equity attributable to equity holders of the parent** | | **1,314.4** | **828.1** |
| Non-controlling interest | | 4.3 | 4.2 |
| **Total equity** | | **1,318.7** | **832.3** |
| | | | |
| Loans and borrowings | 26 | 864.4 | 443.4 |
| Deferred income tax liabilities | 19 | 225.9 | 54.0 |
| Provisions | 27 | 176.6 | 115.3 |
| Employee benefits | 28 | 75.1 | 52.2 |
| Other financial liabilities | 20 | 0.1 | - |
| Other liabilities | 22 | 47.4 | 12.1 |
| **Total non-current liabilities** | | **1,389.5** | **677.0** |
| | | | |
| Trade and other payables | 29 | 416.4 | 314.0 |
| Current income tax liabilities | | 40.0 | 13.9 |
| Loans and borrowings | 26 | 31.3 | 13.4 |
| Provisions | 27 | 32.1 | 43.3 |
| Employee benefits | 28 | 52.2 | 44.7 |
| Other financial liabilities | 20 | 38.6 | 30.2 |
| Deferred income | 30 | 127.4 | 107.0 |
| Other liabilities | 22 | 19.9 | 27.6 |
| **Total current liabilities** | | **757.9** | **594.1** |

## Consolidated statement of financial position

| | | |
|---|---|---|
| **Total liabilities** | **2,147.4** | **1,271.1** |
| **Total equity and liabilities** | **3,466.1** | **2,103.4** |

(a) adjusted for revisions to the provisional accounting for the acquisition of the Contonga and Pucarrajo mines (note 8).

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

| EUR million | Note | Share capital | Share premium | Reserves | Accumulated losses | Total amount attributable to shareholders | Non-controlling interest | **Total equity** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2011** | | **1,176.9** | **78.5** | **(258.3)** | **(169.0)** | **828.1** | **4.2** | **832.3** |
| Profit | | - | - | - | 36.0 | 36.0 | 0.1 | **36.1** |
| Other comprehensive income | 25 | - | - | 41.2 | (5.8) | 35.4 | - | **35.4** |
| Capital increase | 25 | 1,043.6 | (569.5) | - | - | 474.1 | - | **474.1** |
| Change in par value | 25 | (843.1) | 843.1 | 46.7 | (46.7) | - | - | **-** |
| Treasury shares | 25 | - | - | (14.5) | (24.8) | (39.3) | - | **(39.3)** |
| Convertible bond | | 0.1 | - | - | - | 0.1 | - | **0.1** |
| Distribution to shareholders (capital decrease) | 25 | (25.5) | - | - | - | (25.5) | - | **(25.5)** |
| Share-based payments | | - | - | - | 5.5 | 5.5 | - | **5.5** |
| **Balance at 31 December 2011** | | **1,352.0** | **352.1** | **(184.9)** | **(204.8)** | **1,314.4** | **4.3** | **1,318.7** |

| EUR million | Note | Share capital | Share premium | Reserves | Accumulated losses | Total amount attributable to shareholders | Non-controlling interest | **Total equity** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2010** | | **1,176.9** | **78.5** | **(230.0)** | **(252.0)** | **773.4** | **5.3** | **778.7** |
| Profit | | - | - | - | 72.2 | 72.2 | - | **72.2** |
| Other comprehensive income | 25 | - | - | 21.2 | (0.1) | 21.1 | - | **21.1** |
| Treasury shares | 25 | - | - | (49.5) | 20.2 | (29.3) | - | **(29.3)** |
| Net movement in non-controlling interests as result of acquisition / disposal of subsidiaries | | - | - | - | (2.7) | (2.7) | (1.1) | **(3.8)** |
| Dividends | 25 | - | - | - | (10.0) | (10.0) | - | **(10.0)** |
| Share-based payments | | - | - | - | 3.4 | 3.4 | - | **3.4** |
| **Balance at 31 December 2010** | | **1,176.9** | **78.5** | **(258.3)** | **(169.0)** | **828.1** | **4.2** | **832.3** |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

| EUR million | Note | 2011 | 2010 |
|---|---|---|---|
| Profit for the period | | 36.1 | 72.2 |
| **Adjustment to:** | | | |
| Depreciation, amortisation, depletion expense | 14,15,18 | 145.2 | 81.7 |
| Income tax expense | 12 | 8.1 | 16.6 |
| Net finance expense | 11 | 55.5 | 12.5 |
| Share of profit in equity accounted investees | 16 | (1.3) | (3.1) |
| Impairment / (reversal of impairment) | 14 | - | 0.9 |
| Equity settled share based payment transactions | | 5.5 | 3.4 |
| Other non-monetary items | | (8.3) | (3.8) |
| Gain on sale of property, plant and equipment | | (3.5) | (3.2) |
| **Total adjustments:** | | **237.3** | **177.2** |
| | | | |
| Change in inventories | | 31.6 | (51.3) |
| Change in trade and other receivables | | (69.9) | (30.6) |
| Change in prepayments | | (10.1) | (5.1) |
| Change in other financial assets and liabilities | | (10.5) | 47.0 |
| Change in trade and other payables and deferred income | | 59.3 | 135.1 |
| Change in other assets and liabilities | | (65.7) | (11.7) |
| Change in provisions and employee benefits | | (43.0) | (24.8) |
| Current income tax paid | | (7.8) | (4.2) |
| **Cash flow from operating activities** | | **121.2** | **231.6** |
| | | | |
| Acquisition of property, plant and equipment | 14 | (215.8) | (145.3) |
| Acquisition of intangible assets | 15 | (12.9) | (1.7) |
| Proceeds from sale of property, plant and equipment | | 5.4 | 7.7 |
| Acquisition of zinc purchase interest | 18 | - | (242.6) |
| Acquisition of subsidiary net of cash acquired | 8 | (670.0) | (29.5) |
| Acquisition of investment in equity securities | 17 | (7.6) | (5.7) |
| Acquisition of investment in equity accounted investees | 16 | - | (10.5) |
| Distribution from associates | 16 | 4.9 | - |
| Interest received | | 5.3 | 0.8 |
| **Cash flow from investing activities** | | **(890.7)** | **(426.8)** |
| | | | |
| Capital increase | 25 | 474.1 | - |
| Repurchase of own shares | 25 | (44.5) | (29.3) |
| Proceeds from borrowings | | 1,057.5 | 994.0 |
| Repayment of borrowings | | (648.6) | (663.3) |
| Interest paid | | (38.6) | (21.1) |
| Distribution to shareholders | 25 | (24.7) | (10.0) |
| **Cash flow from financing activities** | | **775.2** | **270.3** |
| | | | |
| **Net increase in cash held** | | **5.7** | **75.1** |
| Cash at beginning of reporting period | 24 | 160.6 | 84.0 |
| Exchange fluctuations | | 11.1 | 1.5 |
| **Cash at end of reporting period** | 24 | **177.4** | **160.6** |

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

# Notes to the consolidated financial statements

## 1 Reporting entity

Nyrstar NV (the "Company") is an integrated mining and metals business, with market leading positions in zinc and lead, and growing positions in other base and precious metals. Nyrstar has mining, smelting, and other operations located in Europe, Australia, China, Canada, the United States and Latin America. Nyrstar is incorporated and domiciled in Belgium and has its corporate office in Switzerland. The address of the Company's registered office is Zinkstraat 1, 2490 Balen, Nyrstar is listed on NYSE Euronext Brussels under the symbol NYR. For further information please visit the Nyrstar website, www.nyrstar.com

The consolidated financial statements of the Company as at and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as "Nyrstar" or the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The consolidated financial statements were authorised for issue by the Board of Directors of Nyrstar NV on 22 February 2012.

## 2 Basis of preparation

### (a) Statement of compliance

The consolidated financial statements of Nyrstar are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These include International Financial Reporting Standards (IFRS) and the related interpretations issued by the International Accounting Standards Board (IASB), the Standard Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), effective at the reporting date and adopted by the European Union. The consolidated financial statements have been prepared on a going concern basis.

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following items measured at fair value:

- Derivative financial instruments;
- Financial instruments at fair value through profit or loss;
- Available-for-sale financial assets; and
- Assets and liabilities acquired in business combinations.

### (c) Reporting period

Consistently with the previous accounting year 2010, the Group's consolidated financial statements have been prepared for the 2011 calendar year with a balance sheet date of the 31 December 2011.

### (d) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional' currency). The consolidated financial statements are presented in EUR which is the Company's functional and presentation currency. All financial information has been rounded to the nearest hundred thousand EUR.

### (e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying Nyrstar's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Critical accounting estimates and judgements are disclosed in note 4.

**(f) Standards, amendments and interpretations**

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the group.

The following new standards, amendments of standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- IAS 19 (amendment) *Employee benefits.*
- IFRS 9 *Financial instruments: classification, measurement and recognition of financial assets and liabilities.*
- IFRS 10 *Consolidated Financial Statements.*
- IFRS 12 *Disclosures of interests in other entities.*
- IFRS 13 *Fair Value Measurement.*

The group is yet to assess the full impact of the above listed new standards and amendment to an existing standard and whether it will early adopt this.

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities.

**(a) Basis of consolidation**

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that the control ceases.

The purchase method of accounting is used to account for subsidiaries in these consolidated financial statements. The assets, liabilities and contingent liabilities of the acquired entity are measured at their fair values at the date of acquisition. Provisional fair values allocated at a reporting date are finalised within twelve months of the acquisition date. The cost of acquisition is measured as the fair value of assets given up, shares issued or liabilities undertaken at the date of acquisition. Acquisition-related costs are expensed in the period in which the costs are incurred and the services received.

The excess of the cost of acquisition over Nyrstar’s share of the fair value of the net assets of the entity acquired is recorded as goodwill. If Nyrstar’s share in the fair value of the net assets exceeds the cost of acquisition, the excess is recognised immediately in the income statement.

Investments in associates and jointly controlled entities

Associates are those entities in which the Group has significant influence but not control over the financial and operational policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recorded at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Non-controlling interests

Non-controlling interests (NCI) in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. NCI consist of the amount of those interests at the date of the original business combination (see below) and the NCI's share of changes in equity since the date of the combination.

Transactions eliminated on consolidation

The consolidated financial statements include the consolidated financial information of the Nyrstar Group entities. All intercompany balances and transactions with consolidated businesses have been eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. The Group accounts for the elimination of the unrealised profits resulting from intercompany transactions between the mining and smelting businesses. These transactions relate to the sales from the mining to the smelting segment which have not been realised externally.

**(b) Foreign currency**

Foreign currency transactions

Foreign currency transactions are recognised during the period in the functional currency of each entity at exchange rates prevailing at the date of transaction. The date of a transaction is the date at which the transaction first qualifies for recognition. For practical reasons a rate that approximates the actual rate at the date of the transaction is used at some Group entities, for example, an average rate for the week or the month in which the transactions occur.

Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate at the balance sheet date.

Gains and losses resulting from the settlement of foreign currency transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Foreign operations

The income statement and statement of financial position of each Nyrstar operation that has a functional currency different to EUR is translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rate at the end of the financial period;
- Income and expenses are translated at rates approximating the exchange rates ruling at the dates of the transactions; and

- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of the net investment in foreign operations are released into the income statement upon disposal.

**(c) Financial instruments**

Commodity hedging, via the use of metal futures, is undertaken to reduce the Group's exposure to fluctuations in commodity prices in relation to its unrecognised firm commitments arising from fixed price forward sales contracts.

Derivatives are initially recognised at their fair value on the date the derivative contract is entered into. The method of recognising the changes in fair value subsequent to initial recognition is dependent upon whether the derivative is designated as a hedging instrument, the nature of the underlying item being hedged and whether the arrangement qualifies for hedge accounting.

Hedge accounting requires the relationship between the hedging instrument and the underlying hedged item, as well as the risk management objective and strategy for undertaking the hedging transaction to be documented at the inception of the hedge. Furthermore, throughout the life of the hedge, the derivative is tested (with results documented) to determine if the hedge has been or will continue to be highly effective in offsetting changes in the fair value or cash flows associated with the underlying hedged item.

Fair value hedges

A hedge of the fair value of a recognised asset or liability or of a firm commitment is referred to as a fair value hedge. Changes in the fair value of derivatives that are designated and qualify as fair value hedges, are recorded in the income statement, together with changes in the fair value of the underlying hedged item attributable to the risk being hedged.

Cash flow hedges

A hedge of the fair value of a highly probable forecast transaction is referred to as a cash flow hedge. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised outside of the income statement, directly in other comprehensive income in the hedging reserve. Changes in the fair value of cash flow hedges relating to the ineffective portion are recorded in the income statement. Amounts accumulated in the hedging reserve are recycled through the income statement in the same period that the underlying hedged item is recorded in the income statement. When a hedge no longer meets the criteria for hedge accounting, and the underlying hedged transaction is no longer expected to occur, any cumulative gain or loss recognised in the hedging reserve is transferred to the income statement. When a hedge is sold or terminated, any gain or loss made on termination is only deferred in the hedging reserve where the underlying hedged transaction is still expected to occur.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement. Where an embedded derivative is identified and the derivative's risks and characteristics are not considered to be closely related to the underlying host contract, the fair value of the derivative is recognised on the consolidated statement of financial position and changes in the fair value of the embedded derivative are recognised in the consolidated income statement.

**(d) Property, plant and equipment**

Recognition and measurement

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment. The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads.

## Notes to the consolidated financial statements

The cost of self-constructed assets and acquired assets include estimates of the costs of closure, dismantling and removing the assets and restoring the site on which they are located and the area disturbed. All items of property, plant and equipment, are depreciated on a straight-line and/or unit of production basis. Freehold land is not depreciated.

Once a mining project has been established as commercially viable, expenditure other than that on land, buildings, plant and equipment is capitalised under 'Mining properties and development' together with any amount transferred from 'Exploration and evaluation (see note 3(e)).

Useful lives are based on the shorter of the useful life of the asset and the remaining life of the operation, in which the asset is being utilised. Depreciation rates, useful lives and residual values are reviewed regularly and reassessed in light of commercial and technological developments. Changes to the estimated residual values or useful lives are accounted for prospectively in the period in which they are identified.

Depreciation

*Straight-line basis*

The expected useful lives are the lesser of the life of the operation or as follows:

- Buildings: 40 years
- Plant and equipment: 3 - 25 years

*Unit of production basis*

- For mining properties and development assets and certain mining equipment, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Such assets are depreciated on a unit of production basis. However, assets within mining operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight line basis as noted above.
- In applying the unit of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves and, for some mines, other mineral resources. Such non reserve material may be included in depreciation calculations in some circumstances and where there is a high degree of confidence in its economic extraction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Spare parts purchased for particular items of plant, are capitalised and depreciated on the same basis as the plant to which they relate.

Assets under construction

During the construction phase, assets under construction are classified as construction in progress within property, plant and equipment. Once commissioned these assets are reclassified to property, plant and equipment at which time they will commence being depreciated over their useful life.

Mineral properties and mine development costs

The costs of acquiring mineral reserves and mineral resources are capitalised on the statement of financial position as incurred. Capitalised costs representing development costs include costs associated with a start-up period where the assets are brought to a condition of being capable of operating as intended by management. Mineral reserves and capitalised mine development costs are depreciated from the commencement of production using a unit of production method based on the estimated economically recoverable reserves and in some circumstances mineral resources to which they relate. They are written off if the property is abandoned. The net carrying amounts of mineral reserves and resources and capitalised mine development costs at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Major cyclical maintenance expenditure

Group entities recognise in the carrying amount of an item of plant and equipment the incremental cost of replacing a component part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group entity, the cost incurred is significant in relation to the asset and the cost of the item can be measured reliably. Accordingly, major overhaul expenditure is capitalised and depreciated over the period in which benefits are expected to arise (typically three to four years). All other repairs and maintenance are charged to the consolidated income statement during the financial period in which the costs are incurred.

**(e) Intangible assets**

Goodwill

Goodwill represents the excess of the cost of an acquisition of a controlled entity, associate or jointly controlled entity over Nyrstar's share in the fair value of the identifiable assets and liabilities, including contingent liabilities, of the acquired entity at the date of acquisition. Identifiable assets include those acquired mineral reserves and resources that can be reliably measured.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill in respect of associates and joint ventures is presented in the statement of financial position on the line "Investments in equity accounted investees", together with the investment itself and tested for impairment as part of the overall balance.

The excess of Nyrstar's interest in the fair value of the net identifiable assets acquired over the cost of acquisition is recognised in the income statement immediately.

Goodwill is allocated to the cash-generating unit (CGU) to which it belongs. CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Based on Nyrstar's operating model each mining complex and each smelting site has been identified as a separate CGU as there is an active market for zinc and other metal concentrates produced by each mining complex as well as zinc and other metal products manufactured at Nyrstar's smelting sites.

Research and development costs

Research costs related to the prospect of gaining new scientific or technological knowledge and understanding are recognised in the income statement as an incurred expense. Development costs are defined as costs incurred for the design of new or substantially improved products and for the processes prior to commercial production or use. They are capitalised if, among others, the following conditions are met:

- The intangible asset will give rise to future economic benefits, or in other words, the market potential has been clearly demonstrated;
- The expenditures related to the process or product can be clearly identified and reliably measured; and
- The Group intends to and has sufficient resources to complete development and to use or sell the asset.

In circumstances where it is difficult to clearly distinguish between research or development costs, the costs are considered as being research costs. If development costs are capitalised they are amortised using a straight-line method over their useful life.

Exploration and evaluation assets

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or are planned for the future.

Acquired mineral rights comprise identifiable exploration and evaluation assets including mineral reserves and mineral resources, which are acquired as part of a business combination and are recognized at fair value at date of acquisition. The acquired mineral rights are reclassified as “mine property and development” from commencement of development and amortised when commercial production commences on a unit of production basis based on the estimated economically recoverable reserves and in some circumstances mineral resources to which they relate.

An impairment review is performed, either individually or at the cash generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against the carrying amount, in the financial year in which this is determined. Exploration and evaluation assets are reassessed annually by management and are carried forward provided that at least one of the conditions outlined above is met.

Expenditure is transferred to mine development assets once the work completed to date supports the future development of the property and such development receives appropriate approvals.

Other intangible assets

All of the following types of intangible assets are carried at historical cost, less accumulated amortisation and impairment losses:

- Concessions, patents, licenses: are amortised over the period of their legal protection;
- Software and related internal development costs: are typically amortised over a period of five years;
- CO2 emission rights: are amortised over the period of the granted emission right, based on the usage of the emission rights. Furthermore the rights can be impaired to the prevailing lower market price; and
- Land use rights: are typically amortised over the contractual period.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

**(f) Leased assets**

Leases under which the Group assumes substantially all of the risks and benefits of ownership, are classified as finance leases, while other leases are classified as operating leases. Finance leases are capitalised with a lease asset and liability equal to the present value of the minimum lease payments or fair value, if lower, being recorded at the inception of the lease. Capitalised lease assets are amortised on a straight-line basis over the shorter of the useful life of the asset or the lease term. Each finance lease repayment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

Lease payments made under operating leases are recognised in the income statement over the accounting periods covered by the lease term.

**(g) Investments in equity securities**

The classification depends on the purpose for which the investments have been acquired. Management determines the classification of investments at initial recognition. Investments are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the balance sheet date.

The fair value of investments in equity securities is determined by reference to their quoted closing bid price at the reporting date. Any impairment charges are recognised in profit or loss, while other changes in fair value are recognised in other comprehensive income. When investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement within ‘other operating expenses’.

