



Limited Liability Company (*Naamloze Vennootschap*)  
Zinkstraat 1, 2490 Balen (Belgium)  
Company number VAT BE 0888.728.945 RPR/RPM Turnhout

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## Report of the Board of Directors ex Article 119 Company Code

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Pursuant to Article 119 of the Company Code, the Board of Directors reports on the operations of the Nyrstar Group with respect to the financial year ended on 31 December 2017.

The information provided in this report is regulated information in accordance with Article 36 of the Royal Decree of 14 November 2007.

A free copy of the annual report of the Board of Directors on the statutory accounts of Nyrstar NV in accordance with Article 96 of the Belgian Company Code can be requested at the Company's registered office at Zinkstraat 1, 2490 Balen.

### 1. Comments to the Financial Statements

Nyrstar's consolidated financial statements as at and for the year ended 31 December 2017 comprise Nyrstar NV (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 of Nyrstar were 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) and the IFRS Interpretations Committee (IFRIC), effective at the reporting date and adopted by the European Union. The consolidated financial statements have been prepared on the going concern basis.

The Company has assessed that, taking into account its available cash, cash equivalents and undrawn committed facilities available at the date of the consolidated financial statements, its cash flow projections for 2018 based on the approved budgets, it has sufficient liquidity to meet its present obligations and cover working capital needs for 2018 and will remain in compliance with its financial covenants throughout this period.

The cash flow projections for 2018 incorporate the following key assumptions:

#### *Commodity prices and foreign exchange rates*

Commodity prices and foreign exchange rates were developed from externally available sources from a number of different market commentators

#### *Production output and capital and operating costs*

Based on historical results unless definitive plans are in place which are expected to have a significant effect on operations

#### *Treatment charges*

Treatment charges were developed from externally available forecasts and recent historical rates

#### *Port Pirie Redevelopment Project*

The cash flow projections for 2018 include management's best estimate of the revenue from the project

The Company has undertaken a sensitivity analysis of its going concern assessment through independently adjusting the cash flow projections for 2018 for zinc prices, treatment charges, smelter production output and unfavourable movements in the USD. Each of the scenarios below were modelled independent of each other.

- Forecast zinc prices for the second half of 2018 were adjusted to USD 2,600/t which was the lowest zinc price provided by Nyrstar's panel of market commentators. No change was made to the assumed treatment charge of USD 118/t on the basis the majority of the Group's treatment charges are referenced to the benchmark price set in the first half of 2018.
- Forecast zinc prices were adjusted to USD 3,854/t which was the highest zinc price provided by Nyrstar's panel of market commentators. In addition, treatment charge rates were adjusted down to USD 108/MT. This downward adjustment reflects the historic correlation of treatment charges to the zinc price over the last 7 years.
- Forecast smelter production output was adjusted down by 13%, a smelter production level which the Group has exceeded in each of the last 7 years. In addition, the full contribution from the Port Pirie Redevelopment Project has been removed from the forecasts.
- Assumed the USD would weaken by 5% and the AUD would weaken by 2% against the EUR. This was to reflect the most unfavourable exchange rates provided by consensus brokers. A weakening USD and AUD negatively impacted the Group's equity.

In all cases the sensitivity analysis indicated that the Company would have sufficient liquidity to meet its present obligations and cover working capital needs for 2018 and remain in compliance with its financial covenants throughout 2018.

Adverse movements in currency rates, commodity prices and/or operational results will affect the Company's liquidity or lower the Company's equity, and if these adverse movements persist for an extended period of time, the Company may have to take mitigating actions to maintain liquidity or equity headroom. A sustained and material impact on the Company's liquidity or equity will also impact the Company's ability to comply with financial covenants under its credit facilities.

The consolidated financial statements are presented in Euros which is the Company's functional and presentation currency. All financial information has been rounded to the nearest hundred thousand Euro.

Please refer to the relevant pages in the 2017 annual report for the consolidated financial statements.

## 1.1 Overview of activities and finance overview

Metals Processing underlying EBITDA<sup>1</sup> of EUR 206 million, down EUR 16 million year-on-year, driven by lower zinc treatment charges, reduced lead and by-product production and unplanned product outages at Budel and Hobart, partially offset by higher commodity prices net of strategic hedges.

Mining underlying EBITDA of EUR 47 million, up EUR 39 million year-on-year, driven by higher commodity prices, lower treatment charges, a positive contribution from the successful restart of the Middle Tennessee Mines, partially offset by the negative EBITDA contribution of the Myra Falls mine which commenced re-start activities in August 2017.

Group underlying EBITDA of EUR 205 million for 2017, an increase of 5% on 2016, primarily due to a 38% increase in the average zinc price (USD 2,095 per tonne to USD 2,896 per tonne), and a substantial earnings increase in Mining, largely offset by lower treatment charge terms, reduced production at Port Pirie and reduced free metal price exposure due to the call option price in the zinc price collar hedging structure.

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<sup>1</sup> Underlying EBITDA is a non-IFRS measure of earnings, which is used by management to assess the underlying performance of Nyrstar's operations and is reported by Nyrstar to provide additional understanding of the underlying business performance of its operations. Nyrstar defines "Underlying EBITDA" as profit or loss for the period adjusted to exclude loss from discontinued operations (net of income tax), income tax (expense)/benefit, share of loss of equity-accounted investees, gain on the disposal of equity-accounted investees, net finance expense, impairment losses and reversals, restructuring expense, M&A related transaction expenses, depreciation, depletion and amortization, income or expenses arising from embedded derivatives recognised under IAS 39 "Financial Instruments: Recognition and Measurement" and other items arising from events or transactions clearly distinct from the ordinary activities of Nyrstar. For a definition of other terms used in this press release, please see Nyrstar's glossary of key terms available at: <http://www.nyrstar.com/investors/en/Pages/investorsmaterials.aspx>

In 2017 the Group achieved the best safety performance since Nyrstar was founded. The frequency rate of cases with time lost or under restricted duties (DART) for the Company was 3.9, an improvement of 25% compared to a rate of 5.2 in 2016. The frequency rate of cases requiring at least a medical treatment (RIR) was 6.4, an improvement of 11% compared to 7.2 in 2016.

No environmental events with material business consequences or long-term environmental impacts occurred during the period.

## 1.2 Non-Financial Key-Performance Indicators

### Production

	Financial year 2017	Financial year 2016
<b><u>Mining production</u></b>		
Zinc in concentrate ('000 tonnes)	123	96
Gold ('000 troy ounces)	1.9	1.8
Silver ('000 troy ounces)	553	554
Copper in concentrate ('000 tonnes)	2.1	2.1
<b><u>Smelting production</u></b>		
Zinc metal ('000 tonnes)	1,019	1,015
Lead metal ('000 tonnes)	171	187
Sulphuric acid ('000 tonnes, gross)	1,266	1,356
Silver (million troy ounces)	13.6	14.8
Gold ('000 troy ounces)	72.6	46.2

Metals Processing produced approximately 1,019,000 tonnes of zinc metal in 2017.

Flat zinc metal production year-over-year was due to the planned maintenance shuts at Balen and Budel in Q2 2017 which negatively impacted production by approximately 11,000 tonnes and 6,500 tonnes of zinc metal respectively; the planned maintenance shuts at Hobart and Clarksville in Q3 2017; unplanned outages experienced in Budel in Q3 2017; and unplanned outages at Hobart in Q4 2017.

The Middle Tennessee mines were placed on care and maintenance throughout 2016 and were re-started in December 2016 with first mill production achieved in Q2 2017. Production of 22kt of zinc in concentrate from the Middle Tennessee mines in the period of May to December 2017 is in-line with management's expectations. The Middle Tennessee mines have ramped-up to an operating level of approximately 50kt per annum of zinc in concentrate by the end of 2017. The East Tennessee Mines have performed well over the course of 2017, with production of 66kt of zinc in concentrate being an improvement of 6% compared to 2016. Production improvements at East Tennessee are due to increased development work to provide access to more mining areas and improved underground equipment availability, in part due to the replacement of some of the older units.

Production of 34kt of zinc in concentrate at Langlois in 2017 represents an increase of 2% over 2016 and was mainly due to an improvement in ground conditions in 2017 and an improved mine plan due to greater infill drilling completed during 2017.

### Markets

The zinc price improvement continued in 2017 with the positive momentum that was seen at the end of 2016. At the start of the year the zinc price opened at USD 2,552 per tonne and moved up throughout the year to close at USD 3,309 per tonne. Over the course of the year, zinc outperformed the rest of the base metals complex and was one of the best performing commodities during 2017. Over the course of 2017, the zinc price averaged USD 2,896 per tonne, up 38% on 2016.

On the back of the tightening availability of zinc concentrate, the annual 2017 benchmark treatment charge terms were settled at the end of Q1 2017 at approximately 15% below the 2016 terms and spot treatment charges over the course of 2017 remained at depressed levels. The average realized zinc treatment charge in 2017, on the basis of the settled benchmark, was USD 172 per tonne of concentrate. This compares favourably to the average spot zinc treatment charge

which declined heavily over the course of the year and averaged approximately USD 30-40 per tonne of concentrate. The vast majority of Nyrstar's concentrate requirements are priced at benchmark terms or by reference to the benchmark with a discount applied. Spot treatment charge exposure for Nyrstar is typically only in the range of 5-10% of the concentrate feed book. In the medium term, the bullish trend for the zinc price is expected to continue on the back of supportive supply and demand fundamentals, supporting Nyrstar's financial performance.

## **Safety, Health and Environment**

"Prevent Harm" is a core value of Nyrstar. The Company is committed to maintaining safe operations and to proactively managing risks including with respect to people and the environment. At Nyrstar, we work together to create a workplace where all risks are effectively identified and controlled and everyone goes home safe and healthy each day of their working life.

In 2017 the Group achieved the best safety performance since Nyrstar was founded. The frequency rate of cases with time lost or under restricted duties (DART) for the Company was 3.9, an improvement of 25% compared to a rate of 5.2 in 2016. The frequency rate of cases requiring at least a medical treatment (RIR) was 6.4, an improvement of 11% compared to 7.2 in 2016.

No environmental events with material business consequences or long-term environmental impacts occurred during the period.

## **1.3 Operating Results, Financial Position and Cash Flows**

Group gross profit for 2017 of EUR 1,074 million was up 9% on 2016, driven by higher production volumes in Mining and higher zinc, lead and gold prices which were up 38%, 24% and 1% respectively, partially offset by deteriorating benchmark zinc treatment charge terms and strategic zinc price hedging..

Direct operating costs for 2017 of EUR 875 million increased 11% on 2016, due to higher production volumes in Mining, increased mining costs as a result of the restart of operations at Middle Tennessee and an increase in consultancy service fees with the completion in 2017 of the mining and smelting optimization reviews.

Net finance expense (excluding foreign exchange) for 2017 of EUR 147 million was up EUR 31 million on 2016 primarily due to net debt exclusive of zinc prepay and perpetual securities increasing by 27% and net debt inclusive of zinc prepay and perpetual securities increasing by 17%. During 2017, EUR 55 million of perpetual securities were drawn compared to EUR 110 million drawn in 2016. At the end of 2017, an aggregate total net of debt issue costs of EUR 186 million (AUD 291 million) of perpetual securities had been drawn for the Port Pirie Redevelopment funding.

Nyrstar recognised an income tax benefit for the year ended 31 December 2017 of EUR 38.5 million (2016: income tax expense of EUR 39.5 million) representing an effective income tax rate of -481.3% (for the year ended 31 December 2016: -10.6%). The tax rate is impacted by changes in the expected profitability of Group entities in Canada and Australia during the period and the associated recognition of previously unrecognized deferred tax assets. Further, the tax rate is impacted by changes in the net deferred tax position due to the change in the corporate income tax rates in both Belgium (reduction of net deferred tax liabilities by EUR 7.9 million) and the USA (reduction of net deferred tax assets by EUR 10.5 million), together with losses incurred by the Group, including the discontinued operations, for which no tax benefit has been recognized.

Profit after tax of EUR 47 million in 2017, compared to a net loss of EUR 414 million in 2016, mainly as a result of the impairment reversals related to the Mining segment assets in 2017 and impairment charges related to Mining segment asset in 2016, respectively. In 2017 the Group recognized pre-tax net impairment reversal of EUR 142 million comprised of EUR 126 million for continuing operations and EUR 16 million for discontinued operations (2016: impairment loss of EUR 266 million comprised of EUR 126 million for continuing operations and EUR 140 million for discontinued operations).

Capital expenditure from continuing and discontinued operations was EUR 364 million in 2017, representing an increase of 30% year-on-year driven by a EUR 18 million capex increase in Mining with the restart of the Middle Tennessee mines and

the commencement of restart activities at the Myra Falls mine, completion of the Port Pirie Redevelopment project and a relatively large number of planned and unplanned maintenance outages across the zinc smelters.

#### **1.4 Liquidity Position and Capital Resources**

Cash flow from operating activities before working capital changes of EUR 88 million in 2017 was down 22% compared to EUR 113 million in 2016 and cash out-flow from changes in working capital and other balance sheet movements in 2017 of EUR 49 million was down EUR 146 million compared to an out-flow of EUR 195 million in 2016, resulting in total cash inflow from operating activities for 2017 of EUR 38 million compared to EUR 81 million outflow for 2016. The increase in net working capital levels was driven primarily by an increase in inventory valuation due to higher commodity prices, including the effect on inventory balance from zinc price increases of approximately EUR 173 million for 2017.

Net debt at the end of 2017 at EUR 1,102 million, excluding the zinc metal prepay and perpetual securities, was 27% higher compared to the end of 2016 (EUR 865 million at the end of 2016). The net debt inclusive of the zinc metal prepay and perpetual securities at the end of 2017 was EUR 1,363 million, up 17% compared to the end of 2016. Cash balance at the end of 2017 was EUR 68 million compared to EUR 129 million at the end of 2016.

## **2. Internal Control and Enterprise Risk Management**

### **General**

The Nyrstar Board of Directors is responsible for the assessment of the effectiveness of the Risk Management Framework and internal controls. The Group takes a proactive approach to risk management. The Board of Directors is responsible for ensuring that nature and extent of risks are identified on a timely basis with alignment to the Group's strategic objectives and activities.

The Audit Committee plays a key role in monitoring the effectiveness of the Risk Management Framework and is an important medium for bringing risks to the Board's attention. If a critical risk or issue is identified by the Board or management, it may be appropriate for all directors to be a part of the relevant risk management process, and as such the Board of Directors will convene a sub-committee comprised of a mix of Board Members and Senior Management. Each respective sub-committee further examines issues identified and reports back to the Board of Directors. No such sub-committees were convened in 2017.

The Nyrstar Risk Management Framework requires regular evaluation of the effectiveness of internal controls to ensure the Group's risks are being adequately managed. The Risk Management Framework is designed to achieving the Group's objectives. . Effective risk management enables Nyrstar to achieve an appropriate balance between realising opportunities while minimising adverse impacts.

This section gives an overview of the main features of the Company's internal control and risk management systems, in accordance with the Belgian Corporate Governance Code and the Belgian Companies Code.

### **Components of the Risk Management Framework**

The Risk Management Framework is integrated in the management process and focuses on the following key principles.

The key elements of Risk Management Framework are:

#### **1 Understanding the external and internal environment**

Understanding the internal and external business environment and the effect this has on our business strategy and plans. This informs about Nyrstar's overall tolerance to risk.

#### **2 Consistent methods for risk identification and analysis of risks, existing controls and control effectiveness**

Implementing systems and processes for the consistent identification and analysis of risks, existing controls and control effectiveness. Evaluating whether the level of risk being accepted is consistent with levels of risk acceptable to the Audit

Committee.

### 3 Risk management and mitigation

Using innovative and creative thinking in responding to risks and taking action where it is determined that the Group is being exposed to unacceptable levels of risk.

### 4 Stakeholder engagement and Communication

Involving all Nyrstar employees and relevant stakeholders in managing risks and communicating identified key risks and controls.

### 5 Monitoring and review

Regularly monitoring and reviewing our risk management framework, our risks and control effectiveness.

The guideline for the Risk Management Framework has been written to comply with ISO 31000; 2009. Compliance with the guideline is mandatory within Nyrstar.

## Critical Internal Controls

The following is a summary of Nyrstar's critical internal controls:

### *Organisational Design*

There is a sound organizational structure with clear procedures, delegation and accountabilities for both the business side and the support and control functions, such as human resources, legal, finance, internal audit, etc.

The organizational structure is monitored on an ongoing basis, e.g. through benchmarking the organizational structure with industry standards and competitors. Responsibilities are delegated to business units, by business plans and accompanying budgets approved by management and the Board of Directors within set authorization levels and authorities are delegated to appropriate accountable individuals reflecting seniority, experience and competencies.

### *Policies and Procedures*

The Group has established internal policies and procedures to manage various risks across the Group. These policies and procedures are available on the Nyrstar intranet-site, and distributed for application across the whole Group. Every policy has an owner, who periodically reviews and updates if necessary. Induction and ongoing training processes are well established and implemented across the Group

### *Ethics*

The Board of Directors has approved a Corporate Governance Charter and a Code of Business Conduct, including a framework for ethical decision making. All employees must perform their daily activities and their business objectives according to the strictest ethical standards and principles. The Code of Business Conduct is available on [www.nyrstar.com](http://www.nyrstar.com) and sets out principles how to conduct business and behave in respect of:

- Our People
- Our Communities and Environment
- Our Customers and Suppliers
- Our Competitors
- Our Shareholders
- Our Assets

The Board of Directors regularly monitors compliance with applicable policies and procedures of the Nyrstar Group.

#### *Whistleblowing*

Nyrstar also has a whistle-blower procedure in place, allowing staff to confidentially raise concerns about any irregularities in financial reporting, possible fraudulent actions, bribery and other areas including non compliance with Code of Business conduct as well as regulatory and legal compliance.

#### *Quality Control*

Nyrstar is ISO 9001 certified for the smelting and refining of zinc and zinc alloys, lead and lead alloys, silver, gold and other by-products. All of its major processes and the controls that they encompass are formalized and published on the Company's intranet.