**(h) Inventories**

Inventories of finished metals, concentrates and work in progress are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. By-products inventory on hand obtained as a result of the production process are valued at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and bringing the stock to its existing condition and location and includes an appropriate portion of fixed and variable overhead expenses, including depreciation and amortisation. Stores of consumables and spares are valued at cost with due allowance for obsolescence. Cost of purchase of all types of inventories is determined on a FIFO basis. In addition to purchase price, conversion costs are allocated to work-in-progress and finished goods. These conversion costs are based on the actual costs related to the completed production steps.

As the Company applies hedge accounting as referred in note 3(c), the hedged items of stock are adjusted by the fair value movement with respect to the effective part of the hedge. The fair value adjustment remains part of the carrying value of inventory and enters into the determination of earnings when the inventory is sold. This impact is compensated by the hedge derivatives which are also adjusted for fair value.

**(i) Impairment**

<u>Financial assets</u>

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss recognised in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(j) Employee benefits**

Short term benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of employees' services up to the reporting date, calculated as undiscounted amounts based on remuneration wage and salary rates that the entity expects to pay at the reporting date including related on-costs, such as payroll tax.

Long-term employee benefits other than pension plans

A liability for long-term employee benefits is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of service provided by employees up to the balance sheet date. Consideration is given to expected future wage and salary levels including related on-costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national high quality corporate bonds with terms to maturity and currency that match the estimated future cash flows.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

Defined benefit plans

A liability or asset in respect of defined benefit superannuation or medical plans is recognised in the consolidated statement of financial position. This liability (or asset) is measured as the present value of the defined benefit obligation at the balance sheet date less the fair value of any fund assets belonging to the plan and any unrecognised past service cost. The present value of the defined benefit obligations is based on expected future payments that arise from membership of the fund to the balance sheet date. This obligation is calculated annually by independent actuaries using the projected unit credit method.

Expected future payments are discounted using market yields at the balance sheet date on high quality corporate bonds with terms to maturity and currency that match the estimated future cash flows. Any future taxes that are funded by the entity and are part of the provision of the defined benefit obligation are taken into account when measuring the net asset or liability. Any movements in the net defined benefit assets or liabilities are recognised in the consolidated income statement during the period, except for actuarial gains and losses. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise and charged or credited immediately to accumulated losses.

Employee bonuses

Nyrstar recognises a liability and expense for employee bonuses where contractually agreed or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer to encourage voluntary redundancy.

Share-based payment compensation

The Group operates an employee share acquisition plan, an executive long-term incentive plan and a co-investment plan, which are partly equity-settled and partly cash-settled share-based compensation plans.

The fair value of equity instruments granted under the equity-settled plans are recognised as an employee benefit expense with a corresponding increase recognised in equity. The fair value is measured at the grant date and recognised over the period during which the eligible employees become unconditionally entitled to the shares. The amount recognised as an employee benefit expense is the independently calculated fair value multiplied by the number of equity instruments granted. At each balance sheet date, the amount recognised as an expense is adjusted to reflect the estimate of the number of equity instruments expected to vest, except where forfeiture is only due to the share price not achieving the required target.

For cash-settled share-based payment transactions, the services received and the liability incurred are measured at the fair value of the liability at grant date. The initial measurement of the liability is recognised over the period that services are rendered. At each reporting date, and ultimately at settlement date, the fair value of the liability is remeasured with any changes in fair value recognised in the income statement for the period.

**(k) Provisions**

A provision is recognised if, as a result of a past event, Nyrstar has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of benefits will be required to settle the obligation.

# Notes to the consolidated financial statements

Workers' compensation

Provision is made for outstanding claims, including any incurred but not reported claims, where any controlled entity self-insures for risks associated with workers' compensation.

Outstanding claims are recognised when an incident occurs and are measured at the cost that the entity expects to incur in settling the claims, discounted using a rate that reflects current market assessments of the time value of money and risks specific to the liability.

An independent actuary provides the calculation of the value of outstanding claims. Each period the impact of the unwind of discounting is recognised in the income statement as a finance cost.

Restoration obligations

In accordance with past practices and applicable legal requirements, provision is made for the anticipated costs of future restoration and rehabilitation of smelting and refining sites to the extent that a legal or constructive obligation exists. The provision includes costs associated with dismantling of assets, reclamation, monitoring, water purification and coverage and permanent storage of historical residues. The provision is based upon current costs and has been determined on a discounted basis with reference to the current legal framework and current technology. Each period the impact of the unwind of discounting is recognised in the income statement as a finance cost. Any change in the restoration provision is recorded against the carrying value of the provision and the related asset, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, with the effect being recognised in the income statement on a prospective basis over the remaining life of the relevant operation. The restoration provision is separated into current and non-current components based on the expected timing of these cash flows.

Closure and restoration costs relating to mining activities include the dismantling and demolition of infrastructure, and the removal of residual materials and the remediation of disturbed areas. Estimated closure and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provisions for closure and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan where available. If there is no formal closure plan, costs are estimated by a third party. The cost estimates are updated annually during the life of the operation to reflect known developments, e.g. revisions to cost estimates and to the estimated lives of operations, and are subject to formal review at regular intervals. The initial closure provision together with other movements in the provisions for closure and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

For both smelting and mining rehabilitation is conducted systematically over the life of the operation rather than at the time of closure. Provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Restructuring

A constructive obligation for a restructuring arises only when two conditions are fulfilled. Firstly, there is a formal business plan for the restructuring specifying the business or part of a business concerned, the principal locations affected, the location, function and approximate number of employees whose services will be terminated, the expenditure to be incurred and when the plan will be implemented. Secondly, the entity has raised a valid expectation in those affected that it will carry out the plan either by starting to implement the plan or announcing its main feature to those affected by it. Restructuring provisions include only incremental costs associated directly with the restructuring.

### (l) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, and is included in shareholders' equity, net of income tax effects. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

### (m) Revenue

Revenue associated with the sale of commodities is recognised when all significant risks and rewards of ownership of the asset sold are transferred to the customer, usually when insurance risk has passed to the customer and the commodity has been delivered to the shipping agent or the commodity has been delivered to the location designated by the customer. At this point Nyrstar retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the commodities and the costs incurred, or to be incurred, in respect of the sale can be reliably measured. Revenue is recognised, at fair value of the consideration receivable, to the extent that it is probable that economic benefits will flow to Nyrstar and the revenue can be reliably measured. Revenue is generally recognised based on incoterms ex-works (EXW) or carriage, insurance and freight (CIF). Revenues from the sale of by-products are also included in sales revenue. Revenue is stated on a gross basis, with freight and realisation expenses included in gross profit as a deduction.

For certain commodities the sales price is determined provisionally at the date of sale, with the final price determined within mutually agreed quotation period and the quoted market price at that time. As a result, the invoice price on these sales are marked-to-market at balance sheet date based on the prevailing market prices for the relevant quotation period. This ensures that revenue is recorded at the fair value of consideration to be received. All mark-to-market adjustments are recorded in sales revenue.

When Nyrstar's goods are swapped for goods that are of a similar nature and value, the swap is not regarded as a transaction that generates revenue. In case of dissimilar value of the swapped goods the settlement in cash or cash equivalents is recognised in costs of goods sold.

### (n) Finance income and expense

Finance income includes:

- Interest income on funds invested; and
- Dividend income.

Interest income is recognised as it accrues in the income statement using the effective interest rate method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

Finance costs include:

- Interest on short-term and long-term borrowings;
- Amortisation of discounts or premiums relating to borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings;

- Finance lease charges; and
- The impact of the unwind of discount on long-term provisions for restoration and workers' compensation.

Finance costs are calculated using the effective interest rate method. Finance costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other finance costs are expensed as incurred.

Net finance costs represent finance costs net of any interest received on funds invested. Interest income is recognised as it accrues using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

**(o) Income tax**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition deferred income tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current income tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred income tax asset is recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised when the distribution is expected.

Mining taxes and royalties are treated and disclosed as current and deferred income taxes if they have the characteristics of an income tax.

**(p) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts are repayable on demand and are shown within borrowings in current liabilities on the consolidated statement of financial position. For the purposes of the consolidated statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash and are subject to an insignificant risk of changes in value, net of any outstanding bank overdrafts which are recognised at their principal amounts.

### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group entities prior to the end of the financial year which are unpaid. The amounts are unsecured and are typically paid within 30 days of recognition. These amounts are initially recognized at fair value and are subsequently carried at amortised cost.

### (r) Deferred income

Deferred income consists of payments received by the Company in consideration for future physical deliveries of metal inventories and future physical deliveries of metals contained in concentrate at contracted prices. As deliveries are made, the Company recognises sales and decreases the deferred income.

### (s) Trade receivables

Trade receivables represent amounts owing for goods and services supplied by the Group entities prior to the end of the financial period which remain unpaid. They arise from transactions in the normal operating activities of the Group.

Trade receivables are carried at amortised cost, less any impairment losses for doubtful debts. An impairment loss is recognised for trade receivables when collection of the full nominal amount is no longer certain.

Where settlement of any part of cash consideration receivable is deferred, the amounts receivable in the future are discounted to their present value.

### (t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect(s).

### (u) Earnings per share

Nyrstar presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit for the period attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### (v) Segment reporting

Operating segments are components of the Group for which discrete financial information is available and evaluated regularly by Nyrstar's Management Committee (NMC) in deciding how to allocate resources and in assessing performance. The NMC has been identified as the chief operating decision maker.

The segment information reported to the NMC (including the measurements of segment profit or loss and segment assets) is prepared in conformity with the same accounting policies as those described in the summary of significant accounting policies.

Revenues, expenses and assets are allocated to the operating segments to the extent that items of revenue, expense and assets can be directly attributed or reasonably allocated to the operating segments. The interrelated segment costs have been allocated on a reasonable pro rata basis to the operating segments.

### (w) Treasury shares

When Nyrstar reacquires its own equity instruments, the par value of treasury shares purchased is deducted from reserves. The difference between the par value of the treasury shares purchased and the amount of consideration paid, which includes directly attributable costs, is recognised as a deduction from accumulated losses. Reacquired shares are classified as treasury shares and may be acquired and held by the entity or by other members of the consolidated group.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is recognised in accumulated losses.

**(x) Zinc purchase interests**

Streaming agreements for the acquisition of zinc concentrates are presented on the face of the statement of financial position as zinc purchase interests. The useful life is determined with reference to the number of metric tonnes to be delivered. The asset is depleted through the income statement using the unit-of-production method, as the asset is recovered with each metric ton of zinc delivered under the contract.

**(y) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

**(z) Exceptional items**

Exceptional items are those relating to restructuring expense, M&A related transaction expense and impairment of assets which the Group believes should be disclosed separately on the face of the consolidated income statement to assist in the understanding of the financial performance achieved by the Group.

**(aa) Comparatives**

Where applicable, comparatives have been adjusted to disclose them on the same basis as the current year.

## 4 Critical accounting estimates and judgements

Estimates and judgements used in developing and applying the accounting policies are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. Nyrstar makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis.

The critical estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

In preparing these consolidated financial statements, except for a new areas of accounting estimation disclosed in below, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2010, except for:

- During the year ended 31 December 2011 Nyrstar was able to extend the useful life of some of its assets used in the smelting operations based on the change of operating procedures implemented by management. The extension of the useful life is accounted for prospectively and resulted in an estimated pre-tax benefit of EUR 11.8 million recognised in the income statement for the period ended 31 December 2011.

## Notes to the consolidated financial statements

Determination of fair values in business combination

The consolidated entity has applied estimates and judgments in order to determine the fair value of assets acquired and liabilities and contingent liabilities assumed by way of a business combination.

The value of assets, liabilities and contingent liabilities recognized at the acquisition date are recognized at fair value. In determining fair value the consolidated entity has utilized valuation methodologies including discounted cash flow analysis. The assumptions made in performing these valuations include assumptions as to discount rates, foreign exchange rates, commodity prices, the timing of development, capital costs, and future operating costs. Any significant change in key assumptions may cause the acquisition accounting to be revised including the recognition of additional goodwill or a discount on acquisition.

Determination of ore reserves and resources estimates

Estimated recoverable reserves and resources are used to determine the depreciation of mine production assets, in accounting for deferred costs and in performing impairment testing. Estimates are prepared by appropriately qualified persons, but will be impacted by forecast commodity prices, exchange rates, production costs and recoveries amongst other factors. Changes in assumptions will impact the carrying value of assets and depreciation and impairment charges recorded in the income statement.

Restoration obligations

Provision is made for the anticipated costs of future restoration and rehabilitation of smelting and refining sites and mining areas from which natural resources have been extracted to the extent that a legal or constructive obligation exists. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of restoration provisions.

Retirement benefit obligations

An asset or liability in respect of defined benefit pension or medical plans is recognised on the consolidated statement of financial position. The present value of a defined benefit obligation is dependent upon a number of factors that are determined on an actuarial basis. Nyrstar determines the appropriate discount rate to be used at the end of each year.

Impairment of assets

The recoverable amount of each cash-generating unit is determined as the higher of the asset's fair value less costs to sell and its value in use. These calculations require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance. For cash-generating units that comprise mining related assets, the estimates and assumptions also relate to the ore reserves and resources estimates (see below). For further information refer to note 3(i), note 14 and note 15.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

# Notes to the consolidated financial statements

## 5 Financial risk management

### (a) Overview

In the normal course of business, Nyrstar is exposed to credit risk, liquidity risk and market risk, i.e. fluctuations in commodity prices, exchange rates as well as interest rates, arising from its financial instruments. Listed below is information relating to Nyrstar's exposure to each of these risks and the Group's objectives, policies and processes for measuring and managing risk and measuring capital.

The Board of Directors has overall responsibility for the establishment and oversight of Nyrstar's risk management framework. Nyrstar's risk management policies are established to identify and analyse the risks faced by Nyrstar, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Audit Committee is responsible for overseeing how management monitors compliance with Nyrstar's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by Nyrstar. The Audit Committee is assisted in its oversight role by an internal audit function.

### (b) Credit risk

Credit risk is the risk of non-payment from any counterparty in relation to sales of goods. In order to manage the credit exposure, Nyrstar has determined a credit policy with credit limit requests, approval procedures, continuous monitoring of the credit exposure and dunning procedure in case of delays.

<u>Trade and other receivables</u>

Nyrstar's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Each new customer is analysed individually for creditworthiness before the standard terms and conditions are offered. Customers that fail to meet Nyrstar's benchmark creditworthiness may transact with Nyrstar only on a prepayment basis.

Nyrstar provides an allowance for trade and other receivables that represents its estimate of incurred losses in respect of trade and other receivables and investments.

<u>Guarantees</u>

Nyrstar's policy is to provide financial guarantees only on behalf of wholly-owned subsidiaries. At 31 December 2011, no guarantees were outstanding to external customers (31 December 2010: nil).

### (c) Liquidity risk

Liquidity risk arises from the possibility that Nyrstar will not be able to meet its financial obligations as they fall due. Liquidity risk is being addressed by maintaining, what management considers to be, a sufficient degree of diversification of funding sources. These include committed and uncommitted short and medium term bank facilities as well as bonds (e.g. convertible bonds and fixed rate bonds).

### (d) Market risk

Market risk is the risk that changes in market prices will affect Nyrstar's income or the value of its investments in financial instruments. The objective of market risk management is to manage and control market exposures within acceptable parameters while optimising the return.

<u>Commodity price risk</u>

In the normal course of its business, Nyrstar is exposed to risk resulting from fluctuations in the market prices of commodities and raw materials. Nyrstar currently engages only in transactional hedging which means that it will undertake short-term hedging transactions to cover the timing risk between raw material purchases and sales of metal and to cover its exposure on fixed-price forward sales of metal to customers. Transactional hedging arrangements are accounted for in the "Other Financial Assets" and the "Other Financial Liabilities" line items of the statement of financial position. Any gains or losses realised from hedging arrangements are recorded within operating profit. Nyrstar currently does not undertake any structural or strategic hedging which means that its results are exposed to fluctuations in zinc, lead and other metal prices. Nyrstar reviews its hedging policy from time to time.

Foreign Currency Exchange Risk

Nyrstar's assets, earnings and cash flows are influenced by movements in exchange rates of several currencies, particularly the U.S. Dollar, the Euro, the Australian Dollar, the Canadian Dollar, the Peruvian Sol, the Chilean Peso, the Mexican Peso, the Honduran Lempira and the Swiss Franc. Nyrstar's reporting currency is the Euro, zinc, lead and other metals are sold throughout the world principally in U.S. Dollars, while Nyrstar's costs are primarily in Euros, Australian Dollars, Canadian Dollars, U.S. Dollars, Peruvian Sols, Chilean Pesos, Mexican Pesos, Honduran Lempiras and Swiss Francs. As a result, movement of the U.S. Dollar, the Australian Dollar, the Canadian Dollar, Peruvian Sol, Chilean Peso, Mexican Peso, Honduran Lempira, Swiss Franc or other currencies in which Nyrstar's costs are denominated against the Euro could adversely affect Nyrstar's profitability and financial position.

Nyrstar has not entered and does not currently intend to enter into transactions that seek to hedge or mitigate its exposure to exchange rate fluctuations, other than short-term hedging transactions to cover the timing risk between concentrate purchases and sales of metal and to cover its exposure on fixed-price forward sales of metal to customers.

**(e) Interest rate risk**

Nyrstar incurs interest rate risk primarily on loans and borrowings. This risk is limited as a result of the interest rate on borrowings such as convertible bond and fixed rate bond being fixed. Nyrstar's current borrowings are split between fixed rate and floating rate basis. All variable interest rate loans and borrowings have EURIBOR or LIBOR based interest rates. The interest rate and terms of repayment of Nyrstar's loans are disclosed in note 33 (f). Changes in interest rates may impact primary loans and borrowings by changing the levels of required interest payments.

Nyrstar's interest rate risk management policy is to limit the impact of adverse interest rate movements through the use of interest rate management tools. Interest rate risk is measured by maintaining a schedule of all financial assets, financial liabilities and interest rate hedging instruments. The goal of this policy is to limit the effect in profit and loss of a parallel shift of 1 % of the entire interest curve, calculated on the projected net financial debt amount, to below a certain predefined limit per year. In addition Nyrstar's policy states that interest rates cannot be fixed for periods more than ten years through the purchase or sale of interest rate derivatives.

**(f) Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and so to sustain future development of the business. The Board of Directors monitors the return on capital, which Nyrstar defines as profit after tax divided by total shareholders' equity, excluding non-controlling interests.

The Board of Directors also monitors the level of dividends to ordinary shareholders. Nyrstar's dividend policy is to ensure that whilst maintaining adequate cash flows for growth and the successful execution of its strategy, Nyrstar aims to maximize total shareholder return through a combination of share price appreciation and dividends. Pursuant to Belgian law, the calculation of amounts available for distribution to shareholders, as dividends or otherwise, must be determined on the basis of the Company's non-consolidated Belgian GAAP financial statements. In accordance with Belgian company law, the Company's articles of association also require that the Company allocate each year at least 5% of its annual net profits to its legal reserve, until the legal reserve equals at least 10% of the Company's share capital. As a consequence of these factors, there can be no assurance as to whether dividends or similar payments will be paid out in the future or, if they are paid, their amount.

The Company has established an Employee Share Acquisition Plan (ESAP), an Executive Long Term Incentive Plan (LTIP) and a Co-Investment Plan (together referred to as the “Plans”) with a view to attracting, retaining and motivating the employees and senior management of the Company and its wholly owned subsidiaries. The key terms of each Plan are set out below in note 31.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 6 Exchange rates

The principal exchange rates used in the preparation of 2011 financial statements are (in EUR):

| | Annual average | | Year end | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| United States dollar | 1.3920 | 1.3257 | 1.2939 | 1.3362 |
| Australian dollar | 1.3484 | 1.4423 | 1.2723 | 1.3136 |
| Canadian dollar | 1.3761 | 1.3651 | 1.3215 | 1.3322 |
| Swiss franc | 1.2326 | 1.3803 | 1.2156 | 1.2504 |

## 7 Segment reporting

The Group’s operating segments (Smelting, Mining and Other & Eliminations) reflect the approach of the Nyrstar Management Committee (NMC) towards evaluating the financial performance and allocating resources to the Group’s operations. The NMC has been identified as the chief operating decision making group. The chief operating decision-maker assesses the performance of the operating segments based on a measure of ’Result from operating activities before exceptional items’. The segmentation and the basis of measurement of segment profit/(loss) are unchanged to the last annual financial statements as at 31 December 2010. Consequently, the Campo Morado operation (acquired as part of the Farallon Mining acquisition) and El Mochito, El Toqui, Langlois and Myra Falls mines (acquired as part of the Breakwater Resources acquisition) have been allocated to the Mining segment. For details of these acquisitions refer to note 8.

The ‘Smelting’ segment comprises the following smelters: Auby (France), Balen (Belgium), Budel (Netherlands), Clarksville (US), Hobart (Australia) and Port Pirie (Australia). The ‘Mining’ segment consists of the following mines: Tennessee (US), Coricancha, Contonga and Pucarrajo (Peru), Campo Morado (Mexico), El Mochito (Honduras), El Toqui (Chile), Langlois, Myra Falls (Canada) and the zinc streaming agreement with the Talvivaara mine (Finland). The ‘Other & Eliminations’ segment contains Galva 45 (France), corporate activities as well as the eliminations of the intra-group transactions including any unrealised profits resulting from intercompany transactions.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of ’Result from operating activities before exceptional items’.

Sales to each individual customer (group of customers under the common control) of the Group did not exceed 10 % with the exception of sales to Glencore and Umicore, which accounted for 40.8 % (2010: 45.1 %) and 9.6 % (2010: 11.8 %) respectively, of the total Group’s zinc and lead sales.

# Notes to the consolidated financial statements

| EUR million | Mining | Smelting | Other and eliminations | Total 2011 |
|---|---|---|---|---|
| Revenue from external customers | 229.6 | 3,096.4 | 21.6 | **3,347.6** |
| Inter-segment revenue | 128.4 | - | (128.4) | **-** |
| **Total segment revenue** | **358.0** | **3,096.4** | **(106.8)** | **3,347.6** |
| Raw materials used | - | (2,109.6) | 109.0 | **(2,000.6)** |
| Freight expense | (13.0) | (50.1) | 2.3 | **(60.8)** |
| **Gross profit** | **345.0** | **936.7** | **4.5** | **1,286.2** |
| Employee benefits expense | (76.7) | (201.5) | (61.1) | **(339.3)** |
| Energy expenses | (28.6) | (273.9) | (1.1) | **(303.6)** |
| Other income / (expenses) | (167.7) | (222.9) | 14.5 | **(376.1)** |
| Depreciation, amortisation and depletion | (74.0) | (66.4) | (4.8) | **(145.2)** |
| **Result from operating activities before exceptional items** | **(2.0)** | **172.0** | **(48.0)** | **122.0** |
| M&A related transaction expense | | | | (14.6) |
| Restructuring expense | | | | (9.0) |
| Impairment loss | | | | - |
| **Result from operating activities** | | | | **98.4** |
| Finance income | | | | 5.2 |
| Finance expense | | | | (66.3) |
| Net foreign exchange gain | | | | 5.6 |
| **Net finance expense** | | | | **(55.5)** |
| Share of profit of equity accounted investees | | | | 1.3 |
| **Profit before income tax** | | | | **44.2** |
| Income tax expense | | | | (8.1) |
| **Profit for the period** | | | | **36.1** |
| | | | | |
| Capital expenditure | (103.5) | (111.7) | (13.5) | **(228.7)** |
| | | | | |
| Total assets | 1,463.8 | 1,812.0 | 190.3 | **3,466.1** |

# Notes to the consolidated financial statements

| EUR million | Mining | Smelting | Other and eliminations | Total 2010 |
|---|---|---|---|---|
| Revenue from external customers | 12.7 | 2,653.6 | 29.8 | **2,696.1** |
| Inter-segment revenue | 83.2 | - | (83.2) | **-** |
| **Total segment revenue** | **95.9** | **2,653.6** | **(53.4)** | **2,696.1** |
| Raw materials used | - | (1,783.4) | 55.8 | **(1,727.6)** |
| Freight expense | (0.3) | (42.8) | - | **(43.1)** |
| **Gross profit** | **95.6** | **827.4** | **2.4** | **925.4** |
| Employee benefits expense | (27.3) | (186.7) | (48.2) | **(262.2)** |
| Energy expenses | (9.1) | (258.9) | (1.1) | **(269.1)** |
| Other income / (expenses) | (35.2) | (196.3) | 31.5 | **(200.0)** |
| Depreciation, amortisation and depletion | (20.0) | (57.0) | (4.7) | **(81.7)** |
| **Result from operating activities before exceptional items** | **4.0** | **128.5** | **(20.1)** | **112.4** |
| M&A related transaction expense | | | | (2.8) |
| Restructuring expense | | | | (10.5) |
| Impairment loss | | | | (0.9) |
| **Result from operating activities** | | | | **98.2** |
| Finance income | | | | 0.8 |
| Finance expense | | | | (37.6) |
| Net foreign exchange gain | | | | 24.3 |
| **Net finance expense** | | | | **(12.5)** |
| Share of profit of equity accounted investees | | | | 3.1 |
| **Profit before income tax** | | | | **88.8** |
| Income tax expense | | | | (16.6) |
| **Profit for the period** | | | | **72.2** |
| | | | | |
| Capital expenditure | (60.2) | (81.1) | (5.7) | **(147.0)** |
| | | | | |
| Total assets | 259.9 | 1,662.6 | 180.9 | **2,103.4** |

## Geographical information

### (a) Revenues from external customers

| EUR million | 2011 | 2010 |
|---|---|---|
| Belgium | 665.0 | 360.0 |
| Rest of Europe | 1,150.4 | 945.7 |
| Americas | 325.5 | 275.9 |
| Australia | 858.6 | 711.0 |
| Asia | 337.6 | 388.2 |
| Other | 10.5 | 15.3 |
| **Total** | **3,347.6** | **2,696.1** |

The revenue information above is based on the location (shipping address) of the customer.

(b) Non-current assets

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Belgium | 73.9 | 61.2 |
| Rest of Europe | 524.2 | 505.7 |
| North America | 505.2 | 166.6 |
| Central America (incl Mexico) | 553.3 | - |
| South America | 263.9 | 109.7 |
| Australia | 211.3 | 182.0 |
| Other | 0.5 | - |
| **Total** | **2,132.3** | **1,025.2** |

Non-current assets for this purpose consist of property, plant and equipment, intangible assets and the zinc purchase interests.

## 8 Acquisition of business

### Acquisitions in 2011

### Acquisition of subsidiary: Breakwater Resources Ltd

On 25 August 2011 Nyrstar acquired a 92.27% interest in Breakwater Resources Ltd ("Breakwater"), a mining, exploration and development company which produces and sells zinc, copper, lead and gold concentrates and completed the compulsory acquisition of the remaining shares by 31 August 2011. After the compulsory acquisition Breakwater became a 100 % subsidiary of the Group. Breakwater's operations consist of four zinc poly-metallic mines, including El Toqui in Chile, El Mochito in Honduras, Myra Falls in British Columbia, Canada, and Langlois in Quebec, Canada.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

| EUR million | Recognised fair values at acquisition |
|---|---|
| Property, plant and equipment | 433.5 |
| Intangible assets | 6.5 |
| Deferred income tax assets | 18.2 |
| Inventories | 55.0 |
| Trade receivables | 12.8 |
| Cash and cash equivalents | 53.8 |
| Other financial assets | 0.8 |
| Investments in equity securities | 23.1 |
| Provisions | (69.8) |
| Employee benefits | (17.8) |
| Loans and borrowings | (7.3) |
| Deferred income tax liabilities | (96.1) |

| | |
|---|---|
| Trade and other payables | (23.8) |
| **Net identifiable assets and liabilities** | **388.9** |
| Goodwill on acquisition | 54.4 |
| **Total** | **443.3** |
| | |
| Consideration | |
| Consideration paid, satisfied in cash | 442.2 |
| Hedge loss | 1.1 |
| Cash acquired | (53.8) |
| **Net cash outflow** | **389.5** |

The fair values are provisional due to the complexity and timing of the acquisition. The review of the fair value of the assets and liabilities acquired will continue for one year from the acquisition date.

The amounts of revenue and profit since the acquisition date included in the consolidated income statement for the reporting period is EUR 117.0 million and EUR 5.8 million respectively. If the acquisition had occurred on 1 January 2011, management estimates that consolidated revenue for the current period would have been EUR 257.4 million and the consolidated profit for the current period would have been EUR 34.2 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 January 2011. The profit since the date of the acquisition as well as the estimated profit if the acquisition had occurred at 1 January 2011 was negatively impacted by restructuring costs of EUR 1.0 million and the requirement to fair value the acquired inventories EUR 10.7 million. The goodwill balance is a result of the recognised deferred taxes which solely relate to the total fair value adjustments on net assets within the acquisition accounting.

**Acquisition of subsidiary: Farallon Mining Limited**

On 5 January 2011 Nyrstar acquired a 93.75% interest in Farallon Mining Ltd., the owner of the Campo Morado zinc-rich polymetallic mining operation in Mexico (the "Campo Morado Operation") and completed the compulsory acquisition of the remaining shares by 15 March 2011. After the compulsory acquisition the Campo Morado Operation became a 100 % subsidiary of the Group. The Campo Morado Operation comprises approximately 12,000 hectares in six mining concessions, located 160 kilometers south-southwest of Mexico City. The ore deposit currently being mined is the G-9 deposit which achieved commercial production in April 2009 and comprises high grade zinc, copper, lead, gold and silver (the "G-9 Mine"). In addition to the G-9 Mine, there are four additional deposits that have been delineated (Reforma, El Largo, El Rey, Naranjo).

The accounting for the Farallon Mining acquisition as at 30 June 2011 was based on provisional amounts due to the timing and complexity of the acquisition. In the second half of 2011, the acquisition accounting was completed within the one year measurement period as follows:

| EUR million | Provisional fair values on acquisition as previously reported | Fair value adjustments | Fair values on acquisition |
|---|---|---|---|
| Property, plant and equipment | 372.0 | 5.0 | 377.0 |
| Inventories | 11.3 | (1.6) | 9.7 |
| Trade receivables | 7.0 | - | 7.0 |
| Deferred income tax assets | 10.3 | - | 10.3 |
| Cash and cash equivalents | 15.9 | - | 15.9 |
| Other current assets | 2.4 | - | 2.4 |

| | | | |
|---|---|---|---|
| Provisions | (3.1) | (3.4) | (6.5) |
| Other non-current liabilities | (78.9) | - | (78.9) |
| Loans and borrowings | (23.8) | - | (23.8) |
| Deferred income tax liabilities | (74.4) | - | (74.4) |
| Trade and other payables | (13.2) | - | (13.2) |
| **Net identifiable assets and liabilities** | **225.5** | **-** | **225.5** |
| Goodwill on acquisition | 70.9 | - | 70.9 |
| **Total** | **296.4** | **-** | **296.4** |
| | | | |
| Consideration | | | |
| Consideration paid, satisfied in cash | | | 299.7 |
| Hedge gain | | | (3.3) |
| Cash acquired | | | (15.9) |
| **Net cash outflow** | | | **280.5** |

The fair values adjustments arose due to the revision to the valuation of property, plant and equipment which mainly relates to mineral interest, the revision to the valuation of inventories and provisions.

The amounts of revenue and profit since the acquisition date included in the consolidated income statement for the reporting period is EUR 93.4 million and EUR 0.3 million respectively. If the acquisition had occurred on 1 January 2011, management estimates that consolidated revenue for the current period and the consolidated profit for the current period would not be materially different to the actual revenue and profit recognised in the Group's financial statements for the current period. The profit since the date of the acquisition as well as the estimated profit if the acquisition had occurred at 1 January 2011 was negatively impacted by restructuring costs of EUR 3.1 million and the requirement to fair value the acquired inventories EUR 1.6 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 January 2011. The goodwill balance is a result of the recognised deferred taxes which solely relate to the total fair value adjustments on net assets within the acquisition accounting.

**Acquisitions in 2010**

**Acquistion of Contonga and Puccarajo mines**

In July 2010 Nyrstar acquired a 100% interest in the Contonga and Pucarrajo polymetallic mines in Peru (owned by Minera Huallanca S.A.) for approximately USD 33 million (EUR 25.8 million) including assumed debt. The Contonga and Pucarrajo mines comprise approximately 4,600 hectares of mining concessions, located 450 kilometer north of Lima in the Ancash region, which is well known for its significant zinc, lead, silver, gold and copper deposits.

The accounting for the Contonga and Puccarajo mines acquisition as at 31 December 2010 was based on provisional amounts due to the timing and complexity of the acquisition. In 2011, the acquisition accounting was completed within the one year measurement period as follows:

| EUR million | Provisional fair values on acquisition as previously reported | Fair value adjustments | Fair values on acquisition |
|---|---|---|---|
| Property, plant and equipment | 47.7 | 0.4 | 48.1 |
| Inventories | 2.1 | - | 2.1 |

| | | | |
|---|---|---|---|
| Trade receivables | 4.3 | - | 4.3 |
| Other current assets | 3.8 | - | 3.8 |
| Deferred tax asset | 0.6 | - | 0.6 |
| Cash and cash equivalents | 0.1 | - | 0.1 |
| Provisions | (16.9) | (0.6) | (17.5) |
| Loans and borrowings | (4.1) | - | (4.1) |
| Deferred tax liabilities | (7.0) | 0.2 | (6.8) |
| Trade and other payables | (11.8) | - | (11.8) |
| **Net identifiable assets and liabilities** | **18.8** | **-** | **18.8** |
| Goodwill on acquisition | 7.0 | - | 7.0 |
| **Total** | **25.8** | **-** | **25.8** |
| | | | |
| Consideration: | | | |
| Consideration paid, satisfied in cash | 25.8 | | 25.8 |
| Cash acquired | 0.1 | | 0.1 |
| **Net cash outflow** | **25.7** | | **25.7** |

The fair value adjustments arose due to the revision of the valuation of certain provisions and the related impact on deferred tax liabilities. The goodwill balance is a result of the recognised deferred income taxes which solely relate to the total fair value adjustments on net assets within the acquisition accounting.

The 2010 comparative information has been revised to reflect this measurement period adjustment.

## 9 M&A related transaction expenses

Merger and acquisition (M&A) related expenses include the acquisition and disposal related direct transaction costs (e.g. advisory, accounting, tax, legal or valuation fees paid to external parties). The M&A related transaction expenses in the 2011 income statement amount to EUR 14.6 million (2010: EUR 2.8 million). These expenses have been classified within contracting and consulting expenses in 2010 and have been reclassified to M&A related transaction costs for comparison purposes.

## 10 Employee benefits expense

| EUR million | 2011 | 2010 |
|---|---|---|
| Wages and salaries | (290.4) | (220.7) |
| Compulsory social security contributions | (27.0) | (25.5) |
| Contributions to defined contribution plans | (3.9) | (3.8) |
| Increase in liability for long-service leave | (2.6) | (2.1) |
| Expenses related to defined benefit plans | (7.1) | (2.2) |
| Equity and cash settled share based payment transactions, incl. social security | (8.3) | (7.9) |
| **Total employee benefits expense** | **(339.3)** | **(262.2)** |

At 31 December 2011 the workforce at the Nyrstar group comprised of 7,042 (31 December 2010: 4,450) employees (full time equivalents) with 20 % (2010: 32 %) of Nyrstar's total personnel employed in Europe, 62 % (2010: 41 %) in the Americas and 18 % (2010: 27 %) in Australia.

## 11 Finance income and expense

| EUR million | 2011 | 2010 |
|---|---|---|
| **Finance income** | | |
| Interest income on cash and cash equivalents | 5.2 | 0.8 |
| **Total finance income** | **5.2** | **0.8** |
| **Finance expense** | | |
| Interest expense on loans and borrowings | (50.7) | (26.1) |
| Unwind of discount in provisions | (7.3) | (7.5) |
| Other finance charges | (8.3) | (4.0) |
| **Total finance expense** | **(66.3)** | **(37.6)** |
| **Net foreign exchange gain** | **5.6** | 24.3 |
| **Net finance expense** | **(55.5)** | **(12.5)** |

The net foreign exchange gain recorded during the year ended 31 December 2011 amounted to EUR 5.6 million (2010: net gain of EUR 24.3 million). The gain in 2010 was primarily related to realised foreign exchange results on group legal restructuring transactions amounting to EUR 20.9 million.

## 12 Income tax expense

### (a) Income tax expense recognized in the income statement

| EUR million | 2011 | 2010 |
|---|---|---|
| Current income tax expense | (30.6) | (15.6) |
| Deferred income tax benefit / (expense) | 22.5 | (1.0) |
| **Total income tax expense** | **(8.1)** | **(16.6)** |
| | | |
| Deferred income tax (expense) / benefit included in income tax expense comprises: | | |
| Increase / (decrease) in deferred tax assets | 42.2 | (5.2) |
| Decrease / (increase) in deferred tax liabilities | (19.7) | 4.2 |
| **Total deferred income tax benefit / (expense)** | **22.5** | **(1.0)** |

### (b) Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| EUR million | 2011 | 2010 |
|---|---|---|
| Profit before income tax | **44.2** | **88.8** |
| Tax at aggregated weighted average tax rate | **(13.4)** | **(38.2)** |
| | | |
| Aggregated weighted average income tax rate | 30.3% | 43.0% |
| | | |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Notional interest deduction | 5.3 | 24.2 |
| Non-taxable / (non-deductible) amounts | 3.4 | (15.1) |
| Net loss on disposal of equity accounted investees | - | 1.3 |
| Other | (2.7) | (2.3) |
| Recognition of previously unrecognised tax losses | 16.8 | 24.8 |
| Recognition of previously unrecognised deductible temporary differences | 44.3 | 12.6 |
| Non-recognition of deductible temporary differences | - | (17.9) |
| Non-recognition of tax losses | (58.1) | (18.7) |
| Overprovision / (underprovision) for previous years income taxes | (6.4) | 7.4 |
| Unrecoverable withholding tax | (4.6) | (2.3) |
| Net adjustment to deferred tax balances due to tax rate change in foreign jurisdiction | 3.5 | (1.5) |
| Share of income tax of equity accounted investees | (0.2) | 1.3 |
| Foreign exchange differences | 4.0 | 7.8 |
| **Total income tax expense** | **(8.1)** | **(16.6)** |
| | | |
| Effective income tax rate | 18.3% | 18.7% |

Nyrstar recognised an income tax expense for the year ended 31 December 2011 of EUR 8.1 million representing an effective income tax rate of 18.3% (2010: 18.7%). The main items impacting the income tax rate are the non-recognition of current year tax losses and the recognition of deferred tax assets attributable to previously unrecognised tax losses and temporary differences in Australia, Belgium and Peru.