#### *Financial Reporting and Budget Control*

Nyrstar applies a comprehensive Group standard for financial reporting. The standard is in accordance with applicable International Accounting Standards. These include International Financial Reporting Standards (IFRS) and the related interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) as adopted by the European Union. The effectiveness and compliance with the Group standard for financial reporting is consistently reviewed and monitored by the Audit Committee.

In order to ensure adequate financial planning and follow up, a financial budgeting procedure describing the planning, quantification, the implementation and the review of the budget in alignment with forecasts, is closely followed. Nyrstar conducts Group wide budgeting process, which is centrally coordinated and consists of the following steps:

- 1) Group business strategy is updated and communicated within Nyrstar, which amongst other things outlines the strategic guidelines and objectives for the upcoming financial year.
- 2) Key inputs and assumptions for the budgeting process for the upcoming financial year are provided by relevant internal stakeholders (including expected production, capex, metal prices, foreign exchange and commercial terms) and uploaded into the centralised budgeting, planning and consolidation system.
- 3) The key inputs and assumptions for the budget then go through a rigorous process of validation by relevant internal stakeholders and senior management. The Management Committee and the Board sign off on the final agreed budget.
- 4) The final budget is communicated to the different Nyrstar business units and departments.
- 5) The Group's full actual financial results, supplemented by quarterly interim management statements, including selected key financial results, are communicated to shareholders bi-annually.

#### *Management Committees*

Various management committees are established as a control to manage various risks Nyrstar is exposed to:

##### Treasury Committee

The Treasury Committee comprises the Chief Financial Officer, the Group Treasurer and the Group Controller. The role of the Treasury Committee is to recommend to the Chief Executive Officer and to the Board of Directors amendments to the treasury policy. This includes all treasury transactions being reviewed before they are recommended for approval by the Chief Executive Officer and the Board of Directors.

The treasury committee meets at least quarterly.

##### Metal Price Risk Committee

The Metal Price Risk Committee comprises the Chief Financial Officer, the Group Treasurer, the Group Controller and the Group Manager Financial Planning & Analysis. Nyrstar's metal price risk committee establishes policies and procedures how Nyrstar manages its exposure to the commodity prices and foreign exchange rates.

#### *Information, Communication and Financial Reporting Systems*

The Group's performance against plan is monitored internally and relevant action is taken throughout the year. This includes weekly and monthly reporting of key performance indicators for the current period together with information on critical risk areas.

Comprehensive monthly board reports that include detailed consolidated management accounts for the period together with an executive summary from the Chief Financial Officer are prepared and circulated to the Board of Directors by the Company Secretary on a monthly basis. This includes updates on Health, Safety and Environment, operational and financial performance as well as legal disputes and contingent risks.

#### *Monitoring and Review*

Management is responsible for evaluating existing controls and the control effectiveness and determines whether the level of risk being accepted is consistent with the level of risk approved by the Board of Directors. Management takes action where it is determined that the Group is being exposed to unacceptable levels of risk and actively encourages all Nyrstar employees to communicate freely risks and opportunities identified.

Internal audit is an important element in the overall process of evaluating the effectiveness of the Risk Management Framework and internal controls. The internal audits are based on risk based plans, approved by the Audit Committee. The internal audit findings are presented to the Audit Committee and management, identifying areas of improvement. Progress of implementation of the actions is monitored by the Audit Committee on a regular basis. The Group internal audit function is managed internally. The Audit Committee supervises the internal audit function.

The Board of Directors pays specific attention to the oversight of risk and internal controls. On a yearly basis, the Board of Directors reviews the effectiveness of the Group's risk management and internal controls. The Audit Committee assists the Board of Directors in this assessment. The Audit Committee also reviews the declarations relating to internal supervision and risk management included in the annual report of the Company. The Audit Committee reviews the specific arrangements to enable staff to express concerns in confidence about any irregularities in financial reporting and other areas e.g., whistle-blower arrangements.

To support the protocols described above, both internal resources and external contractors are engaged to perform compliance checks, and reports are provided to the Audit Committee.

#### **Other**

The Group is committed to the ongoing review and improvement of its policies, systems and processes.

#### **Financial and Operational Risks**

The principal risks and uncertainties, which Nyrstar faces, along with the impact and the procedures implemented to mitigate the risks, are detailed in the tables below:

<b>FINANCIAL RISKS</b>		
<b>Description</b>	<b>Impact</b>	<b>Mitigation</b>
<b>Commodity price risk</b>  Nyrstar's results are largely dependent on the market prices of commodities and raw materials,	Profitability will vary with the volatility of metals prices.	Nyrstar engages in transactional hedging which means that it will undertake short-term hedging transactions to cover the timing risk between raw material purchases and



which are cyclical and volatile.		<p>sales of metal and to cover its exposure on fixed-price forward sales of metal to customers.</p> <p>From time to time, Nyrstar may also decide to enter into certain strategic metal price hedges to lock prices that are considered as favourable and providing price certainty to the Company's operations that may otherwise face difficulties related to their liquidity and profitability in a reasonably possible pricing decline.</p>
<p><b>Forward price risk</b></p> <p>Nyrstar is exposed to the shape of the forward price curve for underlying metal prices.</p>	<p>The volatility in the London Metal Exchange price creates differences between the average price we pay for the contained metal and the price we receive for it.</p>	<p>Nyrstar engages 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.</p> <p>From time to time, Nyrstar may also decide to enter into certain strategic metal price hedges to lock prices that are considered as favourable and providing price certainty to the Company's operations that may otherwise face difficulties related to their liquidity and profitability in a reasonably possible pricing decline.</p>
<p><b>Foreign Currency Exchange rate risk</b></p> <p>Nyrstar is exposed to the effects of exchange rate fluctuations.</p>	<p>Movement of the U.S. Dollar, the Australian Dollar, Canadian Dollar, Swiss Franc, and other currencies in which Nyrstar's costs are denominated against the Euro could adversely affect Nyrstar's profitability and financial position.</p>	<p>Nyrstar has entered into strategic foreign exchanges hedges to limit its downside exposure related to the fluctuations between the Euro and the U.S. Dollar, the Euro and the Australian Dollar and between the Euro and the Canadian Dollar. Nyrstar also regularly enters into short-term hedging transactions to cover its transactional foreign exchange exposures.</p>
<p><b>Interest rate risk &amp; leverage risk</b></p> <p>Nyrstar is exposed to interest rate risk primarily on loans and borrowings.</p> <p>Nyrstar is exposed to risks inherent with higher leverage and</p>	<p>Changes in interest rates may impact primary loans and borrowings by changing the levels of required interest payments.</p> <p>Nyrstar's indebtedness increased significantly since 2011 in order to finance its expansion into mining and later with regard to the expansion of the Port Pirie Lead</p>	<p>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.</p> <p>Debt covenants and required head room are monitored by Nyrstar on an</p>

compliance with debt covenants.	smelter, as a consequence it is now subject to risks inherent with higher leverage and compliance with debt covenants. Breaches in debt covenants will jeopardize the financing structure of Nyrstar.	on-going basis.  Balance sheet strengthening also includes management of the liquidity headroom, longer debt maturities or equity issuance.
<b>Credit risk</b>  Nyrstar is exposed to the risk of non-payment from any counterparty in relation to sales of goods and other transactions.	Group cash flows and income may be impacted by non-payment.	Nyrstar has determined a credit policy with credit limit requests, use of credit enhancements such as letters of credit, approval procedures, continuous monitoring of the credit exposure and dunning procedure in case of delays.
<b>Liquidity risk</b>  Nyrstar requires a significant amount of cash to finance its debt, fund its working capital, its capital investments and its growth strategy. Liquidity risk arises from the possibility that Nyrstar will not be able to meet its financial obligations as they fall due.	Nyrstar may not be able to fund operations, capital investments, the growth strategy and the financial condition of the Company.	Liquidity risk is addressed by maintaining a sufficient degree of diversification of funding sources as determined by management, detailed, periodic cash flow forecasting and conservatively set limits on permanently available headroom liquidity as well as maintaining ongoing readiness to access financial markets within a short period of time. It also includes an active management of the working capital requirements of the business in line with the increasing working capital requirements in the high metal price environment.
<b>Reliance on specific means of funding</b>  Nyrstar uses different means of funding available to the company. They include equity, bonds, committed and uncommitted trade finance facilities, loans from related parties as well as metal prepayments or a Perpetual Securities and other sources as and when they became available to the Company.	Different means of funding introduce different risk associated with them. At times, certain means of funding may become unavailable to the Company. Certain means of funding used by the Company, e.g. the Perpetual Securities are accounted based on the IFRS accounting standards that are open to interpretation and require the Company to select and consistently apply its accounting policies. If the accounting standards or their interpretation change or if the interpretation of certain terms and conditions included in the Company's funding arrangements change, the Company may, or may not, be required to change the accounting treatment of some of its funding instruments resulting in their reclassification in the Company's Consolidated Statement of Financial	Management aims to diversify the sources of funding to spread the risk that one of the sources become unavailable to the Company.

	Position. Such reclassifications could have a material adverse impact on Nyrstar's ability to comply with current financial ratios under certain of means of funding.	
<b>Treatment charge (TC) risk</b>  Nyrstar's results remain correlated to the levels of TCs that it charges zinc miners to refine their zinc concentrates and lead miners to refine their lead concentrates. TCs are cyclical in nature.	A decrease in TCs can be expected to have a material adverse effect on Nyrstar's business, results of operations and financial condition.	TCs are negotiated on an annual basis. The impact of TC levels is expected to further decrease in the future in line with the implementation of the transformation projects and the Port Pirie Redevelopment and in line with the increasing Nyrstar mining production.
<b>Energy price risk</b>  Nyrstar's operating sites, particularly its smelters, are energy intensive, with energy costs accounting for a significant part of its operating costs. Electricity in particular represents a very significant part of its production costs.	Increases in energy, particularly electricity, prices would significantly increase Nyrstar's costs and reduce its margins.	Nyrstar attempts to limit its exposure to short term energy price fluctuations through forward purchases, long term contracts and participation in energy purchasing consortia.

<b>OPERATIONAL RISKS</b>		
<b>Description</b>	<b>Impact</b>	<b>Mitigation</b>
<b>Operational risks</b>  In operating mines, smelters and other production facilities, Nyrstar is required to obtain and comply with licenses to operate.  In addition Nyrstar is subject to many risks and hazards, some of which are out of its control, including: unusual or unexpected geological or climatic events; natural catastrophes, interruptions to power supplies; congestion at commodities transport terminals; industrial action or disputes; civil unrest, strikes, workforce limitations, technical failures, fires, explosions and other accidents; delays and other problems in major investment projects (such as the ramping-up of mining assets).	<p>Nyrstar's business could be adversely affected if Nyrstar fails to obtain, maintain or renew necessary licenses and permits, or fails to comply with the terms of its licenses or permits.</p> <p>The impact of these risks could result in damage to, or destruction of, properties or processing or production facilities, may reduce or cause production to cease at those properties or production facilities. The risks may further result in personal injury or death, environmental damage, business interruption, monetary losses and possible legal litigation and liability. Negative publicity, including that generated by non-governmental bodies, may further harm Nyrstar's operations.</p> <p>Nyrstar may become subject to liability against which Nyrstar has not insured or cannot insure, including those in respect of past activities. Should Nyrstar suffer a major</p>	<p>Nyrstar's process risk management system incorporating assessment of safety, environment, production and quality risks, which includes the identification of risk control measures, such as preventative maintenance, critical spares inventory and operational procedures.</p> <p>Corporate Social Responsibility and the Nyrstar Foundation projects enable Nyrstar to work closely with local communities to maintain a good relationship.</p> <p>Nyrstar currently has insurance coverage for its operating risks associated with its zinc and lead smelters and mining operations which includes all risk property damage (including certain aspects of business interruption), operational and product liability, marine stock and transit and</p>

	uninsured loss, future earnings could be materially adversely affected.	directors' and officers' liability.
<b>Supply risk</b>  Nyrstar is dependent on a limited number of suppliers for zinc and lead concentrate. Nyrstar is partially dependent on the supply of zinc and lead secondary feed materials.	A disruption in supply could have a material adverse effect on Nyrstar's production levels and financial results. Unreliable energy supply at any of the mining and smelting operations requires appropriate emergency supply or will result in significant ramp up costs after a major power outage.	Nyrstar management is taking steps to secure raw materials from other sources, increase its flexibility to treat varying qualities of raw material and secondary materials.  Nyrstar is continuously monitoring the energy market worldwide. This includes also considering alternate energy supply, e.g. wind power at mine sides.
<b>Environmental, health &amp; safety risks</b>  Nyrstar operations are subject to stringent environmental and health laws and regulations, which are subject to change from time to time. Nyrstar's operations are also subject to climate change legislation.	If Nyrstar breaches such laws and regulations, it may incur fines or penalties, be required to curtail or cease operations, or be subject to significantly increased compliance costs or significant costs for rehabilitation or rectification works.	Safety is one of the core values of Nyrstar, and currently it is implementing common safety policies across all sites along with corresponding health and safety audits. Nyrstar pro-actively monitors changes to environmental, health and safety laws and regulations.
<b>International operations risk</b>  Nyrstar's mining and smelting operations are located in jurisdictions that have varying political, economic, security and other risks. In addition Nyrstar is exposed to nationalism and tax risks by virtue of the international nature of its activities.	These risks include, amongst others, the destruction of property, injury to personnel and the cessation or curtailment of operations, civil disturbances and activities of governments which limit or disrupt markets. Political officials may be prone to corruption or bribery, which violates Company policy and adversely affects operations.	Nyrstar performs a thorough risk assessment on a country-by-country basis when considering its investment activities. In addition Nyrstar attempts to conduct its business and financial affairs focusing to minimize to the extent reasonably practicable the political, legal, regulatory and economic risks applicable to operations in the countries where Nyrstar operates.
<b>Reserves and resource risk</b>  Nyrstar's future profitability and operating margins depend partly upon Nyrstar's ability to access mineral reserves that have geological characteristics enabling mining at competitive costs. This is done by either conducting successful exploration and development activities or by acquiring properties containing economically recoverable reserves.	Replacement reserves may not be available when required or, if available, may not be of a quality capable of being mined at costs comparable to existing mines.	Nyrstar utilises the services of appropriately qualified experts to ascertain and verify the quantum of reserves and resources including ore grade and other geological characteristics under relevant global standards for measurement of mineral resources.

<p><b>Project execution risk</b></p> <p>Nyrstar's growth strategy relies in part on the ramp-up of the Port Pirie Redevelopment and the restart of the Myra Falls and the Middle Tennessee Mines..</p>	<p>Delay, technical issues or cost overruns in these projects could adversely impact the original business cases which justified these projects and impact Nyrstar's financial position.</p>	<p>These risks are being carefully managed by a dedicated technical/project team in smelting (including external resources where needed) and mining segments. All investments leverage internal know how "off the shelf" technology or a different application of an existing technology.</p>
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### 3. Important Events which occurred after the End of the Financial Year

Please refer to Note 42 (subsequent events) in the IFRS Financial Statements.

### 4. Information regarding the Circumstances that could significantly affect the Development of the Group

No information regarding the circumstances that could significantly affect the development of the Company are to be mentioned. The principal risks and uncertainties facing the Group are covered in section 2 of this report.

### 5. Research and Development

The Group undertakes research and development through a number of activities at various production sites of the Group.

### 6. Financial Risks and Information regarding the use by the Company of Financial Instruments to the extent relevant for the evaluation of its Assets, Liabilities, Financial Position and Results

Please refer to Note 3 (Significant accounting policies), Note 5 (Financial risk management) and Note 35 (Financial instruments) in the IFRS Financial Statements.

### 7. Information provided in accordance with Article 624 of the Belgian Company Code

The extraordinary general shareholders' meeting held on 18 January 2016 approved the cancellation of all 12,571,225 treasury shares held by the Company.

The treasury shares reserve comprises the par value of the Company's share held by the Group. The Group held no Company's shares as at 31 December 2017 and 2016.

Issued shares	2017	2016
Shares outstanding	109,033,545	93,563,960
Treasury shares	-	-
<b>As at 31 Dec</b>	<b>109,033,545</b>	<b>93,563,960</b>
Movement in shares outstanding	2017	2016
As at 1 Jan	93,563,960	327,473,863
Capital increase	15,469,585	608,165,740
Reverse stock split	-	(842,075,643)
Employee shared based payment plan	-	-
<b>As at 31 Dec</b>	<b>109,033,545</b>	<b>93,563,960</b>

Movement in treasury shares	2017	2016
As at 1 Jan	-	12,571,225
Cancellation of treasury shares	-	(12,571,225)
Employee shared based payment plan	-	-
<b>As at 31 Dec</b>	<b>-</b>	<b>-</b>

## 8. Non-financial information provided in accordance with Article 119 §2 of the Belgian Company Code:

Non-financial information, including descriptions of policies, risks and performance related to environmental, social and governance (“ESG”) significant matters for Nyrstar, will be disclosed in the annual Sustainability Report. The Sustainability Report will be made available on Nyrstar’s website in Q2 2018.

## 9. Audit Committee

The Audit Committee consists of three non-executive members of the Board, of which two are independent members of the Board of Directors and one is non-independent. The members of the Audit Committee have sufficient expertise in financial matters to discharge their functions. The Chairman of the Audit Committee is competent in accounting and auditing as evidenced by her previous role as Chief Financial Officer of BP’s Aviation Fuels.