### (c) Income tax recognized directly in other comprehensive income

| EUR million | 2011 | 2010 |
|---|---|---|
| Income tax benefit / (expense) recognised on cash flow hedges | (5.4) | 5.1 |
| Income tax benefit recognised on defined benefits pension schemes | 2.6 | - |
| **Total income tax recognised directly in other comprehensive income** | **(2.8)** | **5.1** |

## 13 Other expense

| EUR million | 2011 | 2010 |
|---|---|---|
| Stock movement conversion costs | 34.6 | (16.1) |
| External services | 2.3 | 4.7 |
| Other tax expense | 4.0 | 4.9 |
| Travel expense | 11.5 | 6.2 |
| Operating lease | 11.3 | 4.4 |
| Insurance expense | 7.6 | 5.6 |
| Other | 20.6 | 13.4 |
| **Total employee benefits expense** | **91.9** | **23.1** |

## 14 Property, plant and equipment

| EUR million | Note | Land and buildings | Plant and equipment | Mining properties and development | Under construction | Cyclical maintenance and other | Total |
|---|---|---|---|---|---|---|---|
| Cost or deemed cost | | 169.9 | 1,539.0 | 759.4 | 147.1 | 157.8 | 2,773.2 |
| Accumulated depreciation and impairment | | (45.8) | (833.6) | (77.6) | - | (99.5) | (1,056.5) |
| **Carrying amounts** | | **124.1** | **705.4** | **681.8** | **147.1** | **58.3** | **1,716.7** |
| | | | | | | | |
| Reconciliation of carrying amounts: | | | | | | | |
| As at 1 January 2011 | | 78.3 | 454.0 | 129.6 | 61.4 | 35.9 | 759.2 |
| Acquired in business combination | 8 | 27.6 | 185.8 | 541.1 | 29.9 | 26.1 | 810.5 |
| Additions | | 3.2 | 75.5 | 31.4 | 91.9 | 13.8 | 215.8 |
| Transfers | | 14.9 | 56.1 | (30.8) | (39.1) | 4.4 | 5.5 |
| Disposals | | (0.1) | (1.2) | - | (0.5) | (0.1) | (1.9) |
| Depreciation expense | | (3.9) | (72.8) | (35.9) | - | (22.8) | (135.4) |
| Currency translation effects | | 4.1 | 8.0 | 46.4 | 3.5 | 1.0 | 63.0 |
| **As at 31 December 2011** | | **124.1** | **705.4** | **681.8** | **147.1** | **58.3** | **1,716.7** |

The carrying amount of property, plant and equipment accounted for as finance lease assets at 31 December 2011 is EUR 3.5 million and is classified as plant and equipment.

| EUR million | Note | Land and buildings | Plant and equipment | Mining properties and development | Under construction | Cyclical maintenance and other | Total |
|---|---|---|---|---|---|---|---|
| Cost or deemed cost | | 90.7 | 858.6 | 136.8 | 61.4 | 102.9 | 1,250.4 |
| Accumulated depreciation and impairment | | (12.4) | (404.6) | (7.2) | - | (67.0) | (491.2) |
| **Carrying amounts** | | **78.3** | **454.0** | **129.6** | **61.4** | **35.9** | **759.2** |
| Reconciliation of carrying amounts: | | | | | | | |
| As at 1 January 2010 | | 70.3 | 423.3 | 62.5 | 45.3 | 9.9 | 611.3 |
| Acquired in business combination | 8 | - | 5.8 | 41.6 | - | 0.7 | 48.1 |
| Additions | | 2.8 | 37.0 | 27.3 | 53.3 | 24.9 | 145.3 |
| Transfers | | 4.8 | 11.1 | 10.7 | (37.7) | 11.2 | 0.1 |
| Disposals | | (2.5) | (0.1) | - | (1.8) | (0.1) | (4.5) |
| Depreciation expense | | (2.4) | (52.2) | (11.0) | - | (9.7) | (75.3) |
| Impairment | | - | - | - | - | (0.9) | (0.9) |
| Currency translation effects | | 5.3 | 29.1 | (1.5) | 2.3 | (0.1) | 35.1 |
| **As at 31 December 2010** | | **78.3** | **454.0** | **129.6** | **61.4** | **35.9** | **759.2** |

The carrying amount of Property, plant and equipment accounted for as finance lease assets at 31 December 2010 is EUR 0.5 million and is classified as plant and equipment.

**Impairment**

For financial year 2010 the Group recorded an impairment loss of EUR 0.9 million on leasehold improvements as a consequence of the announced relocation of corporate offices from London to Zurich. No indicator of additional impairment or reversal of impairment for the Group was identified for financial year 2011 and 2010.

## 15 Intangible assets

| EUR million | Note | Goodwill | Exploration & evaluation (a) | Emission rights | Software and other | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost | | 143.7 | 11.5 | 4.0 | 24.1 | 183.3 |
| Accumulated amortisation and impairment | | - | (0.8) | (3.4) | (12.7) | (16.9) |
| **Carrying amounts** | | **143.7** | **10.7** | **0.6** | **11.4** | **166.4** |
| | | | | | | |
| Reconciliation of carrying amounts: | | | | | | |
| As at 1 January 2011 | | 12.1 | - | 3.0 | 3.6 | 18.7 |
| Additions | | - | 4.4 | - | 8.5 | 12.9 |
| Acquired in business combination | 8 | 125.3 | 5.5 | - | 1.0 | 131.8 |
| Transfers | | - | 0.1 | (1.4) | 0.1 | (1.2) |
| Amortisation expense | | - | - | (1.0) | (2.0) | (3.0) |
| Currency translation effects | | 6.3 | 0.7 | - | 0.2 | 7.2 |
| **As at 31 December 2011** | | **143.7** | **10.7** | **0.6** | **11.4** | **166.4** |

| EUR million | Note | Goodwill | Exploration & evaluation (a) | Emission Rights | Software and other | Total |
|---|---|---|---|---|---|---|
| Cost or deemed cost | | 12.1 | - | 4.0 | 10.7 | 26.8 |
| Accumulated depreciation and impairment | | - | - | (1.0) | (7.1) | (8.1) |
| **Carrying amounts** | | **12.1** | **-** | **3.0** | **3.6** | **18.7** |
| | | | | | | |
| As at 1 January 2010 | | 5.1 | 4.5 | 2.8 | - | 12.4 |
| Additions | | - | - | 0.1 | 1.6 | 1.7 |
| Acquired in business combination | 8 | 7.0 | - | - | - | 7.0 |
| Transfers | | - | (4.9) | - | 4.8 | (0.1) |
| Amortization expense | | - | - | - | (2.8) | (2.8) |
| Currency translation effects | | - | 0.4 | 0.1 | - | 0.5 |
| **As at 31 December 2010** | | **12.1** | **-** | **3.0** | **3.6** | **18.7** |

(a) Exploration and evaluation: useful life not determined until transferred to property, plant and equipment

**Goodwill**

Goodwill acquired through business combinations has been allocated to cash-generating units (CGUs) or groups of CGUs no larger than the reportable segments that are expected to benefit from the related acquisitions. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each mining complex and each smelting site has been identified as a separate CGU.

The following goodwill balances result from the requirement on an acquisition to recognise deferred taxes, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. For the purposes of testing this goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that remain at balance date are treated as part of the relevant CGU or group of CGUs.

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Coricancha | 5.1 | 5.1 |
| Huallanca Mines | 7.0 | 7.0 |
| Campo Morado | 72.5 | - |

| | | |
|---|---:|---:|
| El Toqui | 10.9 | - |
| El Mochito | 8.8 | - |
| Myra Falls | 4.9 | - |
| Langlois | 34.5 | - |
| **Total Goodwill** | **143.7** | **12.1** |

The Group performs goodwill impairment testing on an annual basis and at the reporting date if there are indicators of impairment. The most recent test was undertaken at 31 December 2011. In assessing whether goodwill has been impaired, the carrying amount of the CGU is compared with its recoverable amount. The recoverable amount for all CGUs has been determined based on 'fair value less cost to sell' (FVLCS) calculations.

FVLCS is based on the cash flows expected to be generated from mines included within the CGUs. Cash flows are projected for periods up to the date that mining operations are expected to cease, based on management's expectations at the time of completing the testing. This date depends on a number of variables, including recoverable reserves and resources, the forecast selling prices for such production and the treatment charges received from the smelting and refining operations.

There has been no goodwill impairment expense recognised in 2011 and 2010. Cash flows have been projected for a maximum of 11 years (2010: 10 years).

The key assumptions used in the FVLCS calculations are:

- recoverable reserves and resources;
- commodity prices;
- operating costs;
- treatment charges payable to smelters and refiners;
- capital expenditure;
- discount rates; and
- foreign exchange rates.

Economically recoverable reserves and resources represent management's expectations at the time of completing the impairment testing, based on reserves and resource statements and exploration and evaluation work undertaken by appropriately qualified persons.

Long-term commodity prices and treatment charges are determined by reference to external market forecasts. Specific prices are determined using information available in the market after considering the nature of the commodity produced and long-term market expectations. Forecast prices vary in accordance with the year the sale is expected to occur. The commodity prices used in the impairment review are management estimates and are within the range of the available analyst forecasts at 31 December 2011.

Operating cost assumptions are based on management's best estimate at the date of impairment testing of the costs to be incurred. Costs are determined after considering current operating costs, future cost expectations and the nature and location of the operation.

Smelting and refining treatment and refining charges vary in accordance with the commodity processes and time of processing.

Future capital expenditure is based on management's best estimate of required future capital requirements, which generally is for the extraction of existing reserves and resources. It has been determined by taking into account all committed and anticipated capital expenditure adjusted for future cost estimates.

A post-tax discount rate of 10 % has been used for the FVLCS calculation. The discount rate is based on the risk adjusted weighted average cost of capital of the company and the currency of the cash flows generated. The weighted average cost of capital reflects the current market assessment of the time value of money and equity market volatility. These rates were calculated with reference to market information from third party advisers. The cash flows have been adjusted for the risks specific to the CGU which have not been considered in the discount rate.

While a change in the estimates and assumptions used could have a material impact on the calculation of the recoverable amounts of different CGUs and trigger an impairment charge, the Group, based on sensitivity analyses performed does not expect any reasonably possible change in key assumptions to cause the CGU's carrying amounts to exceed their recoverable amounts. The headroom in the base case impairment calculation appears sufficient to absorb any reasonably possible change in the key assumptions used.

## 16 Investments in equity accounted investees

A summary of the Group's investment in equity accounted investees is set out in the following table:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Carrying amount at the beginning of the period | 50.9 | 26.8 |
| Movements of the period: | | |
| Share of profit (after tax) of equity accounted investees | 1.3 | 3.1 |
| Distribution from joint venture | (4.9) | - |
| Acquired in business combinations | 0.2 | - |
| Increase in investment in equity accounted investees | - | 18.3 |
| Currency translation effects | 0.4 | 2.7 |
| **Carrying amount at the end of the period** | **47.9** | **50.9** |

Summary financial information for equity accounted investees, adjusted for the percentage ownership held by the Group, is as follows:

| EUR million | Ownership | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenues | Profit / (loss) |
|---|---|---|---|---|---|---|---|
| 31 December 2011 | | | | | | | |
| ARA (joint venture) | 50.0% | 2.9 | 67.9 | (1.9) | (0.2) | 29.6 | 0.9 |
| Genesis (joint venture) | 50.0% | 2.2 | 0.9 | (3.6) | - | 12.0 | 0.1 |
| Foehl China (joint venture) | 50.0% | 2.5 | 1.2 | (0.4) | - | 5.3 | 1.0 |
| Ironbark (associate) | 26.5% | 1.5 | 29.8 | (0.1) | - | 0.1 | (0.7) |
| Other | 49.0% | 0.2 | - | - | - | - | - |
| **Carrying amount at the end of the period** | | **9.3** | **99.8** | **(6.0)** | **(0.2)** | **47.0** | **1.3** |

| EUR million | Ownership | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenues | Profit / (loss) |
|---|---|---|---|---|---|---|---|
| 31 December 2010 | | | | | | | |
| ARA (joint venture) | 50.0% | 8.9 | 59.5 | (2.4) | (0.3) | 35.3 | 2.3 |
| Genesis (joint venture) | 50.0% | 1.9 | 0.9 | (3.2) | - | 12.9 | - |
| Foehl China (joint venture) | 50.0% | 2.0 | 1.1 | (0.8) | (0.2) | 4.4 | 0.8 |
| Ironbark (associate) | 26.5% | 3.8 | 27.0 | - | - | 0.3 | - |
| **Carrying amount at the end of the period** | | **16.6** | **88.5** | **(6.4)** | **(0.5)** | **52.9** | **3.1** |

The Company acquired in March 2010 an additional 11 % interest in Ironbark Zinc Limited (Ironbark) for EUR 10.3 million. With this additional investment, the total shareholders' stake of Nyrstar in Ironbark increased to 31 %, requiring the investment to be accounted for under the equity method. This step acquisition resulted in a gain arising on the initial investment amounting to EUR 3.7 million which is reflected in the income statement as Other income. In November 2010, Ironbark completed a share placement of 48 million ordinary shares, in which Nyrstar did not participate, resulting in a dilution of Nyrstar's interest down to 26.52 %. The increase in investment in Ironbark amounts to EUR 18.1 million and consists of the cost of acquisition of additional interest (EUR 10.3 million) and the fair value of the previously held interest reclassified from investments in equity securities amounting to EUR 7.8 million. The remaining increase of EUR 0.2 million relates to Foehl China.

## 17 Investments in equity securities

### Investment in Herencia Resources Plc

In April 2010, Nyrstar purchased through a private placement, 10.4 % of the ordinary shares of Herencia Resources Plc, a base metal exploration company listed on the Alternative Investment Market in London, for EUR 0.9 million. The objective of the capital raising was to fund the drilling of a newly discovered vein in Herencia's most advanced zinc-lead-silver-gold Paguanta project in Northern Chile. Nyrstar also participated in a further capital raising in Herencia in December 2010, whereby it maintained its holding of 10.4 % for a purchase price of EUR 0.6 million. Due to the exercise of warrants by a third party, Nyrstar's interest in Herencia Resources Plc decreased to 10.24 % as at 31 December 2010. In 2011 Nyrstar participated in a further capital raisings in Herencia for a total purchase price of EUR 0.6 million. Nyrstar's interest in Herencia is 10.04 % as at 31 December 2011.

### Investment in Exeltium SAS

In April 2010, Nyrstar contributed an amount of EUR 4.2 million to the EUR 172.8 million capital increase of Exeltium SAS, a consortium of electricity-intensive industrial consumers in France, which provides and resells electricity to its industrial partners.

### Ironbark Zinc Limited

As detailed in note 16 Investment in equity accounted investees, the Company acquired in 2010 an additional 11% interest in Ironbark Zinc Limited (Ironbark), thus requiring the investment to be accounted for under the equity method. As a result this investment has been reclassified.

### Qualified Environmental Trust

The investment represent securities related to future reclamation activities that are held by third parties to fund future reclamation costs at Myra Falls. The investments were funded through a qualifying environmental trust and are classified as investment in equity securities and at 31 December 2011 are carried at fair value of EUR 16.8 million.

### Other investments

In 2011 Nyrstar made additional purchases of investments for EUR 7.0 million.

A summary of the Group's investment in other equity securities is set out in the following table:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Carrying amount at the beginning of the period | 9.8 | 5.5 |
| Movements of the period: | | |
| Purchase of investment | 7.6 | 5.7 |
| Acquired in business combination | 16.8 | - |
| Reclassification to investments accounted for under the equity method | - | (7.8) |
| Changes in fair value | (2.1) | 6.4 |
| **Carrying amount at the end of the period** | **32.1** | **9.8** |

The reclassification in 2010 relates to the investment in Ironbark. The reclassified amount includes accumulated fair value adjustments which were previously recognised in other comprehensive income (amounting to EUR 3.7 million).

### 18 Non-current assets: Zinc purchase interests

In February 2010, Nyrstar acquired 1.25 million tonnes of zinc in concentrate from Talvivaara Sotkamo Limited (a member of the Talvivaara Mining Company Plc group) for a purchase price of USD 335 million (EUR 242.6 million).

The acquisition is presented on the face of the statement of financial position as zinc purchase interests. The useful life is determined with reference to the number of metric tonnes to be delivered. The asset is depleted through the income statement using the unit-of-production method, as the asset is recovered with each metric tonnes of zinc delivered under the contract. The depletion expense recognised in the 2011 income statement amounts to EUR 6.8 million (2010: EUR 3.6 million). The carrying amount as at 31 December 2011 of EUR 249.2 million contains foreign currency translation difference of EUR 8.7 million as the asset is held by a Group company with USD as functional currency.

Talvivaara will deliver 100 % of its zinc concentrate production to Nyrstar until the 1.25 million tonnes of zinc in concentrate has been delivered.

### 19 Deferred tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

**Recognised deferred income tax assets and liabilities**

Deferred tax assets and liabilities consist of temporary differences attributable to:

| | Assets | Assets | Liabilities | Liabilities | Net | Net |
|---|---|---|---|---|---|---|
| EUR million | Dec 31, 2011 | Dec 31, 2010 | Dec 31, 2011 | Dec 31, 2010 | Dec 31, 2011 | Dec 31, 2010 |
| Employee benefits | 24.7 | 11.6 | - | - | 24.7 | 11.6 |
| Environmental provisions | 31.0 | 3.3 | - | - | 31.0 | 3.3 |
| Other provisions | 7.5 | 0.1 | - | - | 7.5 | 0.1 |
| Embedded derivatives | - | 5.1 | (9.2) | (7.2) | (9.2) | (2.1) |
| Property, plant and equipment | 34.1 | 4.1 | (242.0) | (54.9) | (207.9) | (50.8) |
| Inventories | 2.5 | 1.7 | - | - | 2.5 | 1.7 |
| Trade and other receivables | - | - | (13.9) | - | (13.9) | - |
| Deferred expenditure | - | - | (24.6) | (10.3) | (24.6) | (10.3) |
| Tax credit notional interest deduction | - | 0.2 | - | - | - | 0.2 |
| Tax losses carried forward | 18.0 | 23.7 | - | - | 18.0 | 23.7 |
| Other | 8.1 | - | (6.0) | (17.9) | 2.1 | (17.9) |
| **Deferred tax assets / (liabilities)** | **125.9** | **49.8** | **(295.7)** | **(90.3)** | **(169.8)** | **(40.5)** |
| Set off of tax | (69.8) | (36.3) | 69.8 | 36.3 | - | - |
| **Net deferred tax assets / (liabilities)** | **56.1** | **13.5** | **(225.9)** | **(54.0)** | **(169.8)** | **(40.5)** |
| | | | | | | |
| whereof current | 42.8 | 13.5 | (6.0) | (17.9) | 36.8 | (4.4) |
| whereof non-current | 13.3 | - | (219.9) | (36.1) | (206.6) | (36.1) |

**Unrecognised deferred tax assets**

Expiration of tax effected unrecognised temporary differences and tax losses

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Deductible temporary differences | 42.5 | 90.4 |
| Tax losses | 153.4 | 90.8 |
| **Total unrecognised deferred tax assets** | **195.9** | **181.2** |

| EUR million | Net deductible temporary differences | Tax loss carry forward | Total Dec 31, 2011 | Net deductible temporary differences | Tax loss carry forward | Total Dec 31, 2010 |
|---|---|---|---|---|---|---|
| No expiration date | 42.5 | 130.6 | 173.1 | 83.6 | 86.2 | 169.8 |
| Expiration date 7 years | - | 22.8 | 22.8 | 6.8 | 4.6 | 11.4 |
| **Total** | **42.5** | **153.4** | **195.9** | **90.4** | **90.8** | **181.2** |

## 20 Other financial assets and liabilities

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Commodity contracts - fair value hedges | - | 11.1 |
| Embedded derivatives | 28.3 | 12.6 |
| Restricted cash | 8.2 | - |
| Deferred debt issuance cost | 4.9 | - |
| **Total non-current assets** | **41.4** | **23.7** |
| | | |
| Commodity contracts - fair value hedges | 45.6 | 28.1 |
| Foreign exchange contracts - held for trading | 4.2 | 7.6 |
| Foreign exchange contracts - cash flow hedge | - | 1.1 |
| Embedded derivatives | 2.5 | - |
| **Total current assets** | **52.3** | **36.8** |
| | | |
| Commodity contracts - fair value hedges | 0.1 | - |
| **Total non-current liabilities** | **0.1** | **-** |
| | | |
| Commodity contracts - fair value hedges | 20.1 | 23.6 |
| Foreign exchange contracts - held for trading | 18.5 | 1.2 |
| Embedded derivatives | - | 5.4 |
| **Total current liabilities** | **38.6** | **30.2** |

### (a) Instruments used by Nyrstar to manage exposure to currency and commodity price risk exposures

The fair value of derivatives (commodity contracts) hedging the inventories and the fixed forward sales contracts resulted in a net asset of EUR 25.4 million (31 December 2010: net asset EUR 15.6 million) being recognised on the statement of financial position.