## 10. Information that have an Impact in the Event of Public Takeovers Bids

The Company provides the following information in accordance with article 34 of the Royal Decree dated 14 November 2007:

- (i) At the date of this report, the share capital of the Company amounts to EUR 113,262,734.08 and is fully paid-up. It is represented by 109,033,545 shares, each representing a fractional value of EUR 1.039 or one 109,033,545<sup>th</sup> of the share capital. The Company’s shares do not have a nominal value.
- (ii) Other than the applicable Belgian legislation on the disclosure of significant shareholdings and the Company’s articles of association, there are no restrictions on the transfer of shares.
- (iii) There are no holders of any shares with special control rights.
- (iv) The awards granted to employees under the Nyrstar Long Term Incentive Plan (LTIP) will vest upon determination by the nomination and remuneration committee.
- (v) Each shareholder of Nyrstar is entitled to one vote per share. Voting rights may be suspended as provided in the Company’s articles of association and the applicable laws and articles.
- (vi) There are no agreements between shareholders which are known by the Company and may result in restrictions on the transfer of securities and/or the exercise of voting rights.
- (vii) The rules governing appointment and replacement of Board members and amendment to articles of association are set out in the Company’s articles of association and the Company’s corporate governance charter.
- (viii) The powers of the Board of Directors, more specifically with regard to the power to issue or redeem shares are set out in the Company’s articles of association. The Board of Directors was not granted the authorization to purchase its own shares “to avoid imminent and serious danger to the Company” (i.e., to defend against public takeover bids). The Company’s articles of association do not provide for any other specific protective mechanisms against public takeover bids.
- (ix) At the date of the report, the Company is a party to the following significant agreements which, upon a change of control of the Company or following a takeover bid can enter into force or, subject to certain conditions, as the case

may be, can be amended, be terminated by the other parties thereto or give the other parties thereto (or beneficial holders with respect to bonds) a right to an accelerated repayment of outstanding debt obligations of the Company under such agreements:

- 5.00% senior unsecured convertible bonds due 2022;
- 6.875% High Yield Bond due 2024;
- The USD 150 million uncommitted Trafigura Working Capital Facility (which has been changed to committed and increased to USD 250m as of the 1st of Jan 2017) due 2019;
- Nyrstar's Revolving Structured Commodity Trade Finance Credit Facility;
- 2019 High Yield Bond (Indenture);
- 4.25% senior unsecured convertible bonds due 2018;
- The zinc prepayment arranged by Deutsche Bank AG dated 30 December 2015;
- Nyrstar's committed EUR 130 million bilateral credit facility with KBC Bank;
- The USD 30 million uncommitted credit facility between Nyrstar Sales & Marketing AG and HSBC Trinkaus & Burkhardt AG;
- The USD 30 million uncommitted credit facility between Nyrstar Finance International AG and Credit Suisse AG;
- The USD 10 million uncommitted credit facility between Nyrstar Sales & Marketing AG and ING;
- The USD 30 million uncommitted credit facility between Nyrstar Sales & Marketing AG and Erste Bank;
- Nyrstar's silver prepay with JPMorgan Chase Bank, National Association
- Nyrstar silver prepay with Goldman Sachs
- Silver forward purchase agreement (Hydra);
- Common terms deed with the Treasurer of South Australia;
- Nyrstar's USD 100 million uncommitted credit facility with the Royal Bank of Scotland;
- Nyrstar's EUR 28 million guarantee facilities with BNP Paribas Fortis;
- various ISDA Master Agreements and related confirmations;
- Nyrstar's committed EUR 16 million bilateral credit facility with KBC Bank; and
- Nyrstar's off-take agreement with the Glencore Group.

- (x) The Chief Executive Officer is currently entitled to a 12-month salary payment in case his employment is terminated upon a change of control of the Company. In addition, the Company's share based plans also contain take-over protection provisions.

No takeover bid has been instigated by third parties in respect of the Company's equity during the previous financial year and the current financial year.

\* \* \*

Done at Brussels on 21 February 2018.

On behalf of the Board of Directors,



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Martyn Konig  
Director



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Hilmar Rode  
Director

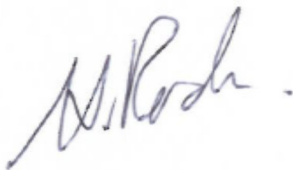


## STATEMENT OF RESPONSIBILITY

The undersigned, Hilmar Rode, Chief Executive Officer and Christopher Eger, Chief Financial Officer, declare that, to the best of their knowledge:

- a) the consolidated financial statements which have been prepared in accordance with applicable standards give a true and fair view of the assets, the financial position and income statement of the issuer and its consolidated subsidiaries;
- b) any significant transactions with related parties and their impact on the consolidated financial statements have been disclosed in the financial information;
- c) the management report includes a true and fair overview of the development and the performance of the business and of the position of the issuer, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

Brussels, 21 February 2018

A handwritten signature in blue ink, appearing to read "H. Rode".

Hilmar Rode  
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "C. Eger".

Christopher Eger  
Chief Financial Officer

# Nyrstar Consolidated Financial Statements

31 December 2017

## CONSOLIDATED INCOME STATEMENT

EUR million	Note	2017	2016*
<b>Continuing operations</b>			
<b>Revenue</b>	7	<b>3,530.5</b>	<b>2,763.2</b>
Raw materials used		(2,405.9)	(1,728.6)
Freight expense		(50.3)	(53.3)
<b>Gross profit</b>		<b>1,074.3</b>	<b>981.3</b>
Other income		13.3	6.0
Employee benefits expense	11	(318.2)	(302.3)
Energy expenses		(249.9)	(215.3)
Stores and consumables used		(126.7)	(112.4)
Contracting and consulting expense		(146.1)	(118.2)
Other expense	14	(35.5)	(49.2)
Depreciation, depletion and amortisation	15,16	(155.8)	(177.1)
M&A related transaction expense	10	(0.2)	(5.3)
Restructuring expense	29	(4.1)	(8.4)
Impairment loss	17	-	(125.5)
Impairment reversal	17	126.1	-
Gain on the disposal of subsidiaries		2.6	-
<b>Result from operating activities</b>		<b>179.8</b>	<b>(126.4)</b>
Finance income	12	4.2	1.6
Finance expense	12	(151.4)	(118.0)
Net foreign exchange loss	12	(59.9)	(5.4)
<b>Net finance expense</b>		<b>(207.1)</b>	<b>(121.8)</b>
<b>Loss before income tax</b>		<b>(27.3)</b>	<b>(248.2)</b>
Income tax benefit / (expense)	13	36.9	(15.5)
<b>Profit / (loss) for the year from continuing operations</b>		<b>9.6</b>	<b>(263.7)</b>
<b>Discontinued operations</b>			
Profit / (loss) from discontinued operations, net of income taxes	9	36.9	(150.1)
<b>Profit / (loss) for the year</b>		<b>46.5</b>	<b>(413.8)</b>
<b>Attributable to:</b>			
Equity holders of the parent		46.5	(413.8)
Non-controlling interest		-	-
Earnings / (loss) per share for profit / (loss) from continuing operations during the period (expressed in EUR per share)			
basic	34	0.10	(2.59)
diluted	34	0.10	(2.59)

\* Prior year amounts have been re-presented for the impact of the discontinued operations (note 9)

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

EUR million	Note	2017	2016*
<b>Profit / (loss) for the year</b>		<b>46.5</b>	<b>(413.8)</b>
<i><b>Continuing operations</b></i>			
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit:</b>			
Foreign currency translation differences		(18.2)	(8.6)
Losses on cash flow hedges	27	(5.6)	(3.7)
Transfers to the income statement	27	(14.7)	(11.2)
Income tax benefit	13,27	1.0	0.9
Change in fair value of investments in equity securities	19,27	(0.2)	0.3
Transfers to the income statement		-	-
<b>Items that will not be reclassified to profit:</b>			
Remeasurement (loss) / gain of defined benefit plans	30	(5.2)	10.3
Income tax expense	13	(0.8)	(2.5)
<b>Other comprehensive loss for the year, from continuing operations net of tax</b>		<b>(42.9)</b>	<b>(14.5)</b>
<i><b>Discontinued operations</b></i>			
<b>Items that may be reclassified to profit:</b>			
Foreign currency translation differences		(2.5)	(0.2)
Transfers to the income statement	8	(28.2)	(56.1)
<b>Other comprehensive loss for the year, from discontinued operations net of tax</b>		<b>(30.7)</b>	<b>(56.3)</b>
<b>Other comprehensive loss for the year, net of tax</b>		<b>(73.6)</b>	<b>(70.8)</b>
<b>Total comprehensive loss for the year</b>		<b>(27.1)</b>	<b>(484.6)</b>
<b>Attributable to:</b>			
Equity holders of the parent		(27.1)	(484.6)
Non-controlling interest		-	-
<b>Total comprehensive loss for the year</b>		<b>(27.1)</b>	<b>(484.6)</b>

\* Prior year amounts have been re-presented for the impact of the discontinued operations (note 9)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	as at 31 Dec 2017	as at 31 Dec 2016
Property, plant and equipment	15	1,690.3	1,416.0
Intangible assets	16	3.3	6.0
Investments in equity accounted investees	18	3.4	3.4
Investments in equity securities	19	19.8	22.4
Deferred income tax assets	13	332.1	343.0
Other financial assets	20	163.8	165.3
Other assets	22	0.7	2.0
<b>Total non-current assets</b>		<b>2,213.4</b>	<b>1,958.1</b>
Inventories	21	965.1	720.1
Trade and other receivables	23	223.5	219.0
Prepayments and deferred expenses		10.2	9.2
Current income tax assets		6.4	7.3
Other financial assets	20	42.0	52.8
Other assets	22	0.7	-
Cash and cash equivalents	24	68.4	127.1
Assets classified as held for sale	9	-	41.3
<b>Total current assets</b>		<b>1,316.3</b>	<b>1,176.8</b>
<b>Total assets</b>		<b>3,529.7</b>	<b>3,134.9</b>
Share capital and share premium	25	2,250.7	2,153.1
Perpetual securities	26	186.3	131.6
Reserves	27	(161.3)	(103.9)
Accumulated losses		(1,615.9)	(1,647.1)
Foreign currency translation differences accumulated in equity relating to disposal group held for sale	27	-	10.2
<b>Total equity attributable to equity holders of the parent</b>		<b>659.8</b>	<b>543.9</b>
<b>Total equity</b>		<b>659.8</b>	<b>543.9</b>
Loans and borrowings	28	948.4	565.0
Deferred income tax liabilities	13	67.7	87.8
Provisions	29	156.8	160.4
Employee benefits	30	73.5	74.0
Other financial liabilities	20	15.6	85.2
Deferred income	32	79.1	52.7
<b>Total non-current liabilities</b>		<b>1,341.1</b>	<b>1,025.1</b>
Trade and other payables	31	631.9	606.9
Current income tax liabilities		0.4	2.9
Loans and borrowings	28	221.6	427.0
Provisions	29	19.1	28.2
Employee benefits	30	36.6	36.0
Other financial liabilities	20	151.5	121.9
Deferred income	32	465.6	313.0
Other liabilities	22	2.1	1.3
Liabilities classified as held for sale	9	-	28.7
<b>Total current liabilities</b>		<b>1,528.8</b>	<b>1,565.9</b>
<b>Total liabilities</b>		<b>2,869.9</b>	<b>2,591.0</b>
<b>Total equity and liabilities</b>		<b>3,529.7</b>	<b>3,134.9</b>

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	Perpetual securities	Reserves	Accumulated losses	Total amount attributable to shareholders	Total equity
<b>As at 1 Jan 2017</b>		<b>1,024.1</b>	<b>1,129.0</b>	<b>131.6</b>	<b>(93.7)</b>	<b>(1,647.1)</b>	<b>543.9</b>	<b>543.9</b>
Profit for the year		-	-	-	-	46.5	46.5	46.5
Other comprehensive loss		-	-	-	(67.6)	(6.0)	(73.6)	(73.6)
Total comprehensive loss		-	-	-	(67.6)	40.5	(27.1)	(27.1)
Capital increase	25	16.1	81.5	-	-	-	97.6	97.6
Issuance of perpetual securities	26	-	-	54.7	-	-	54.7	54.7
Distribution on perpetual securities	26	-	-	-	-	(7.4)	(7.4)	(7.4)
Share-based payments		-	-	-	-	(1.9)	(1.9)	(1.9)
<b>As at 31 Dec 2017</b>		<b>1,040.2</b>	<b>1,210.5</b>	<b>186.3</b>	<b>(161.3)</b>	<b>(1,615.9)</b>	<b>659.8</b>	<b>659.8</b>

EUR million	Note	Share capital	Share premium	Perpetual securities	Reserves*	Accumulated losses	Total amount attributable to share holders	Total equity
<b>As at 1 Jan 2016</b>		<b>960.9</b>	<b>931.1</b>	<b>21.8</b>	<b>(31.0)</b>	<b>(1,239.2)</b>	<b>643.6</b>	<b>643.6</b>
Loss for the year		-	-	-	-	(413.8)	(413.8)	(413.8)
Other comprehensive income / (loss)		-	-	-	(78.6)	7.8	(70.8)	(70.8)
Total comprehensive loss		-	-	-	(78.6)	(406.0)	(484.6)	(484.6)
Capital increase		63.2	199.1	-	-	-	262.3	262.3
Change in par value	25	1.2	(1.2)	-	-	-	-	-
Treasury shares	25	(1.2)	-	-	1.2	-	-	-
Issuance of perpetual securities	26	-	-	109.8	-	-	109.8	109.8
Issuance of convertible bond	28	-	-	-	14.7	-	14.7	14.7
Distribution on perpetual securities	26	-	-	-	-	(3.5)	(3.5)	(3.5)
Share-based payments		-	-	-	-	1.6	1.6	1.6
<b>As at 31 Dec 2016</b>		<b>1,024.1</b>	<b>1,129.0</b>	<b>131.6</b>	<b>(93.7)</b>	<b>(1,647.1)</b>	<b>543.9</b>	<b>543.9</b>

\* Includes foreign currency translation differences relating to disposal group held for sale

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2017	2016
Profit / (loss) for the year		46.5	(413.8)
<b>Adjustment for:</b>			
Depreciation, depletion and amortisation	15,14	156.6	207.5
Income tax (benefit) / expense	13	(38.5)	39.5
Net finance expense	12	209.4	127.5
Impairment (reversal) / loss (net)	17	(142.2)	266.3
Equity settled share based payment transactions		2.5	2.8
Non-cash repayment of zinc prepayment	20 (g)	(79.4)	-
Other non-monetary items		(21.7)	(37.1)
Gain on disposal of subsidiary	8	(31.8)	(55.4)
Gain on sale of property, plant and equipment	15	(1.0)	(1.9)
Income tax paid		(12.6)	(22.1)
<b>Cash flow from operating activities before working capital changes</b>		<b>87.8</b>	<b>113.3</b>
Change in inventories		(346.8)	(234.0)
Change in trade and other receivables		31.4	24.3
Change in prepayments and deferred expenses		(1.7)	2.7
Change in deferred income		179.1	61.3
Change in trade and other payables		79.6	19.1
Change in other assets and liabilities		18.2	(53.6)
Change in provisions and employee benefits		(9.2)	(14.5)
<b>Cash flow from / (used in) operating activities</b>		<b>38.4</b>	<b>(81.4)</b>
Acquisition of property, plant and equipment	15	(368.0)	(294.0)
Acquisition of intangible assets	16	(1.9)	(0.3)
Proceeds from sale of property, plant and equipment		2.7	2.4
Proceeds from sale of intangible assets		0.9	1.2
Proceeds from sale of subsidiary	8	32.1	10.6
Interest received		2.3	1.1
<b>Cash flow used in investing activities</b>		<b>(331.9)</b>	<b>(279.0)</b>
Capital increase	25	97.6	262.3
Issue of perpetual securities	26	54.7	109.8
Distribution on perpetual securities	26	(7.4)	(3.5)
Proceeds from borrowings		552.7	205.0
Repayment of borrowings		(224.0)	(417.2)
Change in SCTF credit facility	28	(115.1)	316.2
Proceeds from zinc prepayment	20 (g)	-	31.6
Interest paid		(115.7)	(115.3)
<b>Cash flow from financing activities</b>		<b>242.8</b>	<b>388.9</b>
<b>Net (decrease) / increase in cash held</b>		<b>(50.7)</b>	<b>28.5</b>
Cash at the beginning of the year	9,24	129.4	96.1
Exchange fluctuations		(10.3)	4.8
<b>Cash at the end of the year</b>	<b>9,24</b>	<b>68.4</b>	<b>129.4</b>

The accompanying notes are an integral part of these 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 significant positions in other base and precious metals. Nyrstar has mining, smelting, and other operations located in Europe, Australia, 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](http://www.nyrstar.com).

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 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 joint ventures. The consolidated financial statements were authorised for issue by the board of directors of Nyrstar NV on 21 February 2018.

## **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), and the IFRS 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 derivative financial instruments (note 20), financial instruments at fair value through profit or loss (note 20), and available-for-sale financial assets (note 19).

### **(c) 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.

### **(d) 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.

### **(e) Standards, amendments and interpretations**

#### *Adoption of revised standards*

The following new and revised standards and interpretations, effective as of 1 January 2017 and endorsed by the European Union, have been adopted in the preparation of the consolidated financial statements:



- Amendments to IAS 7 – Statement of cash flows: Disclosure initiative

The amendment to IAS 7 requires entities to provide disclosures about changes in their liabilities arising from financing activities, including changes arising from financing cash flows and non-cash changes (such as foreign exchange movements). The Group has included a reconciliation of cash flow movements in borrowings in note 35 (g) to comply with this amendment.

- Amendments to IAS 12 Recognition of Deferred Tax Assets for unrealised Losses - as issued by IASB effective on 1<sup>st</sup> January 2017.

The amendment to IAS 12 clarifies the accounting treatment for deferred tax assets related to debt instruments measured at fair value. The adoption of this amendment has had no material impact on the Group.

*New IFRS accounting standards, amendments and interpretations not yet adopted*

The Group has not early adopted any other amendment, standard, or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

At the date of authorization of these consolidated financial statements, the following new and revised IFRS standards, which are applicable to the Group, were issued but are not yet effective:

*IFRS 15 – Revenue from Contracts with Customers – effective for year ends beginning on or after 1 January 2018*

IFRS 15 was issued in May 2014 and subsequent amendments, Clarifications to IFRS 15, were issued in April 2016. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018, although the April 2016 amendments have not yet been endorsed by the EU. For the Group, transition to IFRS 15 will take place on 1 January 2018.

The Group has assessed the impacts of transitioning to IFRS 15. Under IFRS 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. The Group's revenue is predominantly derived from commodity sales, where the point of recognition is dependent on the contractual sales terms, known as the International Commercial terms (Incoterms). As the time of the transfer of risks and rewards coincides with the transfer of a control, the timing and the amount of revenue recognised is unlikely to be materially affected for the majority of sales.

For the Incoterms Cost, Insurance and Freight ("CIF"), the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. Consequently, the freight service on export commodity contracts with CIF Incoterms will meet the criteria of a separate performance obligation and a portion of the revenue earned under these contracts, representing the obligation to perform freight service, is deferred and recognized over time as this obligation is fulfilled, along with the associated costs.

. The Group has assessed the impact of the CIF sales to the year ending 31 December 2017 with the following impact:

- The amount of revenue related to the freight service which required to be deferred was EUR 1 million and not considered material; and
- The revenue allocated to shipping services will be disclosed separately from the sales of goods. Given the immaterial amount of the revenue the Group will disclose the disaggregated revenue in the notes to the consolidated financial statements.

The Group will apply IFRS 15 for the annual reporting periods beginning on 1 January 2018, with the cumulative effect of initially applying IFRS 15, recognised at the date of initial application. Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate the application of IFRS 15 to have a significant impact on the financial position and/or financial performance of the Group.

## *IFRS 9 – Financial Instruments – effective for year ends beginning on or after 1 January 2018*

IFRS 9 revised version was issued in July 2014 and become effective for the accounting periods beginning on or after 1 January 2018, which will be the date the Group transitions to IFRS 9. The new standard is applicable to financial assets and financial liabilities, and covers all three aspects of the accounting for financial instruments project: classification and measurement, impairment and de-recognition of financial assets and financial liabilities, and a new hedge accounting model.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017, the Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

### Classification and measurement:

The changes to classification and measurement of financial instruments is unchanged on application of the new standard.

### Impairment:

The Group financial assets held at amortised cost primarily relate to trade receivables. The impact of the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised costs does not have a material impact on the Group's consolidated financial statements. This is on the basis (i) the Group does not have a history of credit losses; and (ii) there has not been a significant change in the mix, credit terms, or credit quality of the underlying counterparties as at 31 December 2017.

### Hedge Accounting:

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

As the new hedge accounting requirements will align more closely with the Group's risk management policies, the Group has assessed that the existing hedges entered into by the Group will continue to qualify for hedge accounting upon the application of IFRS 9.

Management does not anticipate the application of the hedge accounting requirements of IFRS 9 to have a material impact on the Group's consolidated financial statements.

## *IFRS 16 – Leases – effective for year ends beginning on or after 1 January 2019*

IFRS 16 was published in January 2016 and will be effective for the Group from 1 January 2019. It replaces IAS 17 leases, subject to EU endorsement. IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use the leased item and a loan obligation for future lease payables. Lessee accounting under IFRS 16 will be similar to existing IAS 17 accounting for finance leases, but will be substantively different for operating leases when rental charges are currently recorded on a straight-line basis and no lease asset or lease loan obligation is recognised. Certain exemptions are available for leases with lease term of 12 months or less or where the underlying asset is of low value and there is an option not to reassess existing arrangements on transition.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of EUR 46.7 million (note 37). IAS 17 does not require the recognition of any right to use asset or liability for future payments for these leases. The Group's assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right to use an asset and a corresponding liability in respect of all these leases unless they qualify for low value or short term leases upon the application of IFRS 16.

In contrast, for finance leases where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for these lease arrangements, the application of IFRS 16 will not have a significant impact on the finance leases as they already recognised in the Group's consolidated financial statements.

*Amendments to IFRS 2 – Classification and measurement of share-based payment transactions - effective for year ends beginning on or after 1 January 2018*

The amendments to IFRS 2 Share-based payments clarify the classification and measurement of share-based payments transactions with respect to accounting for cash-settled share-based payment transactions that include a performance obligation, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The Group has assessed the impact of the change on its consolidated financial statements and it does not expect any material impact.

*IFRS 17 – Insurance contracts – effective for year ends beginning on or after 1 January 2021*

IFRS 17 – Insurance Contracts – issued on 18 May 2017, IASB effective on 1<sup>st</sup> January 2021. This standard establishes the principles, measurement, presentation and disclosure of insurance contracts. The objective is to ensure providing relevant information that faithfully represent those contracts. The information should give a basis for users of financial statements to assess effect that insurance contracts have on the entity's financial position, financial performance, and cash flow. Application of IFRS 17 will not have a material impact on the financial statements of the Group.

Other issued standards and amendments that are not yet effective, are listed below:

- Amendments to IAS 40 – Transfers of Investment Property – as issued by IASB effective on 1st January 2018.
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts – as issued by IASB effective on 1st January 2018.
- Clarifications to IFRS 15 – Clarifications to IFRS 15 Revenue from Contracts with customers - as issued by IASB effective on 1st January 2018. For the impact of IFRS 15 Revenue from Contracts with customers please refer to the paragraphs above.
- Amendments to IAS 28 – Long-term Interests in associates and Joint Ventures as issued by IASB effective in annual periods beginning on or after 1 January 2019. Not yet endorsed for use in the EU.
- Annual Improvements to IFRSs Standards 2015-2017 Cycle – a collection of amendments to IFRSs, in response to issues addressed during the 2015–2017 cycle including amendments to IFRS 3 and IFRS 11 (clarifying obtaining control of a business that is a joint operation), amendments to IAS 12 (clarification of all income tax consequences of dividends) and amendments to IAS 23 (clarifying the borrowing costs). Issued on 12 December 2017, effective in annual periods beginning on or after 1 January 2019. Not yet endorsed for use in the EU.
- IFRIC 22 – Foreigner Currency Transactions and Advance Consideration - as issued by IASB effective on 1st January 2018.
- IFRIC 23 – Uncertainty over Income Tax Treatments – issued on 7 June 2017, IASB effective on 1<sup>st</sup> January 2019. IFRIC 23 clarifies the accounting for uncertainties in income taxes.

#### **(f) Alternative Performance Measures**

The Group uses so called “Alternative Performance Measures” (“APM”) in the financial statements and notes. An APM is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined in the applicable financial reporting framework (IFRS). A glossary describing these can be found on [www.nyrstar.com](http://www.nyrstar.com). They are consistently used over time and when a change is needed, the comparable is disclosed.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017 and 2016 with the exception of a new policy note (note 26) in connection with the perpetual securities. As at 31 December 2016, the perpetual securities were classified as compound financial instruments comprising of both equity and liability components. During the year ended 31 December 2017, the terms of the perpetual securities were amended which resulted in the perpetual securities being classified as equity instruments as at 31 December 2017. The classification of the perpetual securities as equity instruments did not impact the financial statements on the basis the liability portion was insignificant as at 31 December 2016.

#### (a) Basis of consolidation

##### Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls another entity, when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the company has less than a majority of the voting rights, it has power over another entity when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the other entity unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in the other entity are sufficient to give it power. The Group reassesses whether or not it controls another entity if facts and circumstances indicate there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group until the date the control ceases.

##### Business Combinations

The purchase method of accounting is used to account for the acquisition of 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 transferred to, shares issued to or liabilities undertaken on behalf of the previous owners 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 joint arrangements

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint arrangements are those arrangements of which the Group has joint control, established by contractual agreement and requiring unanimous consent for decisions about the relevant activities. Associates and joint ventures 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 expense 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 the Group has an obligation to or has made payments on behalf of the investee.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in the joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation; (d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly. The accounting treatment for the assets, liabilities, revenues and expenses are accounted for by the Group in accordance with its accounting policies and IFRSs applicable to the particular assets, liabilities, revenues and expenses.

#### 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 and losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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.

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 expense 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 i) its unrecognised firm commitments arising from fixed price forward sales contracts and ii) future volatility in cash flows from the sale of metal.

Derivatives are initially recognised at their fair value on the date Nyrstar becomes a party to the contractual conditions of the instrument. 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 cash flows to be received or paid relating to a recognised asset or liability or 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 income statement.

#### Investments in equity securities

The classification of investments depends on the purpose for which the investments have been acquired. Management determines the classification of investments at initial recognition. These investments are classified as available-for-sale financial assets and 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 'gain/loss on sale of investments in equity securities'.

#### Other financial liabilities

Certain commodity prepayment agreements do not qualify for recognition under Nyrstar's normal purchase, sale or usage requirements and are accounted for as financial instruments. These agreements are classified as other financial liabilities and initially recognised at fair value, net of transaction costs incurred, and subsequently carried at amortised cost.

## **(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.

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 previously capitalised expenditures reclassified from 'Exploration and evaluation (see note 3e).

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 assets 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 circumstances 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.

Critical 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 mine development costs include costs incurred to bring the mining assets to a condition of being capable of operating as intended by management. Mineral reserves and in some instances mineral resources and capitalised mine development costs are depreciated from the commencement of production using generally the unit of production basis. They are written off if the property is abandoned.

### 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 income statement during the financial period in which the costs are incurred.

### 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 capitalised 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 on a unit of production basis, when commercial production commences.

Capitalised exploration and evaluation assets are transferred to mine development assets once the work completed to date supports the future development of the property and such development receives appropriate approvals.

### **(e) Intangible assets**

#### Other intangible assets

Software and related internal development costs are carried at historical cost, less accumulated amortisation and impairment losses. They are typically amortised over a period of five years.

CO2 emission rights/Carbon permits are carried at historical cost, less impairment losses: These intangibles are not amortised. The corresponding balance is recognised in provisions.

### **(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 based on the effective interest rate implied in the lease contract.



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

### **(g) 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 expense. By-products inventory 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 allocation of fixed and variable overhead expense, including depreciation and amortisation. Stores of consumables and spares are valued at cost with allowance for obsolescence. Cost of purchase of all 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 Group applies hedge accounting as referred in note 3c, the hedged items of inventory are adjusted by the fair value movement attributable to the hedged risk. 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 changes.

### **(h) Impairment**

#### Financial assets

A financial asset that is not measured at fair value through profit or loss 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.

For available for sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. Impairment losses on available for sale equity investments are not reversed.

#### 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 annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or groups of 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 cannot be 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 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.

#### **(i) 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

Payments to defined contribution retirement plans are recognised as an expense when employees have rendered service entitling them to the contributions.

##### Defined benefit plans

The Group recognises a net liability in respect of defined benefit superannuation or medical plans in the statement of financial position. The net liability is measured as the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets belonging to the plans and represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans ("asset ceiling").

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.

Defined benefit costs are split into three categories:

- Service costs, past-service costs, gains and losses on curtailments and settlements;
- Net-interest cost or income; and
- Re-measurement.

The Group presents the first component of defined benefit costs in the line item 'employee benefits expenses' and the second component in the line item 'finance expenses' in its income statement. Curtailments gains and losses are accounted for as past-service cost.

Re-measurement comprises of actuarial gains and losses on the defined benefit obligations, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest income). These are recognised immediately in the statement of financial position with a charge or credit to Other Comprehensive Income ("OCI") in the period in which they occur. Re-measurement recorded in OCI is not recycled. Those amounts recognised in OCI may be reclassified within equity. Past service costs are immediately recognised in profit or loss in the period of plan amendment and are not deferred anymore. Net-interest is calculated by applying the discount rate to the net defined benefit liability or asset.

#### Share-based payment compensation

The Group operates a leveraged employee stock ownership plan and an executive long-term incentive plan, which, at the Group's discretion, are equity-settled or 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 entitled to the shares. The amount recognised as an employee benefit expense is the 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 Company's 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 re-measured with any changes in fair value recognised in the income statement for the period.

#### **(j) Provisions**

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

#### Restoration, rehabilitation and decommissioning provision

Provisions are recognised for estimated closure, restoration and environmental rehabilitation costs. These costs include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas in the financial year when the related environmental disturbance occurs. They are based on the estimated future cash flows adjusted for the risk relating to the uncertainty of the amount and timing of the cash flows using information available at each balance sheet date. The provision is discounted using a current market-based pre-tax discount rate that includes a risk free rate reflecting the location of the provision and a credit spread specific to the liability (note 29). The unwinding of the discount is recognised as interest expense. When the provision is established, a corresponding asset is recognised, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates.

The provision is reviewed on an annual basis for changes to costs, legislation, discount rates or other changes that impact estimated costs or lives of the operations. The carrying value of the related asset (or the income statement when no related asset exists) is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate. The adjusted carrying value of the asset is depreciated prospectively.

#### Restructuring provision

A constructive obligation for a restructuring arises only when two conditions are fulfilled: a) 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, b) 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.

#### Other provisions

Other provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate and the unwinding of the discount is included in finance costs.

#### **(k) Compound financial instruments**

Compound financial instruments issued by the Group comprise:

- Convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity component. The equity component is recognised 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. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

#### *Convertible bonds*

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 re-measured subsequent to initial recognition.

#### **(l) 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 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 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 forward market prices for the relevant quotation period. This ensures that revenue is recorded at the fair value of consideration to be received. Such 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. The outstanding balances related to these swaps are being recognised as other receivables and other payables until the swaps are fully settled. If any settlement in cash or cash equivalents occurs for value equalisation of such transactions, this settlement amount is recognised in raw materials used. When the goods swapped however are of a dissimilar nature or value from each other, the swap is regarded as a transaction that generates revenue.

## **(m) 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 expenses include:

- Interest on short-term and long-term borrowings;
- Interest on other financial liabilities
- 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, rehabilitation and decommissioning provision and workers' compensation.
- Implied interest on metal prepayment agreements

Finance expenses are calculated using the effective interest rate method. Finance expenses 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 expenses are expensed as incurred.

Net finance expenses represent finance expenses 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.

## **(n) 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 in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity.

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 joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition a deferred income tax liability 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 credits 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 that have the characteristics of an income tax are treated and disclosed as current and deferred income taxes.

#### **(o) 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 balance sheet and 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.

#### **(p) 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.

#### **(q) 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 on the basis of actual physical deliveries of the products. Revenue is recognised based on the nominal value of the future physical deliveries of metal to customers and the financing element to the advance payments is recognised in the Income Statement as interest expense applying the effective interest rate method.

#### **(r) 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.

#### **(s) 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).

#### **(t) Earnings per share**

Nyrstar presents basic and diluted earnings per share (EPS) 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.

**(u) Segment reporting**

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

The segment information reported to the NMC is prepared in conformity with the accounting policies consistent with those described in these financial statements and presented in the format outlined in note 7.

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.

**(v) 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 gain or loss on the transaction is recognised in accumulated losses.

**(w) Loans and 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.

**(x) Borrowing costs**

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than 12 months to commission. In these circumstances, borrowing costs are capitalised to the cost of the assets and depreciated over the useful life of the assets. Capitalisation is based on the period of time that is required to complete and prepare the asset for its intended use.

**(y) Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

**(z) Reverse acquisition reserve**

The reverse acquisition reserve recognised in Company's reserves was recognised during the formation of Nyrstar in 2007 when one of the legal acquirees was considered to be the accounting acquirer under the rules of IFRS 3. As one of the accounting acquirees was not a business under IFRS 3, a part of the transaction was outside the scope of IFRS 3. While the concepts of reverse acquisition accounting have been applied as required, their application has not resulted in the



recognition of goodwill but instead in the recognition of a 'reverse acquisition reserve' on consolidation related to the capital transaction of the accounting acquiree.

#### 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.

##### Going concern (note 2(a))

The Company has assessed that, taking into account its available cash, cash equivalents and undrawn committed facilities available at the date of the consolidated financial statements, its cash flow projections for 2018 based on the approved budgets, it has sufficient liquidity to meet its present obligations and cover working capital needs for 2018 and will remain in compliance with its financial covenants throughout this period.

The cash flow projections for 2018 incorporate the following key assumptions:

##### *Commodity prices and foreign exchange rates*

Commodity prices and foreign exchange rates were developed from externally available sources from a number of different market commentators

##### *Production output and capital and operating costs*

Based on historical results unless definitive plans are in place which are expected to have a significant effect on operations

##### *Treatment charges*

Treatment charges were developed from externally available forecasts and recent historical rates

##### *Port Pirie Redevelopment Project*

The cash flow projections for 2018 include management's best estimate of the revenue from the project

The Company has undertaken a sensitivity analysis of its going concern assessment through independently adjusting the cash flow projections for 2018 for zinc prices, treatment charges, smelter production output and unfavourable movements in the USD. Each of the scenarios below were modelled independent of each other.

- Forecast zinc prices for the second half of 2018 were adjusted to USD 2,600/t which was the lowest zinc price provided by Nyrstar's panel of market commentators. No change was made to the assumed treatment charge of USD 118/t on the basis the majority of the Group's treatment charges are referenced to the benchmark price set in the first half of 2018.
- Forecast zinc prices were adjusted to USD 3,854/t which was the highest zinc price provided by Nyrstar's panel of market commentators. In addition, treatment charge rates were adjusted down to USD 108/MT. This downward adjustment reflects the historic correlation of treatment charges to the zinc price over the last 7 years.
- Forecast smelter production output was adjusted down by 13%, a smelter production level which the Group has exceeded in each of the last 7 years. In addition, the full contribution from the Port Pirie Redevelopment Project has been removed from the forecasts.



- Assumed the USD would weaken by 5% and the AUD would weaken by 2% against the EUR. This was to reflect the most unfavourable exchange rates provided by consensus brokers. A weakening USD and AUD negatively impacted the Group's equity.

In all cases the sensitivity analysis indicated that the Company would have sufficient liquidity to meet its present obligations and cover working capital needs for 2018 and remain in compliance with its financial covenants throughout 2018.

Adverse movements in currency rates, commodity prices and/or operational results will affect the Company's liquidity or lower the Company's equity, and if these adverse movements persist for an extended period of time, the Company may have to take mitigating actions to maintain liquidity or equity headroom. A sustained and material impact on the Company's liquidity or equity will also impact the Company's ability to comply with financial covenants under its credit facilities.

#### Classification of assets and liabilities as held for sale and discontinued operations (note 9)

The Group applies the requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. The non-current assets and liabilities included in disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, they are available for immediate disposal and the sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs of disposal. The classification of the assets and liabilities as held for sale requires judgement, in particular in relation to the assessment whether the sale of the assets can be considered as "highly probable". At 31 December 2017 there have not been any assets and liabilities classified as held for sale following the disposal of the Latin American mining operations in 2016 and 2017.

#### Impairment of assets (note 15,16,17)

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).