Carrying amounts of the hedged items of inventory as well as the firm commitments for fixed forward sales contracts are disclosed in note 21 and 22, respectively.

The fair value of foreign exchange derivatives that are commercially effective hedges but do not meet the strict IFRS hedge effective criteria, are classified as held for trading and resulted in a net liability of EUR 14.3 million (31 December 2010 net asset: EUR 6.4 million).

The Group's exposure to currency and commodity risk related to other financial assets and liabilities is disclosed in note 33.

**(b) Embedded derivatives**

Where an embedded derivative is identified and the derivative's risks and characteristics are not considered to be closely related to the underlying host contract, the fair value of the derivative is recognised on the Group's consolidated statement of financial position. The effective portion of changes in the fair value of the Group's embedded derivative are recognised in the cash flow hedge reserve in equity, whilst changes in the fair value of the ineffective hedge portion are recognised in the consolidated income statement.

The change in fair value on the effective portion of the Group's embedded derivatives during the year ended 31 December 2011 with a positive impact of EUR 18.0 million (31 December 2010: negative impact of EUR 16.0 million) was recognised in the cash flow hedge reserve whilst changes in fair value on the ineffective portion and amortisation of the swap's fair value at inception of EUR 3.5 million (31 December 2010: EUR 12.8 million) were recognised in the income statement within energy expenses.

**(c) Deferred debt issuance cost**

These costs represent transaction cost of the SCTF credit facility (see note 26) not yet amortised. As at 31 December 2010 these cost were disclosed under loans and borrowings (EUR 5.3 million).

**(d) Restricted cash**

The restricted cash balance as at 31 December 2011 represents amounts placed on deposit to cover certain reclamation costs.

## 21 Inventories

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Raw materials | 230.8 | 170.2 |
| Work in progress | 223.0 | 268.6 |
| Finished goods | 61.5 | 38.0 |
| Stores and consumables | 76.9 | 46.7 |
| Fair value adjustment | (22.3) | 33.1 |
| **Total inventories** | **569.9** | **556.6** |

As the Group applies hedge accounting as described in note 3(h), the hedged items of inventories are valued at fair value. The fair value adjustment as part of the carrying value of inventories at 31 December 2011 amounts to EUR (22.3) million (31 December 2010: EUR 33.1 million).

During the year ended 31 December 2011 Nyrstar identified, processed and sold silver bearing inventory that has previously not been recognised on the balance sheet. This inventory relates to historical silver losses in the Port Pirie smelter that have been identified as recoverable during the half-year ended 30 June 2011. The estimated pre-tax benefit from the identification, recovery and sale of the silver bearing material recognised as revenue in the income statement for the period ended 31 December 2011 is EUR 78.4 million.

## 22 Other assets and liabilities

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Fair value of underlying hedged risk - current | 15.3 | - |
| Fair value of underlying hedged risk - non-current | 0.1 | - |
| **Total other assets** | **15.4** | **-** |
| | | |
| Fair value of underlying hedged risk - current | - | 27.6 |

| | | |
|---|---|---|
| Fair value of underlying hedged risk - non-current | - | 12.1 |
| Commodity deliver obligation - current | 19.9 | - |
| Commodity deliver obligation - non-current | 47.4 | - |
| **Total other liabilities** | **67.3** | **39.7** |

**(a) Other assets**

The other assets relate to the fair value of fixed forward sales contracts (the underlying hedged items) and resulted in a net asset of EUR 15.4 million, being offset by an amount of EUR 15.6 million representing the fair value of hedging derivatives on these fixed forward sales contracts and included in note 20 Other financial assets and liabilities.

**(b) Other liabilities**

On 5 January 2011 Nyrstar obtained controls of Farallon Mining Ltd., the owner of the Campo Morado mining operation in Mexico. In May 2008, Farallon entered into a contractual agreement with Silver Wheaton to sell 75 % of its silver production from the Campo Morado operation over the life of mine for an upfront payment of USD 80.0 million. Upon physical delivery of the silver, Silver Wheaton will also pay Nyrstar a fixed price payment per ounce of silver produced equal to the lesser of USD 3.90 and the spot price at the time of sale (subject to a 1 % annual adjustment starting in the third year of silver production).

As a part of the purchase price allocation accounting for the Campo Morado acquisition, the obligation to deliver silver to Silver Wheaton has been fair valued based on the present value of the forgone revenue resulting from the Silver Wheaton obligation as of the acquisition date. The obligation is depleted through the income statement using the unit-of-production method, as the mineral reserves related to the Silver Wheaton liability are mined and delivered under the contract. The amortisation of the Silver Wheaton liability in 2011 amounts to EUR 10.7 million.

## 23 Trade and other receivables

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Trade receivables | 301.1 | 198.9 |
| Less provision for receivables impairment | (3.3) | (3.7) |
| **Net trade receivables** | **297.8** | **195.2** |
| Other receivables | 16.1 | 14.4 |
| **Total trade and other receivables** | **313.9** | **209.6** |

The Group’s exposure to currency and liquidity risk related to trade and other receivables is disclosed in note 33.

## 24 Cash and cash equivalents

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Cash at bank and on hand | 81.1 | 56.1 |
| Short-term bank deposits | 96.3 | 104.5 |
| **Total cash and cash equivalents** | **177.4** | **160.6** |

Cash at bank or on hand and short-term deposits earned a combined weighted average interest rate of 0.50 % for calendar year 2011 (2010: 0.50 % per annum).

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 33.

## 25 Capital and reserves

### Share capital and share premium

Based on the provisions of IFRS 3 Business Combinations, the Group's share capital under a reverse acquisition equates to that of the accounting acquirer plus any capital issued to acquire the accounting acquiree. Therefore the share capital and premium disclosed in the consolidated financial statements as at 31 December 2011, represents the combined share capital of the Zinifex Carve-out Group of EUR 371.6 million, the issuance of share capital to acquire the Nyrstar and the Umicore Carve-out Group of EUR 883.8 million and impact of the capital movements during 2011 of EUR 448.7 million.

In 2011 convertible bonds in an aggregate principal amount of EUR 0.1 million were converted into 13,262 new ordinary shares of the Company, at a conversion price of EUR 7.54 per share.

In March 2011 Nyrstar issued 70,009,282 new shares as the result of the completion of a capital increase in the amount of EUR 490.1 million within the framework of a rights offering which was approved by the extraordinary general shareholders' meeting of 6 January 2011. The associated costs of the capital increase amounted to EUR 16.0 million.

As at the 31 December 2011 the share capital of Nyrstar NV comprised 170,022,544 ordinary shares (31 December 2010: 100,000,000) with a par value of EUR 2.50, previously EUR 14.91. This reduction refers to  decisions by the extraordinary Shareholders' meetings held on 24 May 2011 to decrease the fractional value of the company's shares to EUR 2.65 per share and to reduce the company's share capital through the distribution to the shareholders of an amount of EUR 0.15 per outstanding share, EUR (25.5) million. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Distribution to shareholders (capital decrease)

The extraordinary Shareholders' meeting at 24 May 2011 approved a distribution of EUR 0.15 per share, amounting to a total distribution of EUR 25.5 million (net of treasury shares EUR 24.7 million) The distribution was structured as a capital reduction with reimbursement of paid-up capital.

At the annual general shareholders' meeting of 25 April 2012, the board of directors will propose a distribution of EUR 0.16 per share, amounting to a total distribution of EUR 27.2 million, and to structure this distribution as a capital reduction with reimbursement of paid-up capital. These financial statements do not reflect this distribution.

### Reconciliation of movement in reserves

| EUR million | Treasury shares | Translation reserve | Reverse acquisition reserve | Cash flow hedge reserve | Convertible bond | Investments reserve | **Total** |
|---|---|---|---|---|---|---|---|
| As at 1 January 2011 | (55.7) | 63.1 | (273.0) | (5.6) | 8.8 | 4.1 | **(258.3)** |
| Other comprehensive income | - | 30.8 | - | 12.5 | - | (2.1) | **41.2** |
| Change in par value | 46.7 | - | - | - | - | - | **46.7** |
| Acquisition/distribution of treasury shares | (14.5) | - | - | - | - | - | **(14.5)** |
| **As at 31 December 2011** | **(23.5)** | **93.9** | **(273.0)** | **6.9** | **8.8** | **2.0** | **(184.9)** |

| EUR million | Treasury shares | Translation reserve | Reverse acquisition reserve | Cash flow hedge reserve | Convertible bond | Investments reserve | **Total** |
|---|---|---|---|---|---|---|---|
| As at 1 January 2010 | (6.2) | 33.7 | (273.0) | 5.3 | 8.8 | 1.4 | **(230.0)** |
| Other comprehensive income | - | 29.4 | - | (10.9) | - | 2.7 | **21.2** |
| Acquisition of treasury shares | (49.5) | - | - | - | - | - | **(49.5)** |
| **As at 31 December 2010** | **(55.7)** | **63.1** | **(273.0)** | **(5.6)** | **8.8** | **4.1** | **(258.3)** |

**(a) Treasury shares**

During the period 4 May 2011 to 22 September 2011, Nyrstar acquired on Euronext Brussels 6,265,000 of its own shares. The difference between the par value of the total treasury shares purchased during 2011 (EUR 15.7 million) and the consideration paid (EUR 52.1 million), which includes directly attributable costs, amounts to (EUR 36.4 million) and has been recognised directly in accumulated losses.

In March 2011 Nyrstar sold the subscription rights related of its treasury shares held at the time of the capital increase. The consideration received of EUR 7.6 million was recognised directly in accumulated losses.

During the period 10 May 2010 to 28 June 2010, Nyrstar acquired on Euronext Brussels 3,321,558 of its own shares. The difference between the par value of the total treasury shares purchased during 2010 (EUR 49.5 million) and the consideration paid (EUR 29.3 million), which includes directly attributable costs, amounts to EUR 20.2 million and has been recognised directly in accumulated losses.

The treasury shares reserve comprises the par value of the Company's share held by the Group. As at 31 December 2011, the Group held a total of 9,413,138 of the Company's shares (31 December 2010: 3,631,558).

During 2011 the Group partially settled its LTIP Grant 1. A total of 483,420 shares were allocated to the employees as a part of this settlement.

**(b) Translation reserve**

Foreign currency differences arising on the translation of the financial statements of foreign controlled entities are taken to the foreign currency translation reserve, as described in accounting policy note 3(b).

**(c) Reverse acquisition reserve**

The reverse acquisition reserve relates to the acquisition of the Zinifex Carve-out Group in 2007 (EUR 241.5 million) and the final purchase price adjustment paid in 2008 (EUR 31.5 million).

**(d) Cash flow hedge reserve**

The cash flow hedge reserve comprises the effective portion of the cumulative net changes in the fair value and associated tax effect of an embedded derivative contained in the Hobart smelter electricity contract with its electricity supplier.

**(e) Convertible bond**

The amount represents the value of the conversion rights of compound financial instruments recognised in equity as described in accounting policy note 3(l) relating to the convertible bond issued in July 2009 (note 26).

**(f) Investments in equity securities**

The investment reserve comprises the changes in fair value of investments in equity securities determined by reference to their quoted closing bid prices, recognised in equity as described in accounting policy note 3(g).

**(g) Disclosure of the shareholders' structure**

The Group's major shareholders based on notifications of significant shareholdings received as at 31 December 2011 were:

| Shareholder's name | Shareholder's address | Date of notification | Number of voting rights | Share-holding |
|---|---|---|---|---|
| Glencore Holdings AG | Baarmattstrasse 3, 6340 Baar, Switzerland | 9 February 2009 | 13,245,757 | 7.79% |
| BlackRock Group | 33 King William Street, London EC4R 9AS, UK | 31 January 2011 | 12,668,546 | 7.45% |
| Umicore S.A. / N.V. | Broekstraat 31, 1000 Brussels, Belgium | 23 March 2011 | 5,251,856 | 3.09% |
| Norges Bank | Bankplassen 2, Sentrum, 0107 Oslo, Norway | 23 January 2012 | 5,174,119 | 3.04% |
| | | | **36,340,278** | **21.37%** |

At 23 January 2012 Nyrstar received a notification that at 14 November 2011 Norges Bank acquired 5,174,119 ordinary shares, representing 3.04% of the total number of existing voting rights of Nyrstar NV.

In addition, BlackRock Group informed the Group per its notification of significant shareholdings dated 31 January 2011 that it holds convertible bonds issued by Nyrstar NV providing a total of 921,751 additional voting rights (1,125,480 additional voting rights reflecting the impact of the rights issue) that may be acquired if the convertible bonds are converted into shares.

## 26 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks see note 33.

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Unsecured bank loans | - | 0.2 |
| Convertible bonds | 113.5 | 111.5 |
| Fixed rate bonds | 748.4 | 224.7 |
| SCTF Credit Facility | - | 107.0 |
| Finance lease liabilities | 2.5 | - |
| **Total non-current loans and borrowings** | **864.4** | **443.4** |
| | | |
| Unsecured bank loans | 30.5 | 12.9 |
| Finance lease liabilities | 0.8 | 0.5 |
| **Total current loans and borrowings** | **31.3** | **13.4** |
| | | |
| **Total loans and borrowings** | **895.7** | **456.8** |

### Convertible bonds

On 2 July 2009, the Company issued EUR 105 million unsubordinated unsecured convertible bonds, with a five year term, due 2014. On 7 July 2009, the Company completed the exercise of the EUR 15 million over-allotment option, increasing the overall size of the offering to EUR 120 million. The extraordinary general meeting held by the Company on 25 August 2009 approved the issue of new ordinary shares upon conversion of the bonds.

The bonds have been issued at 100 % of their principal amount and have a coupon of 7 % per annum, payable semi-annually in arrears. The conversion price as at 31 December 2011 is EUR 6.17 per share (31 December 2010: EUR 7.54 per share).

The conversion right in respect of a bond may be exercised, at the option of the holder, at any time from 1 September 2009 until 1 July 2014 (ten days prior to final maturity date being 10 July 2014), or if the bonds are called for redemption prior to the final maturity date, until the seventh day before the date fixed for redemption. In 2011 bonds in an aggregate principal amount of EUR 100,000 were converted into 13,262 new ordinary shares of the Company, at a conversion price of EUR 7.54 per share.

If all of the Bonds were to be converted into new ordinary shares as at 31 December 2011, 19,432,739 new ordinary shares would be issued, representing a dilution of 11.4 % of the Company's ordinary share capital.

The liability component of the convertible bond has been determined on initial recognition at fair value by discounting the principal and the interest cash flows of the bond using an interest rate for similar bonds without an equity component set at 9.09 %. Subsequent to the initial recognition the liability is measured at amortized cost.

The Bonds are listed on the Luxembourg Stock Exchange's Euro MTF market.

| EUR million | |
|---|---|
| Proceeds from issue of convertible bonds | 120.0 |
| Transaction costs | (2.5) |
| **Net proceeds** | **117.5** |
| | |
| Amount classified as equity at initial recognition | (8.8) |
| Accretion 2009 | 0.5 |
| **Carrying amount of liability at 31 December 2009** | **109.2** |
| | |
| Accretion 2010 | 2.3 |
| **Carrying amount of liability at 31 December 2010** | **111.5** |
| | |
| Accretion 2011 | 2.1 |
| Converted to equity | (0.1) |
| **Carrying amount of liability at 31 December 2011** | **113.5** |

### SCTF credit facility

In January 2010 Nyrstar entered into a secured 4-year multi-currency Revolving Structured Commodity Trade Finance Credit Facility for an initial amount of EUR 250 million underwritten by Deutsche Bank. Prior to entering into this facility, Nyrstar cancelled its pre-existing syndicated facility which commenced with a limit of EUR 350 million in December 2007 and had been reduced to EUR 150 million in December 2009. The new facility is designed to better suit the nature of Nyrstar's business as the borrowing base adjusts to changing working capital requirements. Specifically, the amount available for drawing is referenced to the value of Nyrstar's inventories and receivables and accordingly adjusts as commodity prices change, thereby offering greater financial flexibility than traditional credit line financing. Borrowings under this facility are secured by Nyrstar's inventories and receivables.

Deutsche Bank and Nyrstar subsequently commenced a syndication process targeting an increase in the facility limit to EUR 300 million. The syndication process was more than twice over-subscribed, and following the scaling back of allocations was closed with an increased facility limit of EUR 400 million. The participating banks in the facility are Deutsche Bank, BNP Paribas Fortis, Fortis Bank (Nederland), ING Belgium, KBC Bank, Natixis, Société Générale, Royal Bank of Scotland, Banco Bilbao Vizcaya Argentaria, Banque LBLux, National Australia Bank Limited, Scotiabank, Dexia Bank, Raiffeisen Zentralbank Oesterreich and Westpac Banking Corporation.

The syndicated facility incorporates an "accordion" feature that facilitated an increase in the facility limit. In November 2010, Nyrstar exercised the accordion and the syndicate banks increased their commitments to EUR 500 million, resulting in a facility limit of EUR 500 million.

At 31 December 2011 there were no drawings under this facility (31 December 2011: USD 150 million drawn), leaving undrawn capacity of EUR 477 million. Directly attributable transaction costs have been deducted at initial recognition and are amortized over the term of the credit facility. Transaction cost not yet amortized at the balance sheet date amount to EUR 4.9 million. These costs are disclosed under other financial assets (see note 20).

The facility has a maturity of four years (with run-off period during the fourth year leading to a maturity of 28 January 2014), and a margin of 1.9% above EURIBOR. In addition to standard representations, warranties and undertakings, including restrictions on mergers and disposals of assets, the facility provides for financial covenants which are linked to certain balance sheet ratios.

### Fixed rate bonds

In March 2010, the Company completed a EUR 225 million public offering of 5.5 % fixed rate bonds due in April 2015. Directly attributable transaction costs have been deducted at initial recognition and are amortized over the term of the bond.

Transaction cost not yet amortized as at the 31 December 2011 amount to EUR 0.3 million (31 December 2010: EUR 0.3 million). The bonds are listed on the Luxembourg Stock Exchange's regulated market.

In May 2011 Nyrstar successfully completed the placement of a five-year 5.375 % fixed rate bonds due 2016 through a public offering in Belgium and Luxembourg. Due to strong demand the offering was increased from initially EUR 150 million to EUR 525 million. Directly attributable transaction costs have also been deducted at initial recognition and are amortized over the term of the bond. Transaction cost not yet amortized as at 31 December 2011 amount to EUR 1.3 million.

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

| | | | | Dec 31, 2011 | | Dec 31, 2010 | |
|---|---|---|---|---|---|---|---|
| EUR million | Currency | Nominal interest rate | Year of maturity | Face value | Carrying amount | Face value | Carrying amount |
| Unsecured bank loans | USD | 2.95% | 2012 | 30.5 | 30.5 | 12.9 | 12.9 |
| Convertible bonds[1] | EUR | 7.00% | 2014 | 119.9 | 113.5 | 120.0 | 111.5 |
| SCTF credit facility | EUR / USD | Euribor / Libor + 1.9% | 2014 | - | - | 112.3 | 107.0 |
| Fixed rate bonds | EUR | 5.50% | 2015 | 225.0 | 224.7 | 225.0 | 224.7 |
| Fixed rate bonds | EUR | 5.38% | 2016 | 525.0 | 523.7 | - | - |
| Finance lease liabilities | AUD | 9.00% | 2015 | 3.0 | 3.0 | 0.5 | 0.5 |
| Finance lease liabilities | USD | 5.05% | 2014 | 0.3 | 0.3 | - | - |
| Other | - | - | - | - | - | 0.2 | 0.2 |
| **Total interest bearing liabilities** | | | | **903.7** | **895.7** | **470.9** | **456.8** |

1) The Company may, at any time on or after 10 July 2012, redeem the bonds together with accrued but unpaid interest, if on not less than 20 out 30 days consecutive dealing days, the volume weighted average price of the shares exceeds 150 % of the conversion price.

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Commitments in relation to finance leases are payable as follows | | |
| Within one year | 0.8 | 0.5 |
| Later than one year but not later than five years | 2.5 | - |
| **Recognised as a liability** | **3.3** | **0.5** |

The Group's exposure to liquidity and currency risk related to loans and borrowings is disclosed in note 33.

## 27 Provisions

| | Current portion | | | | Non-current portion | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Restoration | Restructuring | Workers' compensation and other | Total | Restoration | Restructuring | Workers' compensation and other | Total |
| As at 1 January 2011 | 16.8 | 14.7 | 11.8 | **43.3** | 110.0 | 0.6 | 4.7 | **115.3** |
| Payments | (8.9) | (10.5) | (2.3) | **(21.7)** | (4.9) | - | - | **(4.9)** |
| Acquired in business combination | 2.6 | - | 1.2 | **3.8** | 46.1 | - | 26.4 | **72.5** |
| Additions / (reversals) | (0.7) | (0.7) | 4.0 | **2.6** | (15.4) | - | 0.1 | **(15.3)** |
| Transfers | 0.7 | (0.9) | 0.2 | **-** | 4.6 | (0.6) | (4.8) | **(0.8)** |
| Unwind of discount | - | - | - | **-** | 7.0 | - | 0.3 | **7.3** |
| Currency translation effects | 2.6 | - | 1.5 | **4.1** | 1.5 | - | 1.0 | **2.5** |
| **As at 31 December 2011** | **13.1** | **2.6** | **16.4** | **32.1** | **148.9** | **-** | **27.7** | **176.6** |

| EUR million | Current portion: Restoration | Current portion: Restructuring | Current portion: Workers' compensation and other | Current portion: Total | Non-current portion: Restoration | Non-current portion: Restructuring | Non-current portion: Workers' compensation and other | Non-current portion: Total |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2010 | 14.6 | 17.4 | 1.4 | **33.4** | 115.3 | 4.7 | 4.0 | **124.0** |
| Payments | (3.3) | (12.9) | (0.8) | **(17.0)** | - | - | - | **-** |
| Acquired in business combination | - | - | 10.4 | **10.4** | 7.1 | - | - | **7.1** |
| Additions / (reversals) | (2.8) | 5.5 | 0.5 | **3.2** | (18.5) | 0.6 | (0.2) | **(18.1)** |
| Transfers | 7.5 | 4.7 | - | **12.2** | (7.5) | (4.7) | - | **(12.2)** |
| Unwind of discount | 0.3 | - | - | **0.3** | 7.1 | - | 0.4 | **7.5** |
| Currency translation effects | 0.5 | - | 0.3 | **0.8** | 6.5 | - | 0.5 | **7.0** |
| **As at 31 December 2010** | **16.8** | **14.7** | **11.8** | **43.3** | **110.0** | **0.6** | **4.7** | **115.3** |

### Restoration provisions

Restoration work on the projects provided for is estimated to occur progressively over the next 108 years. The provision is discounted using a current market based pre-tax discount rate and the unwinding of the discount is included in interest expense.

### Restructuring provisions

In 2011 Nyrstar further progressed its global organisational restructuring program with the objective of reducing costs and positioning the Company for a long-term sustainable future. The remaining provision of EUR 2.6 million (31 December 2010: EUR 15.3 million) related mainly to a finalisation of the relocation of Company's corporate, marketing and sales functions to its new corporate office in Zurich, Switzerland and is expected to be utilised in 2012.

### Workers' compensation and other provisions

Workers' compensation payments made by self insured operations (applicable for the following Group entities: Nyrstar Port Pirie Pty Ltd, Nyrstar Hobart Pty Ltd and Nyrstar Clarksville Inc.) will continue over the life of the operations. The weighted average discount rate applied to the carrying values of workers' compensation is 3.6 % (2010: 4.1 %).

Other provisions primarily relate to workers compensation benefits, legal claims and other liabilities. The current portion of these costs is expected to be utilised in the next 12 months and the non-current portion of these costs is expected to be utilised over a weighted average life of two years (2010: two years).

## 28 Employee benefits

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Long service leave (a) | 4.2 | 3.7 |
| Retirement plans (b) | 61.6 | 37.2 |
| Other | 9.3 | 11.3 |
| **Total non-current employee provisions** | **75.1** | **52.2** |
| | | |
| Annual leave and long service leave (a) | 30.6 | 27.8 |
| Other | 21.6 | 16.9 |
| **Total current employee provisions** | **52.2** | **44.7** |
| | | |
| **Total employee provisions** | **127.3** | **96.9** |

**(a) Long service leave**

Annual leave is recognised in respect of employees' services up to the reporting date, calculated as undiscounted amounts based on remuneration wage and salary rates that the entity expects to pay at the reporting date including related on-costs, such as payroll tax.

A liability for long-term employee benefits is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of service provided by employees up to the balance sheet date. Consideration is given to expected future wage and salary levels including related on-costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match the estimated future cash flows.

**(b) Retirement and post-retirement plans**

Nyrstar participates in a number of superannuation and retirement benefit plans. The plans provide benefits on retirement, disablement, death, retrenchment or withdrawal from service, the principal types of benefits being lump sum defined benefits and lump sum defined contribution benefits.

**Defined benefit plans**

- Nyrstar Clarksville Inc: Hourly Employees' Pension Plan, Salaried Employees' Retirement Plan, Pension Plan for Bargaining Unit Employees, NCI/JCZ Pension Plan for Bargaining Unit Employees, Supplemental Executive Retirement Plan reviewed as at 31 December 2011.
- Employees of Nyrstar Budel BV are members of a multi-employer Metal and Electricity industry defined benefit pension plan (PME). PME are unable to provide the necessary information for defined benefit accounting to be applied and consequently the PME plan has been accounted for as a defined contribution plan.
- Nyrstar Budel BV Excedent Pension Plan reviewed as at 31 December 2011.
- Nyrstar Belgium SA/NV: Staff Old Defined Benefit plan funded through pension fund, Staff Cash Balance Plan, Staff Complementary Savings Plan, Staff Insured Old Defined Benefit plan, Staff "appointements continués", Salaried Employees Old Defined Benefit Plan, Salaried Employees "appointements continués", reviewed as at 31 December 2011.
- Nyrstar NV: Staff Cash Balance Plan, Staff Complementary Savings Plan, reviewed as at 31 December 2011.
- Nyrstar France Régime d'Indemnités de Fin de Carrière and Régime du Mutuelle, reviewed as at 31 December 2011.
- Nyrstar Germany GmbH, closed Defined Benefit plan, reviewed as at 31 December 2011.
- Galva 45 SA Régime d'Indemnités de Fin de Carrière, reviewed as at 31 December 2011.
- Nyrstar Sales & Marketing AG: Pension Plan Staff and Pension Plan Staff NMC funded through the Helvetia Group Foundation, reviewed as at 31 December 2011.
- Nyrstar Finance International AG : Pension Plan funded through the Helvetia Group Foundation, reviewed as at 31 December 2011.
- NVI Mining Ltd., Myra Fall Operations : Hourly-Paid Employees' Pension Plan, Thirty-Year Retirement Supplement and Voluntary Early retirement Allowance, reviewed as at 31 December 2011.

**Medical benefit plans**

- Nyrstar Clarksville Inc. Post Retirement Medical Benefit and Life Insurance Plan (PRMB&LI), reviewed as at reviewed as at 31 December 2011. Defined benefit accounting is applied for the PRMB&LI.
- Nyrstar France Mutuelle, reviewed as at reviewed as at 31 December 2011.
- NVI Mining Ltd., Myra Fall Operations : Non-Pension post-retirement benefits plan, reviewed as at 31 December 2011.

The amounts recognised on the statement of financial position have been determined as follows:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Present value of funded obligations | 106.7 | 52.6 |
| Present value of unfunded obligations | 36.1 | 28.4 |
| Total present value of obligations | 142.8 | 81.0 |
| Fair value of plan assets | (82.4) | (45.0) |
| Total deficit | 60.4 | 36.0 |
| Unrecognised past service (cost) / gains | 0.9 | 0.8 |
| Limitiation on recognition of surplus due to asset ceiling | 0.3 | 0.4 |
| **Total recognised retirement benefit obligations** | **61.6** | **37.2** |

Plan assets comprise:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Cash | 0.9 | 0.7 |
| Equity instruments | 34.4 | 15.4 |
| Debt instruments | 25.4 | 15.1 |
| Other assets | 21.7 | 13.8 |
| **Total plan assets** | **82.4** | **45.0** |

The majority of other assets consists of insured plans (Group insurances). The changes in the present value of the defined benefit obligations are as follows:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Defined benefit obligations at start of period | 81.0 | 80.8 |
| Current service cost | 5.7 | 2.4 |
| Interest cost | 4.4 | 4.1 |
| Actuarial (gains) / losses recognised in other comprehensive income | 5.1 | 2.6 |
| Contributions paid into the plans by participants | 1.0 | 0.1 |
| Benefits paid by the plans | (6.1) | (10.5) |
| Plan amendment | (0.7) | (1.0) |
| Plan settlement / curtailments | 0.1 | 0.1 |
| Foreign exchange translation | 1.5 | 2.4 |
| Acquired in business combination | 48.0 | - |
| Addition | 2.8 | - |
| **Defined benefit obligations at end of period** | **142.8** | **81.0** |

The changes in the present value of plan assets are as follows:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Fair value of plan assets at start of period | 45.0 | 41.2 |
| Expected return on plan assets | 3.1 | 2.4 |
| Actuarial gains / (losses) recognised in other comprehensive income | (3.2) | 2.9 |
| Contribution paid into the plans by employer | 6.6 | 4.8 |
| Contribution paid into the plans by participants | 1.0 | 0.1 |
| Benefits paid by the plans | (3.2) | (7.6) |
| Plan settlement / curtailments | - | 0.1 |
| Foreign exchange translation | 0.6 | 1.1 |
| Acquired in business combination | 30.2 | - |
| Addition | 2.3 | - |
| **Fair value of plan assets at end of period** | **82.4** | **45.0** |

The expense recognised in the income statement is as follows:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Current service cost | (5.7) | (2.4) |
| Interest cost | (4.4) | (4.1) |
| Past service gains | - | 2.0 |
| Amortisation of curtailment | (0.1) | (0.1) |
| Expected return on plan assets | 3.1 | 2.4 |
| **Total amounts included in employee benefits expense** | **(7.1)** | **(2.2)** |

The actuarial gains and losses and the limitations on recognition of a surplus recognised directly in other comprehensive income are as follows:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Cumulative at start of period | (1.8) | (1.7) |
| Recognised during the period | (8.5) | (0.1) |
| **Cumulative at end of period** | **(10.3)** | **(1.8)** |

### Principal actuarial assumptions

The principal actuarial assumptions used at the reporting date (expressed as weighted averages):

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Discount rate | 4.38% | 4.45% |
| Expected return on plan assets | 5.75% | 5.21% |
| Expected future salary increases | 2.69% | 2.89% |
| Actual return on plan assets | (0.1) | 5.3 |
| | | |
| Initial trend rate | 5.93% | 5.91% |
| Ultimate trend rate | 4.14% | 4.17% |
| Years until ultimate is reached | 3.6 | 3.5 |

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The expected rate of return is based on historical returns.

### History of funded status and experience adjustments

The defined benefit obligation, plan assets, funded status, changes in actuarial assumptions, and experience adjustments compared to the actuarial assumptions for the years 2008 to 2011 are as follows:

| EUR million | Dec 31, 2011 | Dec 31, 2010 | Dec 31, 2009 | Dec 31, 2008 |
|---|---|---|---|---|
| Defined benefit obligation | 142.8 | 81.0 | 80.8 | 77.9 |
| Fair value of plan assets | (82.4) | (45.0) | (41.2) | (45.4) |
| **Total deficit** | **60.4** | **36.0** | **39.6** | **32.5** |
| Changes in actuarial assumptions | 4.0 | 3.6 | 5.7 | (7.7) |
| Experience adjustments increasing / (reducing) plan liabilities | 1.1 | (1.0) | 0.4 | 0.9 |
| Experience adjustments on plan assets: actual returns (greater) / less than expected | 3.2 | (2.9) | (2.8) | 11.7 |
| **Total** | **8.3** | **(0.3)** | **3.3** | **4.9** |

## 29 Trade and other payables

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Trade payables | 378.9 | 290.7 |
| Other payables | 37.5 | 23.3 |
| **Total trade and other payables** | **416.4** | **314.0** |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 33.

## 30 Deferred income

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Current | 127.4 | 107.0 |
| **Total deferred income** | **127.4** | **107.0** |

Deferred income consists of a consideration of EUR 127.4 million received by the Company from a customer for future physical deliveries of metal inventories that are expected to be settled in normal course of business within one months from the balance sheet date.

## 31 Share-based payments

The Company has established an Employee Share Acquisition Plan (ESAP), an Executive Long Term Incentive Plan (LTIP) and a Co-Investment Plan (together referred to as the "Plans") with a view to attracting, retaining and motivating the employees and senior management of the Company and its wholly owned subsidiaries. The key terms of each Plan are disclosed below:

### Employee Share Acquisition Plan

Under the ESAP Grant 1 eligible employees who were employed by the Group at the grant date or six months thereafter were awarded a conditional right to receive Nyrstar shares.

Under the ESAP Grant 2 eligible employees who were employed by the Group at the grant date or three months thereafter were awarded a conditional right to receive Nyrstar shares.

The terms of the grants are detailed in the table below:

| | Grant 1 | Grant 2 |
|---|---|---|
| Effective Grant Date | 29 Oct 2007 | 29 Oct 2008 |
| Performance Period | 3 years to 29 Oct 2010 | 3 years to 29 Oct 2011 |
| Performance Criteria | Employee remains in service to the 29 Oct 2010 | Employee remains in service to the 29 Oct 2011 |
| Vesting Date | 29 Oct 2010 | 29 Oct 2011 |
| Settlement (a) | Cash | Cash |
| Shares awarded per employee (b) | 50 | 60 |
| Fair value at settlement date (EUR per share) (b) | 10.58 | 6.68 |

The significant inputs into the Monte Carlo valuation model for the ESAP plans granted in 2007 and 2008 were weighted average share price of EURO 10.55 at the grant date, exercise price shown above and dividend yield of 4.0%.

(a) The Board had the discretion to settle the awards in shares or in cash equivalent. As at 31 December 2009 the Company did not have a present obligation to settle in cash and as such the awards were valued as equity-settled in 2009. After the vesting date in 2010 the ESAP Grant 1 was settled in cash equivalent and calculated based on a closing share price of EUR 10.54. For the ESAP Grant 2, the classification was changed from equity-settled to cash-settled in 2010. In 2011, the ESAP Grant 2 was settled based on a closing share price of EUR 6.68.

For ESAP Grant 1 and Grant 2, 50 Nyrstar shares per employee were awarded. As a result of the share capital increase in March 2011, the number of shares awarded to employees was adjusted for ESAP Grant 2 to 60 shares in order to reflect the dilutive impact of the rights issue (previously 50 shares).

If a participating employee left the Group prior to the vesting date, he or she either forfeited his or her rights under the Employee Award. Notwithstanding the above performance criteria the award vested in full immediately in case the participating employee died before his award had vested or in case the participating employee left the company by reason of official retirement before his award had vested.

Employees were not entitled to dividends, voting or other ownership rights in respect of the Employee Awards.

The fair value of services received in return for the shares issued under the ESAP is based on the fair value of the shares granted which for the period to 31 December 2011 was EUR 0.4 million before tax effects and cash settlement (31 December 2010: EUR 0.7 million).

(b) Shares for Grant 2 were adjusted to reflect the March 2011 rights issue. Initially, 50 shares were awarded.

| | Grant 1 | Grant 2 | Total |
|---|---|---|---|
| Opening 1 January 2011 | - | 130,350 | 130,350 |
| Dilutive impact / adjustment | - | 25,330 | 25,330 |
| Forfeitures | - | (3,700) | (3,700) |
| Settlements | - | (151,980) | (151,980) |
| **Closing 31 December 2011** | **-** | **-** | **-** |

| | Grant 1 | Grant 2 | Total |
|---|---|---|---|
| Opening 1 January 2010 | 135,500 | 140,850 | 276,350 |
| Forfeitures | (10,350) | (10,500) | (20,850) |
| Settlements | (125,150) | - | (125,150) |
| **Closing 31 December 2010** | **-** | **130,350** | **130,350** |

**Executive Long Term Incentive Plan**

In April 2008 an initial grant (Grant 1) was made in accordance with the rules and conditions of the Executive Long Term Incentive Plan (LTIP).This 2008 Grant consists of 3 tranches of which the key terms are set out below.

During the first half of 2009 a second grant (Grant 2) was made in accordance with the rules and conditions of the LTIP. The effective accounting grant date of Grant 2 is 30 June 2009 and the performance period over which the performance conditions are assessed is three years, commencing 1 January 2009. Settlement of the awarded shares can be either in the way of an allocation of shares or a cash payment.

During the first half of 2010 a third grant (Grant 3) was made in accordance with the rules and conditions of the Nyrstar Executive Long Term Incentive Plan (LTIP). The effective accounting grant date of Grant 3 is 30 June 2010 and the performance period over which the performance conditions are assessed is three years, commencing 1 January 2010.

During the first half of 2011 a fourth grant (Grant 4) was made in accordance with the rules and conditions of the Nyrstar Executive Long Term Incentive Plan (LTIP). The effective accounting grant date of Grant 4 is 30 June 2011 and the performance period over which the performance conditions are assessed is three years, commencing 1 January 2011.