#### Recovery of deferred tax assets (note 13)

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 recovery. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available information is considered. The taxable profit forecasts used in this evaluation are consistent with those prepared and used internally for business planning and impairment testing purposes.

The key assumptions included in the assessment of the recoverability of the tax losses include:

- i) Commodity prices, treatment charges and exchange rates consistent with those applied for impairment testing (note 17).
- ii) Ramp up of the Port Pirie Redevelopment project to full capacity before the end of 2019.

The Group applied sensitivity testing by assuming a further conservative scenario (note 13).

#### Fair value

The Group has applied estimates and judgments related to the fair value estimates in accounting for discontinued operations (note 9), revenue recognition, impairment testing (note 17), inventories (note 21), share-based payments (note 33) and for its financial assets and liabilities (note 20). Fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the

assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market based transactions rarely exist.

#### Determination of ore reserves and resources estimates

Estimated recoverable reserves and resources are used to determine the depreciation of mine production assets (note 15), and in performing impairment testing (note 17). 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 may impact the carrying value of assets and depreciation and impairment charges recorded in the income statement.

#### Classification and measurement of the Perpetual Securities (note 26)

For year ended 31 December 2016, significant judgement was required to classify the perpetual securities (the Securities) as entirely equity or as compound instruments or entirely as financial liabilities (IAS 32 paragraph 25).

During the year ended 31 December 2017, Nyrstar agreed with the holder of the Securities to amend or exclude certain clauses relating to the contingent option for the holder to request redemption (i.e. a contingent settlement provision). Nyrstar can undertake certain actions to prevent a contingent settlement event from occurring. There are no circumstances, where Nyrstar would have to mandatorily redeem the Securities. As such, the Securities have been accounted for as entirely equity financial instruments as at 31 December 2017. This classification did not impact the financial statements as at 31 December 2016 on the basis that the fair value of the financial liability component of the compound financial instrument presented in the 31 December 2016 financial statements was insignificant. The Group has provided additional disclosure about the terms of the Securities in note 26.

In 2016 the Securities had both equity and liability features. The equity features included discretionary coupons which the Group may pay into perpetuity. The liability features included the holder's right to request redemption of the Securities for cash in highly specific circumstances (early redemption events) outside of the control of the Group and the holder of the Securities. In 2016 the Group concluded it appropriate to adopt an accounting policy classifying the Securities as compound instruments.

In 2016 the Group has adopted a policy of initially recognising the liability component at fair value. The Group estimated the fair value of the liability based on the probability of i) the occurrence of events that must occur before an early redemption event can be triggered which give the holder a right to request redemption of the Securities, ii) the Group being unable to remedy the event and prevent an early repayment event being triggered, and iii) it being in the holder's interest to request redemption of the Securities. The Group assessed the likelihood of early redemption to be remote on the basis that all three of the above factors need to occur. Therefore, the fair value of the liability at initial recognition was assessed to be immaterial.

#### Restoration, rehabilitation and decommissioning provision (note 29)

A provision is recognised for estimated closure, restoration and environmental rehabilitation costs. These costs include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas in the financial year when the related environmental disturbance occurs. They are based on the estimated future costs using information available at each balance sheet date. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is recognised as interest expense. 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 benefits (note 30)

The expected costs of providing pensions and post-employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions. Nyrstar makes these

assumptions in respect to the expected costs in consultation with qualified actuaries. When actual experience differs to these estimates, actuarial gains and losses are recognised in OCI. Refer to note 30 for details on the key assumptions.

## **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 supported in its oversight role by the Group's internal audit function.

### **(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is primarily exposed to credit risk through the 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.

#### Trade and other receivables

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.

#### Guarantees

Nyrstar's policy is to provide financial guarantees only on behalf of wholly-owned subsidiaries. At 31 December 2017, no guarantees were outstanding to external customers (31 December 2016 : 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), commodity prepayment agreements and perpetual securities.

Nyrstar uses different means of funding available to the company. They include equity, bonds, committed and uncommitted trade finance facilities as well as metal prepayments or a Perpetual Securities and other sources as and when they became available to the Company. Different means of funding introduce different risk associated with them. At times, certain means of funding may become unavailable to the Company. Management aims to diversify the sources of funding to spread the risk that one of the sources become unavailable to the Company.

Nyrstar is actively managing the liquidity risk in order to ensure that at all times it has access to sufficient cash resources at a cost in line with market conditions for companies with a similar credit standing. Liquidity risk is measured by comparing

projected net debt levels (also including the zinc prepayment (Note 20) and perpetual securities (Note 26)) against total amount of available committed facilities. These forecasts are being produced on a rolling basis and include cash flow forecasts of all operational subsidiaries. Also the average remaining life of the committed funding facilities is monitored, at least on a quarterly basis.

The financial covenants of the existing loan agreements are monitored as appropriate in order to ensure compliance. No breach of covenants has occurred during the year.

#### **(d) Market risk**

The Group's activities expose it primarily to the financial market risks of changes in commodity prices and foreign exchange rates. The objective of market risk management is to manage and control market exposures within acceptable parameters while optimising the return.

##### Commodity price risk (note 35(d))

In the normal course of its business, Nyrstar is exposed to risk resulting from fluctuations in the market prices of commodities. Nyrstar regularly engages in transactional hedging which means that it undertakes 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. In addition to the transactional hedging, the Group also undertakes strategic cash flow hedging to limit downside risks related to the commodity price exposures on future production. Nyrstar reviews its hedging policy on a regular basis.

Both transactional and strategic 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 the operating result.

##### Foreign Currency Exchange Risk (note 35(c))

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 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 and Swiss Francs. As a result, movement of the currencies in which Nyrstar's costs are denominated against the Euro could adversely affect Nyrstar's profitability and financial position. Until the sale of the El Toqui, the El Mochito, Campo Morado, Contonga and Coricancha mines (note 8) Nyrstar was also exposed to the movements of the Chilean Peso, Honduran Lempira, Mexican Peso and Peruvian Sol, respectively.

Nyrstar has entered into strategic foreign exchange hedges to limit its downside exposure related to the fluctuations between the Euro and the U.S. Dollar and between the Euro and the Australian Dollar. Nyrstar also regularly enters into short-term hedging transactions to cover its transactional foreign exchange exposures.

#### **(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 35(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. Nyrstar is currently exposed to interest rate movements on the SCTF Credit Facility and the loans from related parties (note 35(f)). Additionally, Nyrstar is also exposed to the interest rate risk on the perpetual securities, including the interest rate step-ups in case the distributions are deferred (note 26). Nyrstar has not entered into interest rate derivatives.

## (f) Capital management

The Board's policy is to maintain an adequate capital base to maintain investor, creditor and market confidence and sustain future development of the business. The board of directors monitors the leverage of the Company and 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 assesses the appropriateness of the dividend declarations and 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 maximise 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 require the Company to 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.

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 2017 financial statements are (in EUR):

	Annual average		Year end	
	2017	2016	2017	2016
United States dollar	1.1299	1.1068	1.1995	1.0538
Australian dollar	1.4731	1.4882	1.5348	1.4587
Canadian dollar	1.4648	1.4658	1.5050	1.4188
Swiss franc	1.1119	1.0901	1.1701	1.0740

## 7. Segment reporting

The Group's operating segments (Metals Processing and Mining) reflect the approach of the 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 NMC assesses the performance of the operating segments based on a measure of 'Underlying EBITDA'.

'Underlying EBITDA' is a non-IFRS measure of earnings, which is used by management to assess the underlying performance of Nyrstar's operations and is reported by Nyrstar to provide additional understanding of the underlying business performance of its operations. Nyrstar defines "Underlying EBITDA" as profit and loss for the period, adjusted to exclude loss from discontinued operations (net of income tax), income tax (expense)/benefit, share of loss of equity-accounted investees, gain on the disposal of equity-accounted investees, net finance expense, impairment losses and reversals, restructuring expense, M&A related transaction expenses, depreciation, depletion and amortization, income or expenses arising from embedded derivatives recognised under IAS 39 "Financial Instruments: Recognition and Measurement" and other items arising from events or transactions clearly distinct from the ordinary activities of Nyrstar.

The components of gross profit are non-IFRS measures which are used internally by management and are the following:

Mining's Payable/ free metal contribution is the metal price received for the payable component of the primary metal contained in concentrate before it is further processed by a smelter.

Metals Processing's Payable/free metal contribution is the value of the difference received between the amount of metal that is paid for in a concentrate and the total zinc recovered from the sale by a smelter.

Treatment charges are the fees charged for the processing of primary (concentrates) and secondary raw materials for the production of metal which is a positive gross profit element for the smelters and a deduction in the gross profit for mines.

Metals Processing's premiums is the premium charged on top of the base LME price for the sales of refined zinc and lead metals.

By-products are secondary products obtained in the course of producing zinc or lead and include primarily sulphuric acid, silver, gold, indium, copper and cadmium.

Other are other costs and revenues associated with smelting or mining operations that do not relate to the above categories.

The 'Metals processing' segment comprises of the Group's smelting operations. The 'Mining' segment comprises of the Group's mining operations. 'Other & Eliminations' contains corporate activities as well as the eliminations of the intra-group transactions including any unrealised profits resulting from intercompany transactions.

For the year ended 31 Dec 2017, EUR million	Metals Processing	Mining	Other and eliminations	Total
Revenue from external customers	3,523.6	6.9	-	3,530.5
Inter-segment revenue	0.9	250.5	(251.4)	-
<b>Total segment revenue</b>	<b>3,524.5</b>	<b>257.4</b>	<b>(251.4)</b>	<b>3,530.5</b>
Payable metal / free metal contribution	350.9	230.3	-	581.2
Treatment charges	286.0	(23.1)	-	262.9
Premiums	152.1	-	-	152.1
By-products	165.5	18.4	-	183.9
Other	(98.9)	(7.6)	0.7	(105.8)
<b>Gross Profit</b>	<b>855.6</b>	<b>218.0</b>	<b>0.7</b>	<b>1,074.3</b>
Employee expenses	(220.5)	(77.0)	(20.7)	(318.2)
Energy expenses	(226.9)*	(20.3)	(0.1)	(247.3)
Other expenses / income	(201.7)**	(79.9)	(28.1)	(309.7)
<b>Direct operating costs</b>	<b>(649.1)</b>	<b>(177.2)</b>	<b>(48.9)</b>	<b>(875.2)</b>
Non-operating and other	(0.7)	6.3	0.6	6.2
<b>Underlying EBITDA</b>	<b>205.8</b>	<b>47.1</b>	<b>(47.6)</b>	<b>205.3</b>
Depreciation, depletion and amortisation				(155.8)
M&A related transaction expense				(0.2)
Restructuring expense				(4.1)
Impairment reversal				126.1
Other income				8.5
Embedded derivatives				(2.6)
Gain on disposal of subsidiaries				2.6
Net finance expense				(207.1)
Income tax benefit				36.9
Gain from discontinued operations, net of taxes				36.9
<b>Profit for the period</b>				<b>46.5</b>
Capital expenditure	(302.8)	(58.4)	(3.0)	(364.2)

\* Net of EUR 9.7 million recharge of energy costs to external parties

\*\* Net of EUR 4.2 million recharge of other costs to external parties

For the year ended 31 Dec 2016, EUR million*	Metals Processing	Mining	Other and eliminations	Total
Revenue from external customers	2,760.8	2.4	-	2,763.2
Inter-segment revenue	0.4	144.6	(145.0)	-
<b>Total segment revenue</b>	<b>2,761.2</b>	<b>147.0</b>	<b>(145.0)</b>	<b>2,763.2</b>
Payable metal / free metal contribution	263.1	159.6	-	422.7
Treatment charges	370.4	(31.4)	(0.9)	338.1
Premiums	155.6	-	-	155.6
By-products	143.3	17.7	-	161.0
Other	(89.5)	(9.5)	2.9	(96.1)
<b>Gross Profit</b>	<b>842.9</b>	<b>136.4</b>	<b>2.0</b>	<b>981.3</b>
Employee expenses	(218.9)	(62.6)	(20.8)	(302.3)
Energy expenses	(195.3)**	(14.6)	(0.2)	(210.1)
Other expenses / income	(204.9)***	(54.2)	(16.3)	(275.4)
<b>Direct operating costs</b>	<b>(619.1)</b>	<b>(131.4)</b>	<b>(37.3)</b>	<b>(787.8)</b>
Non-operating and other	(1.7)	2.9	0.4	1.6
<b>Underlying EBITDA</b>	<b>222.1</b>	<b>7.9</b>	<b>(34.9)</b>	<b>195.1</b>
Depreciation, amortisation and depletion				(177.1)
M&A related transaction expense				(5.3)
Restructuring expense				(8.4)
Impairment loss				(125.5)
Embedded derivatives				(5.2)
Gain on the disposal of equity accounted investees				-
Net finance expense				(121.8)
Income tax expense				(15.5)
Loss from discontinued operations, net of taxes				(150.1)
<b>Loss for the period</b>				<b>(413.8)</b>
Capital expenditure	(236.5)	(40.2)	(3.1)	(279.7)

\* Prior year amounts have been re-presented for the impact of the discontinued operations (note 9)

\*\* Net of EUR 4.2 million recharge of energy costs to external parties

\*\*\* Net of EUR 10.1 million recharge of other costs to external parties

## Geographical information

### (a) Revenues from external customers

EUR million	2017	2016
Belgium	672.4	562.3
Rest of Europe	1,121.8	772.3
Americas	431.2	282.7
Australia	905.7	831.2
Asia	362.1	280.5
Other	37.3	34.2
<b>Total</b>	<b>3,530.5</b>	<b>2,763.2</b>

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

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 International plc and Trafigura Group Pte. Ltd., which accounted for 28.1% and 14.2% respectively, of the total Group's sales, reported in the Metals Processing segment. (2016: Glencore International plc: 27.7%, Trafigura Group Pte. Ltd: 13.3%).

**(b) Non-current assets**

EUR million	31 Dec 2017	31 Dec 2016
Belgium	227.4	222.4
Rest of Europe	270.2	267.7
North America	394.8	267.3
Central America (incl Mexico)	-	7.6
South America	0.9	0.9
Australia	800.3	656.1
<b>Total</b>	<b>1,693.6</b>	<b>1,422.0</b>

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

## 8. Acquisition and disposal of business

### Acquisitions

No acquisitions for the twelve months ended 31 December 2017 and 2016.

### Disposals

In 2017, Nyrstar disposed of its controlling interest in the Campo Morado mine, Coricancha mine and Contonga mines (note 9).



The carrying value of the assets and liabilities over which control was lost and net cash received from these disposals are detailed below:

EUR million	Note	Coricancha mine	Campo Morado mine	Contonga mine	Total
Property, plant and equipment		1.6	26.0	20.8	48.4
Other assets		-	0.1	1.8	1.9
<b>Total non-current assets</b>		<b>1.6</b>	<b>26.1</b>	<b>22.6</b>	<b>50.3</b>
Inventories		2.6	-	2.1	4.7
Trade and other receivables		1.1	1.4	4.0	6.5
Prepayments		-	0.1	-	0.1
Current income tax assets		-	-	0.1	0.1
Cash and cash equivalents		0.1	-	2.2	2.3
<b>Total current assets</b>		<b>3.8</b>	<b>1.5</b>	<b>8.4</b>	<b>13.7</b>
Provisions		9.8	6.9	8.7	25.4
<b>Total non-current liabilities</b>		<b>9.8</b>	<b>6.9</b>	<b>8.7</b>	<b>25.4</b>
Trade and other payables		1.4	1.3	3.7	6.4
Current income tax liabilities		-	-	0.1	0.1
Provisions		1.5	1.6	0.3	3.4
Employee benefits		0.2	-	0.5	0.7
<b>Total current liabilities</b>		<b>3.1</b>	<b>2.9</b>	<b>4.6</b>	<b>10.6</b>
					-
<b>Carrying value of net (assets) / liabilities disposed</b>		<b>7.4</b>	<b>(17.8)</b>	<b>(17.7)</b>	<b>(28.1)</b>
Add: cash and cash equivalents received		0.1	3.1	17.7	20.9
Add: receivables recorded in relation to the disposal		-	14.7	2.6	17.3
Add: other financial liability recorded in relation to the disposal	20	(7.5)	-	-	(7.5)
Add: Foreign currency translation gains recycled to the income statement on the disposal		1.1	28.4	(1.3)	28.2
Adjustments on 2016 disposals		-	-	-	(1.6)
<b>Net gain / (loss) on disposal</b>	9	<b>1.1</b>	<b>28.4</b>	<b>1.3</b>	<b>29.2</b>
					-
<b>Cash and cash equivalents received</b>		<b>0.1</b>	<b>3.1</b>	<b>17.7</b>	<b>20.9</b>
Less: cash and cash equivalents disposed		0.1	-	2.2	2.3
Cash received from disposals in 2016		-	-	-	9.4
<b>Net cash received from disposal</b>		<b>-</b>	<b>3.1</b>	<b>15.5</b>	<b>28.0</b>

In 2016, Nyrstar disposed of its controlling interest in the El Toqui mine and the El Mochito mine (note 9).