Towers Watson Limited was engaged to determine the fair value of awards issued under LTIP at grant date. Fair values have been calculated using the Monte Carlo simulation model which has also been used to update the fair value of cash-settled awards at the balance sheet date.

| | Grant 1 Tranche 1 | Grant 1 Tranche 2 | Grant 1 Tranche 3 | Grant 2 | Grant 3 | Grant 4 |
|---|---|---|---|---|---|---|
| Effective Grant Date | 23 Apr 2008 | 23 Apr 2008 | 23 Apr 2008 | 30 Jun 2009 | 30 Jun 2010 | 30 Jun 2011 |
| Performance Period | 12 months to 31 Dec 2008 | 1 Jan 2008 to 31 Dec 2009 | 1 Jan 2008 to 31 Dec 2010 | 1 Jan 2009 to 31 Dec 2011 | 1 Jan 2010 to 31 Dec 2012 | 1 Jan 2011 to 31 Dec 2013 |
| Performance Criteria (a) | | zinc price 50% | zinc price 50% | zinc price 50% | zinc price 50% | zinc price 50% |
| | | MSCI 50% | MSCI 50% | MSCI 50% | MSCI 50% | MSCI 50% |
| | Executive remains in service to the 31 Dec 2008 | Executive remains in service to the 31 Dec 2009 | Executive remains in service to the 31 Dec 2010 | Executive remains in service to the 31 Dec 2011 | Executive remains in service to the 31 Dec 2012 | Executive remains in service to the 31 Dec 2013 |
| Vesting Date | 31 Dec 2010 | 31 Dec 2010 | 31 Dec 2010 | 31 Dec 2011 | 31 Dec 2012 | 31 Dec 2013 |
| Settlement (b) | Cash | Cash | Share | Share / cash | Share / cash | Share / cash |
| Fair Value of LTIP at grant date (EUR per share) | | | | | | |
| - remains in service | 11.11 | n/a | n/a | n/a | n/a | n/a |
| - ROCE | n/a | 10.69 | 10.28 | n/a | n/a | n/a |
| - TSR | n/a | 5.30 | 5.65 | n/a | n/a | n/a |
| - Price of zinc | n/a | n/a | n/a | 2.67 | 5.14 | 6.77 |
| - MSCI | n/a | n/a | n/a | 2.88 | 3.37 | 5.68 |

Share prices have been adjusted for dilutive impact from capital increase

The significant inputs into the Monte Carlo valuation model for the LTIP plans granted in 2011 were weighted average share price of Euro 7.47 (2010: Euro 11.10) at the grant date, exercise price shown above, volatility of Nyrstar share price of 46% (2010: 57%), volatility of zinc price of 34% (2010: 43%), volatility of MSCI Metals and Mining Index of 25% (2010: 39%), dividend yield of 3.0% (2010: 3.6%), expected forfeiture rate of 0% (2010:

0%),and an annual risk-free interest rate of 2.1% (2010: 3.1%). The volatilities are measured based on the statistical analysis of the related movements during the 15 months prior to the grant date. The performance conditions are both market-related and were accounted for in calculating the fair value of the awards.

During the period between the satisfaction of the performance condition and when the participating employee receives the relevant payment, the employee will be entitled to a payment equal to the cash equivalent of any dividends paid. In 2010, participants received a cash equivalent of EUR 0.10 per share award for awards granted under Grant 1, tranche 1 and tranche 2. In 2011, no cash payments were made to the plan participants.

In 2011, employees who joined Nyrstar that year received a proportional share of the awards under Grant 2, Grant 3 and Grant 4. The fair value of these rights amounted to EUR 1.1 million for 2011. There are no changes to the terms and conditions of the grants.

The fair value of services received in return for the shares issued under the LTIP is based on the fair value of the share options granted which for the period to 31 December 2011 amounts to:

Grant 1: nil (31 December 2010: EUR 2.2 million )

Grant 2: EUR 3.3 million before tax effects (31 December 2010: EUR 2.8 million)

Grant 3: EUR 1.1 million before tax effects (31 December 2010: EUR 0.6 million)

Grant 4: EUR 1.4 million before tax effects (31 December 2010: nil)

(a) Performance criteria

The performance conditions are set out below.

Service condition

The eligible employee under the LTIP is to remain an employee of Nyrstar NV or its subsidiaries until the date indicated in the table above.

Price of zinc / MSCI

To ensure that the LTIP is aligned with maximizing shareholder returns, the Board has set two performance conditions, which are weighted equally. The performance conditions of Grant 1 (tranches 2 and 3) were modified on 28 April 2009 to become the same as the performance conditions for Grant 2, Grant 3 and Grant 4.

There are two separate performance conditions with an equal number of awards granted under each condition. For an award to vest, Nyrstar's annual share price performance is measured relative to the implied change in a notional share price that is based upon the historical performance of:

- Price of zinc

- MSCI World Metals and Mining Index

Shares are awarded pro rata to executives to the extent that predetermined scaling thresholds for each of the performance conditions are met. The vesting schedule is set out in the table below:

| Price of zinc (50%)<br>Annual performance of the Nyrstar share price compared to the share price implied by the price of zinc | vesting | MSCI World Metals and Mining Index (50%)<br>Annual performance of the Nyrstar share price compared to the share price implied by this index | vesting |
|---|---|---|---|
| > 500 bp | 100% | > 500 bp | 100% |
| > 400 bp | 80% | > 400 bp | 80% |

| | | | |
|---|---|---|---|
| > 300 bp | 60% | > 300 bp | 60% |
| > 200 bp | 40% | > 200 bp | 40% |
| > 100 bp | 20% | > 100 bp | 20% |

A volume weighted average out-performance is calculated for each year. These are averaged over the performance period and compared to the vesting schedule.

(b) Settlement

Tranche 1 and 2 under LTIP Grant 1 were cash settled share based payment plans and accordingly the tranches were to be revalued at each reporting date.

The Board has the discretion to settle LTIP Grant 2, Grant 3 and Grant 4 award in shares or cash equivalent. However, the Company does not have a present obligation to settle in cash and as such the award is currently valued as equity settled.

Movement of LTIP shares awarded

The following table sets out the movement in the number of equity instruments granted during the period in relation to the LTIP:

| | Grant 1 Tranche 1 | Grant 1 Tranche 2 | Grant 1 Tranche 3 | Grant 2 | Grant 3 | Grant 4 | Total |
|---|---|---|---|---|---|---|---|
| Opening 1 Jan 2011 | 292,845 | 179,756 | 237,837 | 2,105,305 | 560,516 | - | 3,376,259 |
| Dilutive impact / adjustment | 57,784 | 35,469 | 46,930 | 415,415 | 110,600 | - | 666,198 |
| Initial allocation 30 Jun 2011 | - | - | - | - | - | 1,149,398 | 1,149,398 |
| (Forfeitures) | - | - | - | (195,730) | (65,270) | (24,748) | (285,748) |
| Additions | - | - | - | 439,827 | 217,397 | 71,518 | 728,742 |
| Settlements | (350,629) | (215,225) | (284,767) | - | - | - | (850,621) |
| **Closing 31 Dec 2011** | **-** | **-** | **-** | **2,764,817** | **823,243** | **1,196,168** | **4,784,228** |

| | Grant 1 Tranche 1 | Grant 1 Tranche 2 | Grant 1 Tranche 3 | Grant 2 | Grant 3 | Grant 4 | Total |
|---|---|---|---|---|---|---|---|
| Opening 1 Jan 2010 | 292,737 | 221,955 | 234,532 | 2,003,351 | - | - | 2,752,575 |
| Initial allocation 30 Jun 2010 | - | - | - | - | 604,407 | - | 604,407 |
| (Forfeitures) / Additions | 108 | (42,199) | 3,305 | 101,954 | (43,891) | - | 19,277 |
| **Closing 31 Dec 2010** | **292,845** | **179,756** | **237,837** | **2,105,305** | **560,516** | **-** | **3,376,259** |

**Management Committee Co-Investment Plan**

A co-investment plan for the members of the Management Committee was approved by the annual general shareholders' meeting held on 28 April 2010. The effective accounting grant date is 5 May 2010 and the conditions are assessed from the grant date till 15 July 2013, i.e. the vesting date. For each Nyrstar share that a member of the management committee purchased between 30 April 2010 and 28 June 2010, Nyrstar will grant the respective participant on the vesting date, a number of additional Nyrstar shares provided that (a) the participant is still employed by Nyrstar on the vesting date and (b) the participant still holds the co-investment shares on the vesting date.

In line with the resolution of the Annual General Shareholders meeting held at 27 April 2011 the Co-investment Plan has reflected the impact of the March 2011 rights issue by the Company. It was also agreed that additional 95,510 shares of the company subscribed for by the respective participants in the Co-Investment Plan are considered “Co-investment Shares” for purposes of the Co-Investment Plan. At 30 June 2011 an additional participant has purchased 25,000 shares as participation in the Co-investment plan. The terms and conditions of this participation are consistent with the terms and conditions of the previous Co-investment Plan participations.

The Co-Investment plan has three measurement dates, i.e. (a) 1 July 2011 (Measurement Date 1), (b) 1 July 2012 (Measurement Date 2) and (c) 1 July 2013 (Measurement Date 3). The number of Matching Shares is the product of (a) the highest of multiple A, multiple B and multiple C and (b) the total number of the Co-Investment Shares of the respective Participant.

“Multiple A” will be equal to:

(a) zero, if the highest average closing price of Nyrstar shares during any given full calendar week between 1 July 2010 and 1 July 2011 has been less than EUR 16.70,

(b) four, if the highest average closing price of Nyrstar shares during any given full calendar week between 1 July 2010 and 1 July 2011 has been equal to or higher than EUR 25.06, or

(c) a number between two and four, to be determined on a straight line basis, if the highest average closing price of Nyrstar shares during any given full calendar week between 1 July 2010 and 1 July 2011 has been between EUR 16.70 and EUR 25.06, whereby factor two (2) coincides with the EUR 16.70 threshold and factor four (4) coincides with the EUR 25.06 threshold.

“Multiple B” will be equal to:

(a) zero, if the highest average closing price of Nyrstar shares during any given full calendar week between 1 July 2011 and 1 July 2012 has been less than EUR 16.70,

(b) four, if the highest average closing price of Nyrstar shares during any given full calendar week between 1 July 2011 and 1 July 2012 has been equal to or higher than EUR 25.06, or

(c) a number between two and four, to be determined on a straight line basis, if the highest average closing price of Nyrstar shares during any given full calendar week between 1 July 2011 and 1 July 2012 has been between EUR 16.70 and EUR 25.06, whereby factor two (2) coincides with the EUR 16.70 threshold and factor four (4) coincides with the EUR 25.06 threshold.

“Multiple C” will be equal to:

(a) zero, if the highest average closing price of Nyrstar shares during any given full calendar week between 1 July 2012 and 1 July 2013 has been less than EUR 16.70,

(b) four, if the highest average closing price of Nyrstar shares during any given full calendar week between 1 July 2012 and 1 July 2013 has been equal to or higher than EUR 25.06, or

(c) a number between two and four, to be determined on a straight line basis, if the average closing price of Nyrstar shares during any given full calendar week between 1 July 2012 and 1 July 2013 has been between twenty EUR 16.07 and EUR 25.06, whereby factor two (2) coincides with the EUR 16.70 threshold and factor four (4) coincides with the EUR 25.06 threshold.

The Matching Shares will consist of Nyrstar shares which the company intents to redeem in accordance with the respective statutory powers granted to the board. If Nyrstar is unable to deliver the respective Matching Shares to a Participant, Nyrstar will be able to settle its respective obligations by granting such Participant a cash amount equal to the product of the number of Matching Shares to be delivered to such Participant and the average closing price of the Nyrstar shares during the twenty trading days preceding the Vesting Date. In the context of the Co-Investment Plan Nyrstar will grant each Participant an unconditional cash bonus, the net amount of which - to be calculated for each respective Participant separately - will be equal to the product of (a) the number of Co-investment Shares of the Participant and (b) the difference between the average purchase price paid by the Participant for his respective Co-investment Shares and EUR 10.00.

The members of the management have purchased a total number of 348,000 shares (as of 31 December 2010: 190,000 shares) as participation in the co-investment plan. The fair value of services received in return for the shares qualifying under the co-investment plan is based on the fair value of the awards granted which for financial year 2011 amounts to EUR 1.6 million (2010: EUR 0.7 million).

The significant inputs into the Monte Carlo valuation model for the Co-Investment plans granted in 2011 were weighted average share price of Euro 9.98 (2010: Euro 9.04) at the grant date, volatility of Nyrstar share price of 50% (2010: 55%), dividend yield of 3.0% (2010: 3.0%), expected forfeiture rate of 0% (2010: 0%), and an annual risk-free interest rate of 1.4% (2010: 1.6%). The volatility is measured based on the statistical analysis of the share prices during the 15 months prior to the grant date. The performance conditions are both market-related and were accounted for in calculating the fair value of the awards.

## 32 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share (EPS) at 31 December 2011 was based on the profit attributable to ordinary shareholders of EUR 36.0 million and a weighted average number of ordinary shares outstanding of 149.2 million.

The basic EPS is calculated as follows:

| EUR million | 2011 | 2010 |
|---|---|---|
| Profit / (loss) attributable to ordinary shareholders (basic) | 36.0 | 72.2 |
| | | |
| Weighted average number of ordinary shares (basic, in million)[1] | 149.2 | 117.1 |
| | | |
| **Earnings per share (basic, in EUR)** | **0.24** | **0.62** |

### (b) Diluted earnings per share

The calculation of diluted earnings per share (EPS) at 31 December 2011 was based on the profit attributable to ordinary shareholders (diluted) of EUR 36.0 million and a weighted average number of ordinary shares outstanding of 152.1 million.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares. The dilutive impact of the long term incentive plan has been included in the weighted average number of ordinary shares for the calculation of the dilutive EPS. The convertible bond has been assume to be anti-dilutive at 31 December 2011, however, at 31 December 2010 it the convertible bond was dilutive and it was is assumed to have been converted into ordinary shares, and the net profit is was adjusted to eliminate the interest expense, net of tax, resulting from the liability component of the convertible bond.

The diluted EPS is calculated as follows:

| EUR million | 2011 | 2010 |
|---|---|---|
| Profit / (loss) attributable to ordinary shareholders (basic) | 36.0 | 72.2 |
| Interest expense on convertible bond, net of tax | - | 10.3 |
| **Profit / (loss) attributable to ordinary shareholders (diluted)** | **36.0** | **82.5** |
| | | |
| Weighted average number of ordinary shares (basic, in million)[1] | 149.2 | 117.1 |

| | | |
|---|---|---|
| Effect of long term incentive plan | 2.9 | 2.5 |
| Effect of conversion of convertible bond (in million) | - | 19.0 |
| **Weighted average number of ordinary shares (diluted, in million)[1]** | **152.1** | **138.6** |
| | | |
| **Earnings per share (diluted, in EUR)** | **0.24** | **0.60** |

1) In relation to the rights offering, the comparative earnings per share for 31 December 2010 have been restated to retroactively reflect the impact of the March 2011 rights issue. As the rights issue was offered at a discount (EUR 7.00) to market value (EUR 11.54), the weighted average number of shares outstanding for 31 December 2011 and 31 December 2010 were adjusted in accordance with IAS 33 Earnings per Share. The adjustment resulted in an increase in the weighted average shares outstanding, both basic and diluted, in 2011 and 2010 of approximately 20 %. Further details of the rights issue and international offering are disclosed in Note 25 capital and reserves.

## 33 Financial instruments

In the normal course of business, Nyrstar is exposed to fluctuations in commodity prices and exchange rates, interest rate risk, credit risk and liquidity risk. In accordance with Nyrstar's risk management policies, derivative financial instruments are used to hedge exposures to commodity prices and exchange fluctuations, but may not be entered into for speculative purposes.

### (a) Credit risk

### (i) Exposure to credit risk

Credit risk represents the loss that would be recognised if the counterparties to financial instruments fail to perform as contracted. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Trade and other receivables | 313.9 | 209.6 |
| Cash and cash equivalents | 177.4 | 160.6 |
| Commodity contracts used for hedging: assets | 45.6 | 39.2 |
| Embedded derivatives: assets | 30.8 | 12.6 |
| Forward exchange contracts used for hedging: assets | - | 1.1 |
| Forward exchange contracts used for trading: assets | 4.2 | 7.6 |
| Restricted cash | 8.2 | - |
| **Total** | **580.1** | **430.7** |

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Domestic Euro-zone countries | 165.9 | 104.1 |
| Asia | 41.6 | 41.5 |
| United States | 11.9 | 14.5 |
| Other European countries | 56.8 | 41.0 |
| Other regions | 37.7 | 8.5 |
| **Total** | **313.9** | **209.6** |

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Wholesale customers | 276.3 | 180.2 |
| End-user customers | 37.6 | 29.4 |
| **Total** | **313.9** | **209.6** |

**(ii) Aging analysis**

The aging of trade and other receivables at the reporting date was:

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Not past due | 263.8 | 175.4 |
| Past due 0-30 days | 24.7 | 26.8 |
| Past due 31-120 days | 10.6 | 2.1 |
| Past due 121 days – one year | 14.0 | 2.2 |
| More than one year | 0.8 | 3.1 |
| **Total** | **313.9** | **209.6** |

Credit risk in trade receivables is also managed in the following ways:

- The Company has a duty to exercise reasonable care and prudence in granting credit to and withholding credit from existing and potential customers. The Company takes all reasonable steps and uses its best endeavours to minimize any losses arising from bad debts. The Company's Credit Risk Management Policy describes the structure and systems put in place in order to efficiently and effectively manage the risks related to the credit granted to business partners.
- Payment terms can vary from 0 to 90 days, after the month of delivery. Payment terms are dependent on whether the sale is a cash sale or a sale with an attached letter of credit stating the payment terms.
- A risk assessment is undertaken before granting customers a credit limit. Where no credit limit is granted sales have to be covered by other securities (i.e. bank guarantee, parent guarantee) and/or by documentary collection.
- If sales are covered by a letter of credit, this will in principle be irrevocable, confirmed with approved financial institutions.

**(iii) Banks and financial institutions**

For banks and financial institutions, only independently rated parties with a minimum of 'A' are accepted.

**(b) Liquidity risk management**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| EUR million | Carrying amount | Contractual cash flows | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 5 years | 5 years or more |
|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities as at 31 December, 2011 | | | | | | | |
| Finance lease liabilities | (3.3) | (3.4) | (0.4) | (0.4) | (0.8) | (1.8) | - |
| Loans and borrowings | (892.4) | (1,085.2) | (40.1) | (4.2) | (49.3) | (987.7) | (3.9) |
| Trade and other payables | (416.4) | (416.4) | (403.6) | (10.1) | (0.2) | (2.4) | (0.1) |
| | | | | | | | |
| Derivative financial liabilities as at 31 December, 2011 | | | | | | | |
| Commodity contracts – fair value hedges | (20.2) | (20.2) | (17.0) | (3.1) | (0.1) | - | - |
| Foreign exchange contracts – held for trading | (18.5) | (18.5) | (18.5) | - | - | - | - |

| EUR million | Carrying amount | Contractual cash flows | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 5 years | 5 years or more |
|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities as at 31 December, 2010 | | | | | | | |
| Finance lease liabilities | (0.5) | (0.5) | (0.4) | (0.1) | - | - | - |
| Loans and borrowings | (456.3) | (566.0) | (29.5) | (4.2) | (21.0) | (511.3) | - |
| Trade and other payables | (314.0) | (314.0) | (298.9) | (15.1) | - | - | - |
| | | | | | | | |
| Derivative financial liabilities as at 31 December, 2010 | | | | | | | |
| Commodity contracts – fair value hedges | (23.6) | (23.6) | (23.6) | - | - | - | - |
| Foreign exchange contracts – held for trading | (1.2) | (1.2) | (1.2) | - | - | - | - |
| Embedded derivatives | (5.4) | (5.4) | (2.7) | (2.7) | - | - | - |

### (c) Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

| EUR million | EUR | USD | AUD | CAD | Other | Total Dec 31, 2011 |
|---|---|---|---|---|---|---|
| Trade and other receivables | 116.7 | 134.2 | 37.7 | - | 25.3 | **313.9** |
| Loans and borrowings | (862.0) | (29.8) | (3.7) | - | (0.2) | **(895.7)** |
| Trade and other payables | (173.5) | (95.7) | (69.5) | - | (77.7) | **(416.4)** |
| **Gross balance sheet exposure** | **(918.8)** | **8.7** | **(35.5)** | **-** | **(52.6)** | **(998.2)** |
| | | | | | | |
| Foreign exchange contracts | 804.4 | (690.1) | 86.8 | (111.4) | (104.0) | **(14.3)** |
| Commodity contracts | - | 45.6 | - | - | - | **45.6** |
| **Net exposure** | **(114.4)** | **(635.8)** | **51.3** | **(111.4)** | **(156.6)** | **(966.9)** |

| EUR million | EUR | USD | AUD | CAD | Other | Total Dec 31, 2010 |
|---|---|---|---|---|---|---|
| Trade and other receivables | 107.3 | 92.5 | 7.4 | - | 2.4 | **209.6** |
| Loans and borrowings | (336.4) | (119.9) | (0.5) | - | - | **(456.8)** |
| Trade and other payables | (127.4) | (140.7) | (40.6) | - | (5.3) | **(314.0)** |
| **Gross balance sheet exposure** | **(356.5)** | **(168.1)** | **(33.7)** | **-** | **(2.9)** | **(561.2)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Foreign exchange contracts | 179.9 | (310.6) | 152.0 | - | (14.6) | **6.7** |
| Commodity contracts | - | 23.7 | - | - | - | **23.7** |
| **Net exposure** | **(176.6)** | **(455.0)** | **118.3** | **-** | **(17.5)** | **(530.8)** |

Sensitivity analysis

Nyrstar's results are significantly affected by changes in foreign exchange rates. Sensitivities to variations in foreign exchange rates are depicted in the following table, which sets out the estimated impact on Nyrstar's full year results and equity (in EUR million).

| Parameter | Variable | 2011 | 2010 |
|---|---|---|---|
| USD / EUR | + / - EUR 0.01 | + / - 11 | + / - 10 |
| AUD / EUR | + / - EUR 0.01 | - / + 3 | - / + 4 |

The above sensitivities were calculated by modelling Nyrstar's 2011 and 2010 underlying operating performance. Exchange rates are based on an average value observed during that period and are varied in isolation to determine the impact on Nyrstar's full year results and equity.