The carrying value of the assets and liabilities over which control was lost and net cash received from these disposals are detailed below:

EUR million	Note	El Toqui mine	El Mochito mine	Total
Property, plant and equipment		37.8	3.6	41.4
Intangible assets		0.2	-	0.2
Other assets		-	0.4	0.4
<b>Total non-current assets</b>		<b>38.0</b>	<b>4.0</b>	<b>42.0</b>
Inventories		20.0	9.5	29.5
Trade and other receivables		5.1	4.3	9.4
Other assets		4.9	0.5	5.4
Cash and cash equivalents		0.3	0.7	1.0
<b>Total current assets</b>		<b>30.3</b>	<b>15.0</b>	<b>45.3</b>
Provisions		7.0	6.6	13.6
Employee benefits		3.4	6.2	9.6
Other non-current liabilities		4.4	-	4.4
<b>Total non-current liabilities</b>		<b>14.8</b>	<b>12.8</b>	<b>27.6</b>
Trade and other payables		6.3	5.4	11.7
Loans and borrowings		0.1	-	0.1
Employee benefits		1.7	0.4	2.1
<b>Total current liabilities</b>		<b>8.1</b>	<b>5.8</b>	<b>13.9</b>
		-	-	-
<b>Carrying value of net assets disposed</b>		<b>(45.4)</b>	<b>(0.4)</b>	<b>(45.8)</b>
Add: cash and cash equivalents received		11.1	0.5	11.6
Add: receivables recorded in relation to the disposal		20.2	-	20.2
Add: other financial assets received on disposal	20	13.3	-	13.3
Add: Foreign currency translation gains recycled to the income statement on the disposal		28.7	27.4	56.1
<b>Net gain on disposal</b>	9	<b>27.9</b>	<b>27.5</b>	<b>55.4</b>
		-	-	-
<b>Cash and cash equivalents received</b>		<b>11.1</b>	<b>0.5</b>	<b>11.6</b>
Less: cash and cash equivalents disposed		0.3	0.7	1.0
<b>Net cash received from disposal</b>		<b>10.8</b>	<b>(0.2)</b>	<b>10.6</b>

## 9. Discontinued operations

### Contonga mine

On 14 December 2016 Nyrstar announced that it has entered into Share Purchase Agreements to sell its Contonga mine in Peru to subsidiaries of Glencore plc ("Glencore"), a global diversified natural resources company, for a total cash consideration of USD 21.0 million (EUR 19.9 million) (the "Transaction"). Closing of the Transaction was subject to customary closing conditions, which was finalized in September 2017. Accordingly, the Contonga mine was classified as a disposal group held for sale from 14 December 2016 and presented as a discontinued operation. An impairment loss on re-

measurement to fair value less cost to sell for Contonga of EUR 19.1 million was recognised in the consolidated income statement.

In connection with the sale of the mine, Nyrstar agreed to indemnify Glencore up to a maximum aggregate of USD 22.0 million (EUR 20.9 million) for the following: (i) for a period of six years after the completion of the sale, any unknown tax liabilities incurred prior to the completion of the sale; (ii) for a period of three years after the completion of the sale, all unknown environmental liabilities relating to events or circumstances occurring prior to the completion of the sale (except for certain liabilities specifically assumed by Glencore and set forth in the purchase agreement); (iii) for a period of 12 months after the completion of the sale, any unknown Contonga liabilities arising in relation to the period prior to the completion of the sale (other than those specifically assumed by Glencore) and any Contonga losses occurring as a result of the sale process and structure. Subject to the same USD 22.0 million (EUR 20.9 million) aggregate liability cap, Nyrstar also remains liable for 50% of all liabilities arising from an old tailings deposit in the Contonga mine to the extent that such liabilities exceed USD 8.0 million (EUR 7.6 million), and liable for all such liabilities that exceed USD 11.0 million (EUR 10.4 million).

The transaction closed on 1 September 2017 (the "Closing Date") at which point the Group recognised the sale of the Contonga mine (note 8).

Prior to reclassification as disposal group held for sale, the Contonga mine was part of mining segment in note 7.

#### Quebec mineral claims

At the same time and in connection with the sale of Contonga, the Group also agreed to sell various mineral claims located in Quebec, Canada to another subsidiary of Glencore for cash consideration of USD 5 million (EUR 4.7 million). The transaction closed in April 2017 (the "Closing Date") at which point the Group recognised the sale of the Quebec mineral claims. The carrying value of the mineral claims located in Quebec was Nil.

#### Coricancha mine

On 20 December 2016 Nyrstar announced that it has entered into a Share Purchase Agreement to sell its Coricancha mine in Peru to Great Panther Silver Limited ("Great Panther"), a primary silver mining and exploration company listed on the Toronto Stock Exchange, for a total cash consideration of USD 0.1 million (EUR 0.1 million) plus earn-out consideration of up to USD 10 million (EUR 9.5 million) (the "Transaction"). Under the earn-out, Nyrstar will be paid 15% of the free cash-flow generated by the Coricancha mine during the 5-year period after which the Coricancha mine is cumulative free cash-flow positive from closing of the transaction. Additionally, as a part of the sales consideration Nyrstar provided a guarantee letter for a value of USD 9.7 million (EUR 9.2 million) as security in favour of the Ministerio de Energia y Minas of Peru for closure obligations of the Coricancha mine (the Mine Closure Bond). The Mine Closure Bond is secured by a cash-backed account for the full exposure in favor of the issuing bank guarantor, the balance of which is included in the Company's restricted cash (note 20(c)). Upon closing, Nyrstar will recognise a financial liability owing to Great Panther. Should Great Panther:

- a. Not close the Coricancha mine within three years of the completion of the sale, Great Panther Silver Limited must release the Company from all obligations under the Mine Closure Bond in favor of the Ministerio de Energia y Minas of Peru; or
- b. Elect to close the Coricancha mine within three years of the completion of the sale, it may call upon the Company to pay the full amount of the Mine Closure Bond to offset closure costs. Upon payment of these monies, Great Panther will assume the obligations under the Mine Closure Bond and release the Company from all obligations to the Ministerio de Energia y Minas of Peru.

Upon release of Nyrstar from the Mine Closure Bond, the other financial liability shall be derecognised and the monies in the cash backed account in favour of the issuing bank guarantor shall be released to the Company at which time cash shall be reclassified from restricted cash to cash and cash equivalents.

Additionally, as a part of the sales consideration, the Company has agreed to fund certain reclamation works of the Coricancha mine of up to USD 20.0 million (EUR 19.0 million) (note 20(i)). The best estimate of this liability amounting to

EUR 11.6 million has been included as a part of the sales consideration of the mine. Closing of the Transaction is subject to customary closing conditions and was finalised in the first half of 2017. Accordingly, the Coricancha mine was classified as a disposal group held for sale from 20 December 2016 and presented as a discontinued operation. An impairment loss on re-measurement to fair value less cost of disposal for Coricancha of EUR 18.4 million was recognised in the consolidated income statement.

Nyrstar also agreed to indemnify Great Panther for any fines or sanctions arising from administrative, judicial or arbitration proceedings or regulatory actions relating to Coricancha existing at the time the sale is completed. Nyrstar's maximum liability under this indemnity is limited to USD 4.0 million (EUR 3.8 million) in connection with any amounts paid or payable under proceedings or actions not under appeal from Nyrstar at the time the sale is completed, but is unlimited in the case of any which are under appeal by Nyrstar at that time. The maximum aggregate amount recoverable by Great Panther from Nyrstar under the indemnities in the share purchase agreement are limited to (i) the sum of the purchase price and any earn-out consideration paid to Nyrstar, (ii) a USD 1.5 million (EUR 1.4 million) payment previously made to Nyrstar by Great Panther in 2015 as consideration for an option to purchase the Coricancha mine, and (iii) the amount outstanding under the mine closure bond.

The transaction closed on 30 June 2017 (the "Closing Date") at which point the Group recognised the sale of the Coricancha mine (note 8).

Prior to reclassification as disposal group held for sale, the Coricancha mine was part of mining segment in note 7.

#### **Campo Morado mine**

On 27 April 2017 Nyrstar announced that it has entered into Share Purchase Agreements (the Agreement) to sell its Campo Morado mine in Mexico to Telson Resources Inc. ("Telson") and Reynas Minas S.A. de C.V. ("Reynas Minas") for a total cash consideration of USD 20 million (the "Consideration"), plus the potential for additional future proceeds through the creation of a new royalty on the Campo Morado mine (the "Transaction"). Pursuant to the Agreement, Telson will own 99.9% of the purchased shares while Reynas Minas, a Mexican based mining consulting company, will own the other 0.1%.

The transaction closed on 14 June 2017 at which point the Group recognised the sale of the Campo Morado mine (note 8). The Consideration payable to Nyrstar consists of USD 0.8 million that was paid to Nyrstar upon signing the Agreement, USD 2.7 million paid to Nyrstar in cash in June 2017, and USD 16.5 million (EUR 14.5 million) payable in cash on or before the 12 month anniversary of the closing of the Transaction.

No indemnities have been provided by the Company to Telson and Reynas Minas in connection with the sale of the Campo Morado mine.

Prior to reclassification as disposal group held for sale, the Campo Morado mine was part of the mining segment (note 7).

#### **El Toqui mine**

On 27 June 2016 Nyrstar announced that it has entered into a Share Purchase Agreement (the "Agreement") to sell its El Toqui mine in Chile to Laguna Gold Limited ("Laguna"), an Australian based mining company (the "Transaction"). The Transaction closed on 3 November 2016 (the "Closing Date") at which point the Group recognised the sale of the El Toqui mine (note 8). The loss for the year relating to El Toqui up to the Closing Date has been presented under discontinued operations in the consolidated income statement. Further, an impairment loss on re-measurement to fair value less cost of disposal for El Toqui of EUR 16.2 million was recognised in the consolidated income statement. This impairment reflected the difference between the fair value of the total consideration expected to receive by the Group and the carrying value of the El Toqui disposal group.

At 31 December 2016 the Group received a Cash Consideration payable to Nyrstar of USD 12 million (EUR 11.1 million) payable in cash on the Closing Date. The Group recognised a receivable representing a net present value of the USD 13 million (EUR 11.6 million) cash payments over a four year period following the Closing Date valued at EUR 9.6 million. In addition, the Group recognised an estimated value of the expected tax refund of EUR 3.2 million and the estimated working

capital adjustment of EUR 7.4 million. Finally, Nyrstar also recognised a value of EUR 13.3 million related to cash proceeds through a price participation agreement with Laguna on the first 7.9 million tonnes of ore processed at El Toqui following the Closing Date (note 20(h)).

Nyrstar also agreed to indemnify Laguna for (i) any financial penalties relating to environmental prosecutions that existed as at the closing date of the transaction up to a maximum aggregate liability of USD 3.0 million (EUR 2.8 million) for the four years following completion of the sale, and (ii) any costs or liabilities arising out of a specified royalty dispute with a third party. Nyrstar has recognised a provision of EUR 0.8 million in relation to these risks on its balance sheet at 31 December 2016.

Prior to reclassification as disposal group held for sale, the El Toqui mine was part of the mining segment (note 7).

### **El Mochito mine**

On 22 September 2016 Nyrstar announced that it has entered into a Share Purchase Agreement to sell its El Mochito mine in Honduras ("El Mochito") to Morumbi Resources Inc. ("Morumbi"), a Canadian based mining company, for cash consideration of USD 0.5 million (EUR 0.4 million). The transaction closed on 21 December 2016 (the "Closing Date") at which point the Group recognised the sale of the El Mochito mine (note 8). The loss for the year relating to El Mochito up to the Closing Date has been presented under discontinued operations in the consolidated income statement. An impairment loss relating to El Mochito of EUR 48.1 million was recognised at 30 June 2016 and a further impairment on remeasurement to fair value less cost of disposal of EUR 31.6 million was recognised in the consolidated income statement. This impairment reflected the difference between the fair value of the total consideration expected to receive by the Group and the carrying value of the disposal group.

In connection with the sale, Nyrstar agreed to indemnify Morumbi for any financial loss relating to certain specified legal and tax proceedings pending at the time of sale, up to a maximum aggregate liability of USD 2.0 million (EUR 1.9 million) in connection with the legal proceedings and USD 1.0 million (EUR 0.9 million) in connection with the tax proceedings.

Prior to reclassification as disposal group held for sale, the El Mochito mine was part of mining segment (note 7).

Income statement from discontinued operations:

EUR million	Note	2017	2016
<b>Revenue</b>		<b>13.1</b>	<b>108.7</b>
Raw materials used		-	(0.2)
Freight expense		(0.4)	(6.5)
<b>Gross profit</b>		<b>12.7</b>	<b>102.0</b>
Other expenses		(19.9)	(106.7)
Depreciation, amortisation and depletion		(0.5)	(30.4)
Impairment loss *		-	(55.5)
Impairment loss on remeasurement to fair value less cost to sell **	17	16.1	(85.3)
<b>Result from operating activities</b>		<b>8.4</b>	<b>(175.9)</b>
Finance income		-	(0.3)
Finance expense		(1.8)	(3.7)
Net foreign exchange (loss) / gain		(0.5)	(1.6)
<b>Net finance expense</b>		<b>(2.3)</b>	<b>(5.6)</b>
Gain on the disposal of subsidiaries	8	29.2	55.4
<b>Loss before income tax</b>		<b>35.3</b>	<b>(126.1)</b>
Income tax (expense) / benefit		1.6	(24.0)
<b>Loss for the period from discontinued operations</b>		<b>36.9</b>	<b>(150.1)</b>

(\*) Represents the impairment loss of the El Mochito mine recognised at 30 June 2016

(\*\*) Includes impairment loss in re-measurement to fair value less cost to sell for Contonga of EUR 4.1 million; impairment reversal on re-measurement to fair value less cost to sell for Coricancha of EUR 0.7 million; and Campo Morado EUR 19.5 million in 2017. For 2016, it includes an impairment loss on re-measurement to fair value less cost to sell for El Toqui of EUR 16.2 million, El Mochito EUR 31.6 million, Contonga EUR 19.1 million and Coricancha EUR 18.4 million in 2016

Cash flows from discontinued operations:

EUR million	2017	2016
Cash flow from operating activities	(30.1)	(30.5)
Cash flow used in investing activities	(0.8)	(19.3)
Cash flow used in financing activities	-	(0.5)
<b>Net decrease in cash held</b>	<b>(30.9)</b>	<b>(50.3)</b>

Details of assets and liabilities held for sale at 31 December 2016:

EUR million	as at 31 Dec 2016
Property, plant and equipment	28.4
Intangible assets	0.3
<b>Total non-current assets</b>	<b>28.7</b>
Inventories	5.6
Trade and other receivables	4.1
Prepayments	0.4
Current income tax assets	0.1
Cash and cash equivalents	2.4
<b>Total current assets</b>	<b>12.6</b>
<b>Total assets</b>	<b>41.3</b>
Provisions	19.8
<b>Total non-current liabilities</b>	<b>19.8</b>
Trade and other payables	5.9
Current income tax liabilities	0.1
Provisions	2.4
Employee benefits	0.6
<b>Total current liabilities</b>	<b>9.0</b>
<b>Total liabilities</b>	<b>28.7</b>

As at 31 December 2017, all Latin American mining operations of Nyrstar have been sold. The Company has concluded that the North American mining portfolio will be held as a core component of Nyrstar.

## 10. M&A related transaction expense

Merger and acquisition (M&A) related expense 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 expense in the 2017 income statement amounts to EUR 0.2 million (2016: EUR 5.3 million). The costs incurred in 2017 and 2016 relate to the disposal of the mining assets of the Group.

## 11. Employee benefits expense

EUR million	2017	2016
Wages and salaries	(279.9)	(264.2)
Compulsory social security contributions	(24.3)	(23.7)
Contributions to defined contribution plans	(4.6)	(4.2)
Expenses related to defined benefit plans	(6.7)	(7.4)
Equity and cash settled share based payment transactions, incl. social security	(2.7)	(2.8)
<b>Total employee benefits expense</b>	<b>(318.2)</b>	<b>(302.3)</b>

## 12. Finance income and expense

EUR million	2017	2016
Interest income	4.2	1.6
<b>Total finance income</b>	<b>4.2</b>	<b>1.6</b>
Interest expense	(104.4)	(79.6)
Unwind of discount in provisions	(8.5)	(7.0)
Other finance charges	(38.5)	(31.4)
<b>Total finance expense</b>	<b>(151.4)</b>	<b>(118.0)</b>
<b>Net foreign exchange loss</b>	<b>(59.9)</b>	<b>(5.4)</b>
<b>Net finance expense</b>	<b>(207.1)</b>	<b>(121.8)</b>

## 13. Income tax

### (a) Income tax recognised in the income statement

EUR million	2017	2016
Current income tax expense	(3.1)	(19.3)
Deferred income tax benefit / (expense)	41.6	(20.2)
<b>Total income tax benefit / (expense)</b>	<b>38.5</b>	<b>(39.5)</b>
of which:		
Income tax benefit / (expense) from continuing operations	36.9	(15.5)
Income tax benefit / (expense) from discontinued operations	1.6	(24.0)



## (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	2017	2016
Profit / (loss) before income tax	8.0	(374.3)
Tax at aggregated weighted average tax rate	(7.2)	118.3
Aggregated weighted average income tax rate	90.0%	31.6%
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-taxable amounts	(2.4)	4.2
Non-recognition of tax losses and temporary differences	(11.1)	(118.7)
Recognition of previously unrecognised tax losses and temporary differences	50.0	31.1
Overprovision for previous years	7.0	0.8
Unrecoverable withholding tax	(0.6)	(0.9)
Net adjustment to deferred tax balances due to tax rate change in foreign jurisdiction	(2.7)	(0.2)
Tax rate impact from discontinued operations	7.7	(73.9)
Foreign exchange differences	(4.2)	1.2
Other	2.0	(1.4)
<b>Total income tax benefit / (expense)</b>	<b>38.5</b>	<b>(39.5)</b>
Effective income tax rate	-481.3%	-10.6%

The change in the aggregated weighted average income tax rate compared to year ended 31 December 2016 is due to the variation in the relative weight of subsidiaries' profits and the change in the Group's result from a loss before tax into a profit before tax, including results from discontinued operations.

Nyrstar recognised an income tax benefit for the year ended 31 December 2017 of EUR 38.5 million (2016: income tax expense of EUR 39.5 million) representing an effective income tax rate of -481.3% (for the year ended 31 December 2016: -10.6%). The tax rate is impacted by changes in the expected performance of Group entities in Canada and Australia during the period and the associated recognition of previously unrecognized deferred tax assets. Further, the tax rate is impacted by changes in the net deferred tax position due to the change in the corporate income tax rates in both Belgium (reduction of net deferred tax liabilities by EUR 7.9 million) and the USA (reduction of net deferred tax assets by EUR 10.5 million), together with losses incurred by the Group, including the discontinued operations, for which no tax benefit has been recognised.

The Group has assessed the material impacts of the tax reforms enacted in both Belgium and the USA based on the available information of the legislative changes. To the extent new information on application of these changes relating to the specific circumstances of the Group becomes available, adjustments to tax assets and liabilities may be required in subsequent periods.