**(d) Commodity price risk management**

Nyrstar is exposed to commodity price volatility on commodity sales and raw materials purchased. Nyrstar may enter into zinc, lead and silver futures and swap contracts to hedge certain forward fixed price sales to customers in order to achieve the relevant metal price at the date that the transaction is settled. Nyrstar may enter into zinc, lead and silver futures and swap contracts to more closely align the time at which the price for externally sourced concentrate purchases is set to the time at which the price for the sale of metal produced from that concentrate is set. These instruments are referred to as ‘metal at risk’ hedges and the terms of these contracts are normally between one and three months.

The following table sets out a summary of the face value of derivative contracts hedging commodity price risks at 31 December 2011.

| EUR million | Average price in USD | 6 months or less | 6 - 12 months | 12 - 18 months | more than 18 months | Total Dec 31, 2011 |
|---|---|---|---|---|---|---|
| Zinc | per tonne | | | | | |
| Contracts purchased | 1,995 | (117.6) | (43.1) | (3.5) | - | **(164.2)** |
| Contracts sold | 1,941 | 129.8 | 0.3 | 1.6 | - | **131.7** |
| **Net position** | | **12.2** | **(42.8)** | **(1.9)** | **-** | **(32.5)** |
| Lead | per tonne | | | | | |
| Contracts purchased | 1,987 | (5.1) | - | - | - | **(5.1)** |
| Contracts sold | 2,252 | 24.5 | 19.0 | - | - | **43.5** |
| **Net position** | | **19.4** | **19.0** | **-** | **-** | **38.4** |
| Silver | per ounce | | | | | |
| Contracts purchased | 30.98 | (48.6) | - | - | - | **(48.6)** |
| Contracts sold | 32.96 | 239.3 | - | - | - | **239.3** |
| **Net position** | | **190.7** | **-** | **-** | **-** | **190.7** |

The following table sets out a summary of the face value of derivative contracts hedging commodity price risks at 31 December 2010.

| EUR million | Average price in USD | 6 months or less | 6 - 12 months | 12 - 18 months | more than 18 months | Total Dec 31, 2010 |
|---|---|---|---|---|---|---|
| Zinc | per tonne | | | | | |
| Contracts purchased | 2,085 | (92.5) | (58.8) | (23.1) | (21.5) | **(195.9)** |
| Contracts sold | 2,245 | 116.7 | 0.8 | 0.2 | - | **117.7** |
| **Net position** | | **24.2** | **(58.0)** | **(22.9)** | **(21.5)** | **(78.2)** |
| Lead | per tonne | | | | | |
| Contracts purchased | 2,505 | (7.4) | - | - | - | **(7.4)** |
| Contracts sold | 2,245 | 35.0 | - | - | - | **35.0** |
| **Net position** | | **27.6** | **-** | **-** | **-** | **27.6** |
| Silver | per ounce | | | | | |
| Contracts purchased | 28.25 | (33.8) | (2.0) | - | - | **(35.8)** |
| Contracts sold | 28.65 | 110.1 | - | - | - | **110.1** |
| **Net position** | | **76.3** | **(2.0)** | **-** | **-** | **74.3** |

Sensitivity analysis

Nyrstar's results are significantly affected by changes in metal prices and treatment charges (TC).

Sensitivities to variations in metal prices and treatment charges are depicted in the following table, which sets out the estimated impact on Nyrstar's full year results and equity (in EUR million).

| Parameter | Variable | 2011 | 2010 |
|---|---|---|---|
| Zinc price | + / - USD 100 / tonne | + / - 31 | + / - 25 |
| Lead price | + / - USD 100 / tonne | + / - 1 | + / - 1 |
| Zinc TC | + / - USD 25 / tonne | + / - 30 | + / - 32 |
| Lead TC | + / - USD 25 / tonne | + / - 6 | + / - 5 |

The above sensitivities were calculated by modelling Nyrstar's 2011 and 2010 underlying operating performance. Metal prices are based on an average value observed during that period and are varied in isolation to determine the impact on Nyrstar's full year results and equity.

**(e) Financial Instruments by category**

| | 31 December 2011 | | | | | |
|---|---|---|---|---|---|---|
| EUR million | Loans and receivables | Fair value through profit and loss | Available for sale | Derivatives used for hedging | At amortised costs | Total |
| Derivative financial instruments | - | 4.2 | - | 76.4 | - | **80.6** |
| Trade and other receivables excl prepayments | 313.9 | - | - | - | - | **313.9** |
| Cash and cash equivalents | 177.4 | - | - | - | - | **177.4** |
| Restricted cash | 8.2 | - | - | - | - | **8.2** |
| Investments in equity securities | - | - | 32.1 | - | - | **32.1** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Borrowings excl finance lease liabilities | - | - | - | - | (892.4) | **(892.4)** |
| Finance lease liabilities | - | - | - | - | (3.3) | **(3.3)** |
| Derivative financial instruments | - | - | - | (38.7) | - | **(38.7)** |
| Trade and other payables | - | - | - | - | (416.4) | **(416.4)** |
| **Net position** | **499.5** | **4.2** | **32.1** | **37.7** | **(1,312.1)** | **(738.6)** |

| | 31 December 2010 | | | | | |
|---|---|---|---|---|---|---|
| EUR million | Loans and receivables | Fair value through profit and loss | Available for sale | Derivatives used for hedging | At amortised costs | Total |
| Derivative financial instruments | - | 20.3 | - | 40.2 | - | **60.5** |
| Trade and other receivables excl prepayments | 209.6 | - | - | - | - | **209.6** |
| Cash and cash equivalents | 160.6 | - | - | - | - | **160.6** |
| Investments in equity securities | - | - | 9.8 | - | - | **9.8** |
| Borrowings excl finance lease liabilities | - | - | - | - | (456.3) | **(456.3)** |
| Finance lease liabilities | - | - | - | - | (0.5) | **(0.5)** |
| Derivative financial instruments | - | - | - | (30.2) | - | **(30.2)** |
| Trade and other payables | - | - | - | - | (314.0) | **(314.0)** |
| **Net position** | **370.2** | **20.3** | **9.8** | **10.0** | **(770.8)** | **(360.5)** |

### (f) Interest rate risk management

Nyrstar's exposure to interest rate risk and along with sensitivity analysis on a change of 100 basis points in interest rates at balance date on interest bearing assets and liabilities is set out below:

| | 31 December 2011 | | | Sensitivity analysis, in 100 bp | | | |
|---|---|---|---|---|---|---|---|
| EUR million | Floating | Fixed | | Income statement | | Equity | |
| Interest rate risk exposures | interest rate | interest rate | Total | increase | decrease | increase | decrease |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 177.4 | - | **177.4** | 1.8 | (0.9) | 1.8 | **(0.9)** |
| Financial liabilities | | | | | | | |
| Loan facility | - | (30.5) | **(30.5)** | - | - | - | **-** |
| Borrowings - fixed rate bonds | - | (748.4) | **(748.4)** | - | - | - | **-** |
| Borrowings - convertible bonds | - | (113.5) | **(113.5)** | - | - | - | **-** |
| Finance lease liabilities | - | (3.3) | **(3.3)** | - | - | - | **-** |
| **Net interest bearing financial assets / (liabilities)** | **177.4** | **(903.9)** | **(726.5)** | **1.8** | **(0.9)** | **1.8** | **(0.9)** |

| | 31 December 2010 | | | Sensitivity analysis, in 100 bp | | | |
|---|---|---|---|---|---|---|---|
| EUR million | Floating | Fixed | | Income statement | | Equity | |
| Interest rate risk exposures | interest rate | interest rate | Total | increase | decrease | increase | decrease |
| Financial assets | | | | | | | |
| Cash and cash equivalents | 160.6 | - | **160.6** | 1.6 | (0.8) | 1.6 | **(0.8)** |
| Financial liabilities | | | | | | | |
| Loan facility | - | (13.1) | **(13.1)** | - | - | - | **-** |
| Borrowings - fixed rate bonds | - | (224.7) | **(224.7)** | - | - | - | **-** |
| Borrowings - SCTF credit facility | (107.0) | - | **(107.0)** | (1.1) | 0.3 | (1.1) | **0.3** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Borrowings - convertible bonds | - | (111.5) | **(111.5)** | - | - | - | **-** |
| Finance lease liabilities | - | (0.5) | **(0.5)** | - | - | - | **-** |
| **Net interest bearing financial assets / (liabilities)** | **53.6** | **(349.8)** | **(296.2)** | **0.5** | **(0.5)** | **0.5** | **(0.5)** |

### (g) Fair value of financial assets and financial liabilities

The carrying amount of all financial assets and liabilities recognised at amortised cost on the combined statement of financial position approximates their fair value.

| | 31 December 2011 | | 31 December 2010 | |
|---|---|---|---|---|
| EUR million | Carrying amount | Fair value | Carrying amount | Fair value |
| Trade and other receivables | 313.9 | 313.9 | 209.6 | 209.6 |
| Investments in equity securities | 32.1 | 32.1 | 9.8 | 9.8 |
| Cash and cash equivalents | 177.4 | 177.4 | 160.6 | 160.6 |
| Restricted cash | 8.2 | 8.2 | - | - |
| **Total** | **531.6** | **531.6** | **380.0** | **380.0** |
| Commodity contracts – fair value hedges | 45.6 | 45.6 | 39.2 | 39.2 |
| Foreign exchange contracts – cash flow hedges | - | - | 1.1 | 1.1 |
| Foreign exchange contracts – held for trading | 4.2 | 4.2 | 7.6 | 7.6 |
| Embedded derivative | 30.8 | 30.8 | 12.6 | 12.6 |
| **Total** | **80.6** | **80.6** | **60.5** | **60.5** |
| Commodity contracts – fair value hedges | (20.2) | (20.2) | (23.6) | (23.6) |
| Foreign exchange contracts – held for trading | (18.5) | (18.5) | (1.2) | (1.2) |
| Embedded derivative | - | - | (5.4) | (5.4) |
| **Total** | **(38.7)** | **(38.7)** | **(30.2)** | **(30.2)** |
| Other loans | (30.5) | (30.5) | (13.1) | (13.1) |
| Borrowings – fixed rate bonds | (748.4) | (756.6) | (224.7) | (234.1) |
| Borrowings – SCTF credit facility | - | - | (107.0) | (107.0) |
| Borrowings – convertible bonds | (113.5) | (126.7) | (111.5) | (129.9) |
| Finance lease liabilities | (3.3) | (3.3) | (0.5) | (0.5) |
| Trade and other payables | (416.4) | (416.4) | (314.0) | (314.0) |
| **Total** | **(1,312.1)** | **(1,333.5)** | **(770.8)** | **(798.6)** |

The following table presents the fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or directly (level 2); and
- input for the asset or liability that are not based on observable market data (level 3).

| EUR million | Level 1 | Level 2 | Level 3 | 31 December 2011 Total |
|---|---|---|---|---|
| Investments in equity securities | 27.8 | - | 4.3 | 32.1 |
| | | | | |
| Commodity contracts – fair value hedges | - | 45.6 | - | 45.6 |
| Foreign exchange contracts – held for trading | - | 4.2 | - | 4.2 |
| Embedded derivative | - | 30.8 | - | 30.8 |
| **Total** | **-** | **80.6** | **-** | **80.6** |
| Commodity contracts – fair value hedges | - | (20.2) | - | (20.2) |
| Foreign exchange contracts – held for trading | - | (18.5) | - | (18.5) |
| **Total** | **-** | **(38.7)** | **-** | **(38.7)** |

## 34 Capital commitments

The value of commitments for acquisition of plant and equipment contracted for but not recognised as liabilities at the reporting date are set out in the table below.

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Within one year | 17.1 | 15.0 |
| Between one and five years | - | - |
| More than five years | - | - |
| **Total** | **17.1** | **15.0** |

## 35 Operating leases

The value of commitments in relation to operating leases contracted for but not recognised as liabilities at the reporting date are set out in the table below.

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Within one year | 3.5 | 2.1 |
| Between one and five years | 11.5 | 6.8 |
| More than five years | 5.2 | 4.4 |
| **Total** | **20.2** | **13.3** |

## 36 Contingencies

### Guarantees

| EUR million | Dec 31, 2011 | Dec 31, 2010 |
|---|---|---|
| Workers' compensation | 8.9 | 5.3 |
| Environmental | 55.0 | 42.0 |
| Supplier | 8.9 | 7.7 |

| | | |
|---|---:|---:|
| Other | 5.7 | 4.2 |
| **Total guarantees provided by Nyrstar** | **78.4** | **59.2** |

| | | |
|---|---:|---:|
| Supplier | - | 0.2 |
| **Total guarantees received by Nyrstar** | **-** | **0.2** |

### Legal actions

Nyrstar is the subject of a number of claims and legal proceedings incidental to the normal conduct of its business. Management does not believe that such claims and proceedings are likely, on aggregate, to have a material adverse effect on the financial condition of Nyrstar.

## 37 Related parties

### (a) Transactions with related parties

No transactions with related parties occurred in the period to 31 December 2011.

### (b) Key management compensation

Board of Directors

| EUR million | 2011 | 2010 |
|---|---:|---:|
| Salaries and other compensation | 0.5 | 0.5 |

Nyrstar Management Committee

| EUR million | 2011 | 2010 |
|---|---:|---:|
| Salaries and other compensation | 6.2 | 3.4 |
| Long term benefits | 1.6 | 1.2 |
| Share based payments | 4.8 | 4.4 |

Long term benefits include housing allowances and pension contributions. Share based payments reflect the cost to the company related to the share based awards granted to the members of the Nyrstar's management committee. These costs do not represent actual monetary or non-monetary benefits received by the members of the Nyrstar management committee.

## 38 Audit and non-audit services provided by the Company's statutory auditor

During the period, the auditor received fees for audit and audit related services provided to the Group as follows:

| EUR thousand | 2011 | 2010 |
|---|---:|---:|
| Audit services | 246.0 | 282.5 |
| Audit related services | 398.1 | 407.3 |
| **Total PricewaterhouseCoopers Bedrijfsrevisoren** | **644.1** | **689.8** |

| EUR thousand | 2011 | 2010 |
|---|---|---|
| Audit services | 523.0 | 390.9 |
| Audit related services | 152.3 | 116.0 |
| **Total other offices in the PricewaterhouseCoopers network** | **675.3** | **506.9** |

## 39 Group entities

The holding company and major subsidiaries included in the Group's consolidated financial statements are:

| Entity | Belgian company number | Country of incorporation | Ownership |
|---|---|---|---|
| Nyrstar NV | RPR 0888.728.945 | Belgium | Holding entity |
| Nyrstar Australia Pty Ltd | | Australia | 100% |
| Nyrstar Hobart Pty Ltd | | Australia | 100% |
| Nyrstar Port Pirie Pty Ltd | | Australia | 100% |
| Nyrstar Trading GmbH | | Austria | 100% |
| Nyrstar Resources (Barbados) Ltd | | Barbados | 100% |
| Nyrstar Belgium NV | RPR 0865.131.221 | Belgium | 100% |
| Nyrstar Finance International NV | RPR 0889.716.167 | Belgium | 100% |
| Nyrstar Sales & Marketing NV | RPR 0811.219.314 | Belgium | 100% |
| Breakwater Resources Ltd | | Canada | 100% |
| BSM Partnership | | Canada | 100% |
| Canzinco Ltd | | Canada | 100% |
| Nyrstar Mining Ltd | | Canada | 100% |
| Nyrstar Canada (Holdings) Ltd | | Canada | 100% |
| NVI Holdings Ltd | | Canada | 100% |
| NVI Mining Ltd | | Canada | 100% |
| Sociedad Contractual Minera El Toqui | | Chile | 100% |
| Galva 45 SA | | France | 66% |
| GM-Metal SAS | | France | 100% |
| Nyrstar France SAS | | France | 100% |
| Nyrstar France Trading SAS | | France | 100% |
| Nyrstar Germany GmbH | | Germany | 100% |
| American Pacific Honduras SA de CV | | Honduras | 100% |
| Servicios de Logistica de Centroamerica SA de CV | | Honduras | 100% |
| Farallon Minera Mexicana SA de CV | | Mexico | 100% |
| Nyrstar Budel BV | | The Netherlands | 100% |
| Nyrstar International BV | | The Netherlands | 100% |
| Nyrstar Netherlands (Holdings) BV | | The Netherlands | 100% |
| Compania Minera San Juan (Peru) S.A. | | Peru | 100% |
| Minera Huallanca S.A. | | Peru | 100% |
| Nyrstar Peru S.A. | | Peru | 100% |
| Nyrstar Spain & Portugal S.L. | | Spain | 100% |
| Nyrstar Finance International AG | | Switzerland | 100% |
| Nyrstar Sales & Marketing AG | | Switzerland | 100% |
| Breakwater Tunisia SA | | Tunisia | 100% |
| Nyrstar Clarksville Inc | | United States | 100% |
| Nyrstar Holdings Inc | | United States | 100% |
| Nyrstar IDB LLC | | United States | 100% |

| | | |
|---|---|---|
| Nyrstar Tennessee Mines - Gordonsville LLC | United States | 100% |
| Nyrstar Tennessee Mines – Strawberry Plains LLC | United States | 100% |
| Nyrstar US Inc | United States | 100% |
| Nyrstar US Trading Inc | United States | 100% |

### 40 Subsequent events

In November 2011, Nyrstar and Sims Metal Management Limited announced that they had reached a conditional agreement to sell Australian Refined Alloys' secondary lead producing facility in Sydney, Australia (ARA Sydney) to companies associated with Renewed Metal Technologies for a total sale price of approximately EUR 60 million (AUD 80 million). Approval of the Australian Competition and Consumer Commission has been received and the sale is expected to be completed by the end of February 2012.

The sale price is subject to a customary working capital adjustment. Assuming a sale price of EUR 60 million, Nyrstar expects to achieve a profit on the sale of its 50% share of ARA Sydney of at least EUR 15 million.