## (c) Income tax recognised in other comprehensive income

EUR million	2017	2016
Income tax benefit recognised on cash flow hedges	1.0	0.9
Income tax expense recognised on defined benefits pension schemes	(0.8)	(2.5)
<b>Total income tax recognised directly in other comprehensive income</b>	<b>0.2</b>	<b>(1.6)</b>

#### (d) Recognised deferred income tax assets and liabilities

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

EUR million	31 Dec 2017	31 Dec 2016
<b>Assets:</b>		
Employee benefits	12.6	28.0
Provisions	29.6	16.1
Property, plant and equipment	7.6	-
Payables / receivables	2.4	(0.7)
Tax losses carried forward	338.7	348.4
Other	2.0	0.3
<b>Total</b>	<b>392.9</b>	<b>392.1</b>
Set off of tax	(60.8)	(49.1)
<b>Deferred tax assets</b>	<b>332.1</b>	<b>343.0</b>
<b>Liabilities:</b>		
Embedded derivatives	(19.4)	(17.8)
Property, plant and equipment	(94.5)	(109.1)
Payables / receivables	(12.5)	(5.1)
Other	(2.1)	(4.9)
<b>Total</b>	<b>(128.5)</b>	<b>(136.9)</b>
Set off of tax	60.8	49.1
<b>Deferred tax liabilities</b>	<b>(67.7)</b>	<b>(87.8)</b>
<b>Deferred tax - net</b>	<b>264.4</b>	<b>255.2</b>
<b>Income statement:</b>		
Employee benefits	(14.6)	5.8
Provisions	13.5	(22.6)
Property, plant and equipment	22.3	30.8
Payables / receivables	(6.9)	(2.5)
Tax losses carried forward	23.6	(9.8)
Embedded derivatives	(2.6)	(7.8)
Change in consolidation scope	1.8	(11.7)
Other	4.5	(2.4)
<b>Total</b>	<b>41.6</b>	<b>(20.2)</b>
<b>Reconciliation of deferred tax - net:</b>		
As at 1 Jan	255.2	262.1
Deferred income tax benefit / (expense)	41.6	(20.2)
Recognised in OCI	0.2	(1.6)
Deferred tax from disposed operations	(1.8)	4.2
Provision for unrealized foreign exchange result	2.5	(1.1)
Currency translation effects	(33.3)	11.8
<b>As at 31 Dec</b>	<b>264.4</b>	<b>255.2</b>

EUR 329.7 million of the EUR 332.1 million (31 December 2016: EUR 343.0 million) net deferred tax assets arise in entities that have been loss making in either 2017 or 2016, respectively.

In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered including the analysis of historical operating results and the assessment of the approved budgets, forecasts and business plans. The forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes.

The most significant net deferred tax assets arise in the Company's subsidiaries in Switzerland, in the USA and in Canada, where the Company has recognised a net deferred tax asset of EUR 242.6 million, EUR 59.9 million and EUR 27.2 million, respectively.

#### Switzerland

Swiss tax law allows for a seven year carry-forward period for tax losses. The Group's Swiss subsidiary is the marketing entity for the Metal Processing segment that is responsible for the raw material purchases and sales of the Group's products. Therefore, the profitability of the Swiss subsidiary is closely linked to the performance of the Group's Metals Processing segment. The unused tax losses recognised in the Swiss subsidiary resulted primarily from impairments made on investments in affiliated mining entities held by the Swiss subsidiary in the Americas. As these investments held by the Group's Swiss subsidiary have been substantially impaired, no further impairment losses are expected to be incurred in the future.

The Group has assessed the recoverability of the deferred tax asset in the Swiss subsidiary. The assessment considered the underlying reasons for historical tax losses, likelihood of the losses to repeat in the future, nature and predictability of the future taxable income of the Swiss subsidiary and the impact of the time restriction to utilise the tax losses in Switzerland. Based on the evaluation of the forecasts of the Swiss subsidiary it was determined that it is probable that taxable profits will be available in the future against which recognised tax assets can be utilised before expiring. The Group expects to fully utilise the recognised tax losses within five years.

The key assumptions included in the assessment of the recoverability of the tax losses previously incurred by the Swiss entity are those that drive the profitability of the Metal Processing Segment. The key assumptions include:

- i) Commodity prices, treatment charges and exchange rates consistent with those applied for impairment testing (note 17);
- ii) Ramp up of the Port Pirie Redevelopment project ("Project") to full capacity by the second half of 2019; and
- iii) Forecast smelter zinc production volumes.

The Group applied sensitivity testing by modelling a further conservative scenario assuming a 30% reduction in the forecasted profitability of the Project. Under this scenario, the Group would expect to fully utilise the recognised tax losses within seven years.

#### US tax group

The US tax group's losses were generated in periods prior to 2017 and as such, US tax law allows for a twenty year carry-forward period for these losses. The available tax losses as at 31 December 2017 have been revalued to the enacted tax rate applicable for periods starting after 31 December 2017.

The Group has evaluated the latest forecast for its US fiscal unity which includes both the smelting and the mining operations of the Group in the USA. The assessment considered; the underlying reasons for historical tax losses, the likelihood of the losses to repeat in the future based on the Group's financial models, the nature and predictability of the future taxable income in the Group's US fiscal unity and the impact of the time restriction to utilise the tax losses in the USA. The recoverability of the tax losses is supported by:

- Continued profitability of the Clarksville smelter, which has stable and predictable operating profits;
- Taxable profit for 2016 and 2017 generated by East Tennessee, which is expected to continue operating primarily due to favorable zinc prices; and
- Restart of the Middle Tennessee mines in 2017, which is expected to generate a taxable profit during 2018 primarily due to favorable zinc prices.

In its assessment, the Group has limited the expected profitability of both the East and Middle Tennessee mines to the next five years on the basis that this is the period that reflects the Group's detailed mine plan and only includes resources, which have the highest level of geological confidence of extraction. Based on its assessment the Group has determined it is probable that the available deferred tax assets related to the tax losses incurred in the USA will be fully utilised before expiring.

#### Canada

The Group has also recognised net deferred tax assets related to losses incurred by the Myra Falls mine and the Langlois mine in Canada. Canadian tax law allows for a twenty year carry-forward period for tax losses.

Excluding non-recurring items, the Langlois mine generated profits in both 2016 and 2017, which are expected to continue in the future primarily due to favorable zinc prices.

In 2017, the Group finalised a comprehensive review of the Myra Falls mine and commenced a restart of the mine in Q3 2017 with the expected first production in H1 2018. The Myra Falls mine is expected to generate profits starting the second half of 2018.

To further test the recoverability of the recognised tax assets, the Group has limited the expected profitability of the Myra Falls mine to include only proven and probable reserves in the deferred tax recoverability calculation. In addition, the operating costs and forecast production throughput were aligned with historical levels. These assumptions are lower than the Company expects to achieve based on the outcomes of the comprehensive review of the Myra Falls mine, however, the Company applied a conservative approach in the recognition of the deferred tax assets as required by IAS 12.

Based on this assessment, the Group has determined it is probable the recognised deferred tax assets of EUR 27.1 million related to the tax losses incurred in Canada will be fully utilised before expiring.

#### **(e) Unrecognised deductible temporary differences and tax losses**

EUR million	Net deductible temporary differences	Tax loss carry forward	Total Dec 31, 2017	Net deductible temporary differences	Tax loss carry forward	Total Dec 31, 2016
No expiration date	123.6	335.0	458.6	448.4	414.0	862.4
Expiration date within 4 years	-	107.3	107.3	-	70.4	70.4
Expiration date 4 to 7 years	-	50.6	50.6	-	394.8	394.8
Expiration date over 7 years	-	531.0	531.0	-	-	-
<b>Total</b>	<b>123.6</b>	<b>1,023.9</b>	<b>1,147.5</b>	<b>448.4</b>	<b>879.2</b>	<b>1,327.6</b>

#### **(f) Unremitted earnings**

As at 31 December 2017, positive unremitted earnings of EUR 668.7 million (31 December 2016: EUR 1,058.6 million) have been retained by subsidiaries and associates for reinvestment. No provision is made for income taxes that would be payable upon the distribution of such earnings.

#### **(g) Tax audit**

Nyrstar periodically assesses its liabilities and contingencies for all tax years open to audit based on the latest information available. For those matters where it is probable that an adjustment will be made, the Group recorded its best estimate of these tax liabilities, including related interest charges. The final outcome of tax examinations may result in a materially different outcome compared to the recorded tax liabilities and contingencies.

Since in certain jurisdictions some of the circumstances that are subject to tax audits are still in existence at 31 December 2017, similar arguments may be put forward by the tax authorities for additional years that are currently not under audit,

which may lead to significant tax expenses in the future. For these matters, the best estimate of the quantifiable possible exposure as at 31 December 2017 is between Nil and EUR 76 million. Although Nyrstar cannot estimate the risk related to these tax matters as remote, it does not consider it probable that these tax matters will result in additional tax liabilities to the Company. Therefore, it has not recognised a provision in respect of these matters.

As part of tax dispute procedures, Nyrstar Netherlands (Holdings) BV is challenging a corrective corporate income tax assessment relating to an intra-group reorganisation in the year ended 31 December 2010, for which the court of first instance delivered a decision in the Group's favour in the second half of 2017. The Dutch Authorities are appealing the lower court decision and Nyrstar continues to defend its position. In addition and in connection with the same matter, the Group is challenging corrective assessments issued in 2017 for the years ended 31 December 2011 and 31 December 2013.

Further, Nyrstar Belgium NV is challenging an assessment relating to the non-deductibility of interest expenses incurred in the year ended 31 December 2012. Despite the recent court decision in first instance in favour of the tax authorities' position, Nyrstar continues to defend itself in court and remains confident that it has a strong position, which will prevail. Nyrstar has not recorded a provision in respect of these matters.

#### 14. Other expense

EUR million	2017	2016
Stock movement - conversion costs	6.9	(1.7)
Other tax expense	(11.0)	(11.1)
Travel expense	(4.4)	(3.6)
Operating lease	(14.8)	(10.4)
Insurance expense	(5.8)	(5.7)
Royalties	(2.5)	-
Communication expenses	(2.8)	(2.7)
IT costs	(2.2)	(2.2)
Memberships/subscriptions	(1.9)	(1.9)
Training	(1.6)	(1.4)
Other	4.6	(8.5)
<b>Total other expenses</b>	<b>(35.5)</b>	<b>(49.2)</b>

## 15. 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		179.7	1,534.0	427.1	632.2	126.6	<b>2,899.6</b>
Accumulated depreciation and impairment		(48.0)	(892.7)	(193.5)	-	(75.0)	<b>(1,209.2)</b>
<b>Carrying amounts</b>		<b>131.7</b>	<b>641.3</b>	<b>233.6</b>	<b>632.2</b>	<b>51.6</b>	<b>1,690.4</b>
As at 1 Jan 2017		132.0	648.5	114.1	482.6	38.8	<b>1,416.0</b>
Disposal of subsidiaries		(4.4)	(31.2)	(8.5)	(4.3)	-	<b>(48.4)</b>
Additions		0.8	54.0	0.7	278.4	28.4	<b>362.3</b>
Restoration provision adjustments	29	-	-	17.3	-	-	<b>17.3</b>
Transfers		5.4	68.2	23.4	(101.0)	3.5	<b>(0.5)</b>
Disposals		(0.1)	(1.2)	-	(0.4)	-	<b>(1.7)</b>
Depreciation expense*		(7.1)	(104.3)	(22.3)	-	(18.6)	<b>(152.3)</b>
Assets previously held for sale in 2016 and now disposed**		4.9	2.5	13.3	7.7	-	<b>28.4</b>
Impairment reversal	17	6.1	26.7	109.4	-	-	<b>142.2</b>
Currency translation effects		(5.9)	(21.9)	(13.8)	(30.8)	(0.5)	<b>(72.9)</b>
<b>As at 31 Dec 2017</b>		<b>131.7</b>	<b>641.3</b>	<b>233.6</b>	<b>632.2</b>	<b>51.6</b>	<b>1,690.4</b>

\* The amount includes AUD 2.0 million impairment charge

\*\* These assets were held for sale in 2016 and are to show the decrease on disposal of subsidiaries

EUR million	Note	Land and buildings	Plant and equipment	Mining properties and development	Under construction	Cyclical maintenance and other	Total
Cost		181.6	1,639.8	803.9	482.6	146.1	<b>3,254.0</b>
Accumulated depreciation and impairment		(49.6)	(991.3)	(689.8)	-	(107.3)	<b>(1,838.0)</b>
<b>Carrying amounts</b>		<b>132.0</b>	<b>648.5</b>	<b>114.1</b>	<b>482.6</b>	<b>38.8</b>	<b>1,416.0</b>
As at 1 Jan 2016		144.2	721.2	290.4	404.3	47.7	<b>1,607.8</b>
Disposal of subsidiaries		(0.1)	(34.8)	(2.5)	(3.6)	(0.4)	<b>(41.4)</b>
Additions		2.3	35.3	-	229.2	11.9	<b>278.7</b>
Restoration provision adjustments	29	-	-	22.9	-	-	<b>22.9</b>
Transfers		16.9	97.7	24.9	(147.1)	6.7	<b>(0.9)</b>
Disposals		(0.1)	(0.4)	-	-	-	<b>(0.5)</b>
Depreciation expense		(9.5)	(134.8)	(29.0)	-	(28.5)	<b>(201.8)</b>
Reclassified to assets held for sale		(4.9)	(2.5)	(13.3)	(7.7)	-	<b>(28.4)</b>
Impairment	17	(18.9)	(45.9)	(186.6)	(2.3)	1.3	<b>(252.4)</b>
Currency translation effects		2.1	12.7	7.3	9.8	0.1	<b>32.0</b>
<b>As at 31 Dec 2016</b>		<b>132.0</b>	<b>648.5</b>	<b>114.1</b>	<b>482.6</b>	<b>38.8</b>	<b>1,416.0</b>

The carrying amount of property, plant and equipment accounted for as finance lease assets at 31 December 2017 is EUR 0.3 million and is classified as plant and equipment (2016: EUR 0.6 million). The carrying amount of exploration and evaluation expenditure at 31 December 2017 is EUR 10.3 million and is included in mining properties and development (2016: EUR 8.9 million). The additions (including transfers from under construction) to the carrying amount of the exploration and evaluation expenditure during 2017 were EUR 6.7 million (2016: EUR 4.7 million).

The total gains on sales of property, plant and equipment in the 2017 income statement amount to EUR 1.0 million (2016: EUR 1.9 million).

## 16. Intangible assets

EUR million	Emission and carbon rights	Software and other	Total
Cost	-	39.4	<b>39.4</b>
Accumulated amortisation and impairment	-	(36.1)	<b>(36.1)</b>
<b>Carrying amounts</b>	<b>-</b>	<b>3.3</b>	<b>3.3</b>
As at 1 Jan 2017	1.1	4.9	<b>6.0</b>
Additions	-	1.9	<b>1.9</b>
Transfers	(0.2)	0.8	<b>0.6</b>
Disposals	(0.9)	-	<b>(0.9)</b>
Amortisation expense	-	(4.1)	<b>(4.1)</b>
Currency translation effects	-	(0.2)	<b>(0.2)</b>
<b>As at 31 Dec 2017</b>	<b>0.0</b>	<b>3.3</b>	<b>3.3</b>

EUR million	Note	Emission and carbon rights	Software and other	Total
Cost		1.1	40.2	<b>41.3</b>
Accumulated amortisation and impairment		-	(35.3)	<b>(35.3)</b>
<b>Carrying amounts</b>		<b>1.1</b>	<b>4.9</b>	<b>6.0</b>
As at 1 Jan 2016		1.4	9.9	<b>11.3</b>
Additions*		0.8	0.3	<b>1.1</b>
Transfers		-	0.9	<b>0.9</b>
Disposals		(1.2)	-	<b>(1.2)</b>
Amortisation expense		-	(5.7)	<b>(5.7)</b>
Impairment	17	-	(0.4)	<b>(0.4)</b>
Currency translation effects		0.1	(0.1)	<b>-</b>
<b>As at 31 Dec 2016</b>		<b>1.1</b>	<b>4.9</b>	<b>6.0</b>

\* EUR 0.8 million relate to non-cash recognition of emission and carbon rights.

## 17. Impairment

2017

In the year ended 31 December 2017, Nyrstar recognised pre-tax net impairment reversal of EUR 142.2 million (2016: Impairment loss of 266.3 million). Impairment reversals of EUR 126.1 million related to pre-tax impairment reversals on Nyrstar's Mining assets and EUR 16.1 million related to its discontinued operations. The allocation of the impairment charges for the period to individual assets, cash generating units and operating segments is outlined below:

in EUR million	Impairment (loss) / reversal	whereof		
		PP&E	Investments	Other
<b>Continuing operations</b>				
Myra Falls	89.5	89.5	-	-
Middle Tennessee Mines	36.6	36.6	-	-
<b>Mining</b>	<b>126.1</b>	<b>126.1</b>	-	-
<b>Total continuing operations</b>	<b>126.1</b>	<b>126.1</b>	-	-
(note 15,16)				
<b>Discontinued operations (note 9)</b>				
Campo Morado	19.5	19.5	-	-
Contonga	(4.2)	(4.2)	-	-
Coricancha	0.8	0.8	-	-
<b>Total discontinued operations</b>	<b>16.1</b>	<b>16.1</b>	-	-
<b>Total</b>	<b>142.2</b>	<b>142.2</b>	-	-



## 2016

In the year ended 31 December 2016, Nyrstar recognised pre-tax net impairment losses of EUR 266.3 million. The majority of the impairment losses relate to pre-tax impairment charges on Nyrstar's Mining assets.

The allocation of the impairment charges for the period to individual assets, cash generating units and operating segments is outlined below:

in EUR million	whereof			
	Impairment (loss) / reversal	PP&E and Intangible assets	Investments	Other
<b>Continuing operations</b>				
Myra Falls	(62.1)	(62.1)	-	-
Middle Tennessee Mines	(30.7)	(30.7)	-	-
Pucarrajo	(14.1)	(14.1)	-	-
Langlois	(18.6)	(18.6)	-	-
<b>Mining</b>	<b>(125.5)</b>	<b>(125.5)</b>	-	-
<b>Total continuing operations</b>	<b>(125.5)</b>	<b>(125.5)</b>	-	-
(note 15,16)				
<b>Discontinued operations (note 9)</b>				
El Mochito	(79.7)	(73.7)	-	(6.0)
El Toqui	(16.1)	(16.2)	-	-
Campo Morado	(7.4)	(1.1)	-	(6.3)
Contonga	(19.2)	(18.1)	-	(1.0)
Coricancha	(18.4)	(18.0)	-	(0.4)
<b>Total discontinued operations</b>	<b>(140.8)</b>	<b>(127.1)</b>	-	<b>(13.7)</b>
<b>Total</b>	<b>(266.3)</b>	<b>(252.6)</b>	-	<b>(13.7)</b>

### Impairment reversal testing for mining operations (Continuing operations)

Recoverable values were determined in their functional currencies on the basis of fair value less cost of disposal (FVLCD) for each operation. The FVLCD for Mining operations were determined as the present value of the estimated future cash flows (expressed in real terms) expected to arise from the continued use of the assets (life of asset), including reasonable forecast expansion prospects and using assumptions that an independent market participant would take into account. These cash flows were discounted using a real after-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the operation. The FVLCD measurement is categorised as a Level 3 per the fair value hierarchy. Management projected the cash flows over the expected life of the mines, which varied from 8 to 9 years.

The key assumptions underlying the FVLCD were forecast commodity prices, foreign exchange rates, treatment charges, discount rates, amount of inferred resources, production assumptions and capital and operating costs.

Commodity price and foreign exchange forecasts were developed from externally available forecasts from a number of different market commentators. A broad range of externally available reputable forecasts were utilised in establishing the robust composite price sets. Equal weighting was applied to each of the individual forecasts in order to exclude any bias. The metal prices applied in the impairment assessment varied in accordance with the year the sale of production was expected to occur with long-term prices held flat effective from 2023. The ranges of prices used are outlined in the table below showing the high and low prices over the period of assumed cash flows:

## 2017

	Low	High	Long term
<b>Commodity prices (USD)</b>			
Zinc (per tonne)	2,318	3,188	2,318
Lead (per tonne)	2,023	2,281	2,023
Copper (per tonne)	6,143	6,863	6,257
Gold (per ounce)	1,203	1,316	1,203
Silver (per ounce)	19	21	19
<b>Foreign exchange rates (versus USD)</b>			
Canadian Dollar	1.14	1.40	1.26

## 2016

	Low	High	Long term
<b>Commodity prices (USD)</b>			
Zinc (per tonne)	2,340	2,859	2,340
Lead (per tonne)	2,018	2,243	2,018
Copper (per tonne)	5,300	6,287	6,287
Gold (per ounce)	1,212	1,278	1,212
Silver (per ounce)	17	29	19
<b>Foreign exchange rates (versus USD)</b>			
Canadian Dollar	1.31	1.34	1.31

Zinc treatment charge assumptions are determined by reference to benchmark treatment charges and historical treatment charge rates as a proportion of the associated metal price and range from 5% to 9% (2016: 4% to 9%) of the underlying metal price.

Discount rates are determined using a weighted average cost of capital methodology on an operation specific basis. The discount rates applied for operations with impairment charges and reversals on property, plant and equipment are outlined in the table below:

	Discount rates 2017	Discount rates 2016
Langlois / Myra Falls	7.70%	8.50%
Middle Tennessee Mines	7.00%	8.00%

Production assumptions and capital and operating costs are determined based on approved budgets and forecasts with greater weight given to historical results, unless definitive plans are in place for capital projects which are expected to have a significant, favourable effect on the operation. In such circumstances, expenditures associated with the capital project are incorporated into the FVLCD model.

Nyrstar has included inferred mineral resources in its valuation models. An inferred mineral resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling

and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on more limited information than indicated and measured mineral resources. Due to the uncertainty that may be attached to inferred mineral resources it cannot always be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Due to this uncertainty, Nyrstar has included differing levels of inferred resources for each mine based on management's view of the likely conversion of inferred resources into reserves at that asset given the geological set up of each mine. For Myra Falls 17% and for the Middle Tennessee mines 83% of total reserves and resources are inferred resources.

The carrying values of net assets of each mining CGU tested for impairment reversal as at 31 December 2017 are outlined in the table below:

EUR million				
Cash generating unit		Total assets	Total liabilities	Net assets
Myra Falls	FVLCD	227.2*	(89.5)	137.7
Middle Tennessee Mines	FVLCD	81.7	(20.0)	61.7

\* Includes deferred tax assets of EUR 35.6 million relating to tax losses carried forward which have been assessed for recoverability under IAS 12 (note 13)

The carrying values of net assets of each mining CGU, which was impaired as at 31 December 2016 are outlined in the table below:

EUR million				
Cash generating unit		Total assets	Total liabilities	Net assets
Campo Morado	FVLCD	9.6	(9.6)	0.0
Myra Falls	FVLCD	69.7	(51.2)	18.5
Middle Tennessee Mines	FVLCD	35.9	(9.2)	26.7
East Tennessee Mines	FVLCD	121.4	(20.6)	100.8
Pucarrajo	FVLCD	2.7	(15.7)	(13.0)
Langlois	FVLCD	124.2*	(33.5)	90.7

\* Includes deferred tax assets of EUR 10.3 million relating to tax losses carried forward which have been assessed for recoverability under IAS 12 (note 13)

## **Sensitivity analysis**

The results of the impairment reversal testing are affected by changes in commodity prices, foreign exchange rates, discount rates and rate of utilisation of inferred resources. Sensitivities to variations in relevant assumptions are depicted in the following table, which sets out the estimated impact on the impairment reversals for the financial year ended 31 December 2017 (in EUR million). All previously recognised impairments of non-current assets have been reversed and there remains headroom between the recoverable value and the net assets (after impairment reversals). If forecast zinc prices were to be 30 % lower, the impairment reversal recognised in the year ended 31 December 2017 would be lower by EUR 37.0 million. Any other reasonably plausible changes to the key assumptions do not have an impact on the amount of the impairment reversal recognised in the year ended 31 December 2017.

Parameter	Variable	EUR million
Zinc price	+/- 30%	- / (37)
Lead price	+/- 10%	- / -
Copper price	+/- 10%	- / -
Gold price	+/- 10%	- / -
Silver price	+/- 10%	- / -
Foreign exchange rates	+/- 10%	- / -
Production rate	+/- 10%	- / -
Discount rate	+ 100bps	-
Utilisation of Inferred Resources	- 10%	-

## **Impairment reversals / charges related to mining operations**

### **2017**

Based on the results of its impairment reversal testing at 31 December 2017, the Group has recorded impairment reversals related to its continued mining operations totalling of EUR 126.1 million (2016: Impairment losses of EUR 125.5 million). The impairment reversal of the Myra Falls mine in Canada was based on significantly improved metal price environment in 2017, the detailed operational review of the mine performed by the Group together with independent consultants, has resulted in the Group taking a decision to restart the Myra Falls operation in early 2018. The Mid Tennessee mines impairment reversal recognised during 2017 reflected the most recent operational assumptions for the mine based on the detailed review performed by the Group together with independent consultants, which has resulted in the restart of the Mid Tennessee operation during 2017, coupled with significantly improved metal price environment in 2017.

In 2017 the Company has also recorded impairment reversals related to its discontinued mining operations totalling of EUR 16.1 million (2016: impairment loss of EUR 140.8 million) (note 9) reflecting the actual outcomes of the sales process.

### **2016**

Based on the results of its impairment testing at 31 December 2016, the Group has recorded impairment losses related to its continued mining operations totalling of EUR 125.5 million. The impairment of the Myra Falls mine in Canada was based on the current status of the sales process for the respective mines, comparable market transactions which included recent Nyrstar mine sales, and continued uncertainty related to the restart of the mines. The Langlois mine impairment recognised during 2016 reflected the most recent operational assumptions, and comparable market transactions which included recent Nyrstar mine sales. The Mid Tennessee mines impairment recognised during 2016 reflected the most recent operational assumptions for the mine, and the risks and related costs associated with the mine production ramp up after coming out of care and maintenance in 2016. The impairment in the Pucclarajo mine in Peru reflects the decision to close the mine.

In 2016 the Company has also recorded impairment losses related to its discontinued mining operations totalling of EUR 140.8 million (note 9).

## 18. Investments in equity accounted investees

EUR million	Ownership 2017 / 2016	31 Dec 2017	31 Dec 2016
Ironbark Zinc Ltd	18.1% / 19.3%	3.3	3.3
Other	49% / 49%	0.1	0.1
<b>Total</b>		<b>3.4</b>	<b>3.4</b>

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

EUR million	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Profit
As at 31 Dec 2017	0.4	5.4	0.1	-	-	-
As at 31 Dec 2016	0.4	5.8	-	-	-	-

The fair value (based on the quoted bid prices in an active market, a Level 1 measurement) of Nyrstar's share of Ironbark Zinc Ltd as of 31 December 2017 is EUR 4.5 million (2016: 6.0 million).

## 19. Investments in equity securities

EUR million	31 Dec 2017	31 Dec 2016
Herencia Resources Ltd	0.2	0.2
Qualified Environmental Trust	17.4	18.6
Exeltium SAS	1.5	1.5
Other	0.7	2.1
<b>Total</b>	<b>19.8</b>	<b>22.4</b>

All investments in equity securities are measured at level 1 under the fair value measurements using quoted bid prices in an active market (refer to note 35g for further explanation), with the exception of Exeltium SAS, which is a private company and carried at cost.

## 20. Other financial assets and liabilities

EUR million	31 Dec 2017	31 Dec 2016
Embedded derivatives <sup>(b)</sup>	35.2	36.5
Restricted cash <sup>(c)</sup>	113.0	111.7
Held to maturity <sup>(d)</sup>	5.2	5.4
Other non-current financial assets <sup>(h)</sup>	10.4	11.7
<b>Total non-current financial assets</b>	<b>163.8</b>	<b>165.3</b>
Commodity contracts - fair value hedges <sup>(a)</sup>	2.5	16.7
Commodity contracts - cash flow hedges <sup>(e)</sup>	4.1	5.5
Foreign exchange contracts - held for trading <sup>(a)</sup>	3.1	5.2
Foreign exchange contracts - cash flow hedge <sup>(f)</sup>	-	0.6
Other current financial assets <sup>(h)</sup>	4.4	2.1
Embedded derivatives <sup>(b)</sup>	27.9	22.7
<b>Total current financial assets</b>	<b>42.0</b>	<b>52.8</b>
Zinc prepayment <sup>(g)</sup>	-	85.2
Other non-current financial liabilities <sup>(i)</sup>	15.6	-
<b>Total non-current financial liabilities</b>	<b>15.6</b>	<b>85.2</b>
Commodity contracts - fair value hedges <sup>(a)</sup>	29.2	3.5
Commodity contracts - cash flow hedges <sup>(e)</sup>	35.0	18.8
Zinc prepayment <sup>(g)</sup>	74.8	85.2
Foreign exchange contracts - held for trading <sup>(a)</sup>	11.2	2.8
Other current financial liabilities <sup>(i)</sup>	1.3	11.6
<b>Total current financial liabilities</b>	<b>151.5</b>	<b>121.9</b>

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

The fair value of derivatives (commodity contracts) hedging inventories and fixed forward sales contracts resulted in a net liability of EUR 26.7 million (31 December 2016: net asset of EUR 13.2 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 are not hedge accounted by the Company are classified as held for trading and resulted in a net liability of EUR 8.1 million (31 December 2016 net asset: EUR 2.4 million).

The Group's exposure to currency and commodity risk related to other financial assets and liabilities is disclosed in note 35.

### (b) Embedded derivatives

The change in fair value on the effective portion of the Group's embedded derivatives during the year ended 31 December 2017 with a pre-tax positive impact of EUR 9.9 million (31 December 2016: positive impact of EUR 28.9 million) was recognised in the cash flow hedge reserve. Changes in fair value on the ineffective portion and amortisation of the swap's fair value at inception of EUR 2.6 million loss (31 December 2016: EUR 5.2 million loss) were recognised in the income statement within energy expense.

### (c) Restricted cash

The restricted cash balance of EUR 113.0 million as at 31 December 2017 (31 December 2016: EUR 111.7 million) represents amounts placed on deposit to cover certain reclamation costs for the mining operations.

The balance includes an amount of AUD 30.0 million (EUR 19.5 million) (2016: AUD 30.0 million or EUR 20.6 million) which represents a Minimum Cash Balance that the Company agreed to keep in its subsidiary, Nyrstar Port Pirie Pty Ltd's bank account until the Perpetual Securities (note 26) are fully redeemed.

Additionally, the balance includes restricted cash of USD 9.7 million (EUR 8.1 million) as security in favor of the Ministerio de Energia y Minas of Peru for closure obligations of the Coricancha mine (the "Mine Closure Bond") (note 20(ii)) .

The remaining balance of restricted cash relates to the mine closure deposits that the Company has in place primarily in relation to its mining operations.

#### **(d) Held to maturity**

The held to maturity instrument is a government bond that is required to be maintained as a security deposit.

#### **(e) Commodity contracts – cash flow hedges**

The net liability of EUR 30.9 million represents a remaining balance of the commodity contracts – cash flow hedges that were not settled at 31 December 2017. The fair value of the effective portion of commodity contracts - cash flow hedges at 31 December 2017 is a pre-tax loss of EUR 28.8 million (31 December 2016: pre-tax loss of EUR 40.9 million). The loss of EUR 28.8 million has been recognised in the cash flow hedge reserve. The hedges were determined to be 100% effective.

#### **(f) Foreign exchange contracts – cash flow hedges**

The asset of nil represents a remaining balance of the foreign exchange contracts – cash flow hedges that were not settled at 31 December 2017. The fair value of the effective portion of foreign exchange contracts - cash flow hedges at 31 December 2017 is a pre-tax loss of EUR 1.4 million (31 December 2016: pre-tax loss of EUR 2.9 million). The loss of EUR 1.4 million has been recognised in the cash flow hedge reserve. The hedges were determined to be 100% effective.

#### **(g) Zinc prepayment**

In December 2015, Nyrstar entered into a zinc prepayment, a tripartite agreement between a physical offtaker and a bank, in the nominal amount of USD 150 million (EUR 137.8 million) through a special purpose vehicle ("SPV") structure. The zinc prepayment was increased in the second half of 2016 to USD 185 million (EUR 175.6 million). The prepayment agreement is linked to the physical delivery of refined zinc metal to Trafigura under the terms of a three-year offtake agreement and the zinc prepayment was arranged by Deutsche Bank AG. The zinc metal prepayment has an amortising structure with a three-year term and a 12-month grace period following which the prepayment will be repaid in equal monthly zinc metal deliveries over a period of two years.

The risks and obligations of Nyrstar as to the SPV are fully described above except that in the event of Trafigura failing to take physical delivery of the zinc delivered by Nyrstar, the Company is required to, on a best efforts basis, find alternative buyers on behalf of the SPV. No financial risks arise to Nyrstar from this obligation.

The zinc metal deliveries are priced at the date of delivery based on prevailing market prices and have not been hedged by the Company thereby retaining full price exposure to zinc metal prices.

Directly attributable transaction costs have been deducted at initial recognition of the zinc prepayment and are amortised over the term of the zinc prepayment together with the interest of LIBOR plus a margin of 4.5%.

In the year ended 31 December 2017 the Company settled an equivalent of EUR 79.4 million through a physical delivery of zinc metal.

#### **(h) Other financial assets**

In November 2016 Nyrstar completed its sale of El Toqui mine in Chile to Laguna Gold Limited ("Laguna") (Note 8). As a part of the sales proceeds the Company entered into a price participation agreement with Laguna based on which the Company is entitled to receive price participation proceeds from the owners of the El Toqui mine on the first 7.9 million tonnes of ore processed and sold by El Toqui following the sale of the mine. The price participation commences above a zinc price of USD 2,100 per tonne and is applicable at set zinc prices.

The price participation agreement is a financial asset designated as fair value through profit and loss. The fair value is measured using level 3 inputs which comprise unobservable inputs relating to macroeconomic factors (price and treatment charges consistent with those disclosed in note 17) and operational assumptions relating to production, ore head grades and recoveries of the El Toqui mine that have been determined based on historically achieved levels.

The subsequent changes to the fair value will be recognised in profit and loss based on the changes in the key assumptions used in the calculation of the fair value of the price participation agreement and based on the finalised sales of the processed ore by the El Toqui mine. At 31 December 2017, the Company has revalued the price participation agreement using the most recent zinc price assumptions consistent with those used in the impairment reversal assessment (Note 17) and has recognised a fair value increase of EUR 1.6 million (net of the 2017 cash receipts of EUR 1.3 million) in the income statement for the year ended 31 December 2017.

#### (i) Other financial liabilities

In connection with the sale of the Coricancha mine (note 9), the Company agreed to fund the reclamation works for the Cancha 1 and 2 and Triana tailings facilities up to a maximum amount of USD 20 million (EUR 19.0 million). The Company has recognised EUR 11.6 million as other financial liability representing the Company's best estimate of its obligation to fund the tailings facilities reclamation works. The fair value is measured using level 3 inputs which comprise unobservable inputs.

Additionally, as a part of the sales consideration Nyrstar provided a guarantee letter for a value of USD 9.7 million (EUR 9.2 million) as security in favour of the Ministerio de Energia y Minas of Peru for closure obligations of the Coricancha mine.

The Mine Closure Bond is currently secured by a cash-backed account for the full exposure in favor of the issuing bank guarantor, the balance of which is included in the Company's restricted cash. Upon the Closing Date, Nyrstar recognised a financial liability owing to Great Panther. Should Great Panther:

- a. Not close the Coricancha mine within three years of the completion of the sale, Great Panther Silver Limited must release the Company from all obligations under the Mine Closure Bond in favor of the Ministerio de Energia y Minas of Peru; or
- b. Elect to close the Coricancha mine within three years of the completion of the sale, it may call upon the Company to pay the full amount of the Mine Closure Bond to off-set closure costs. Upon payment of these monies Great Panther will assume the obligations under the Mine Closure Bond and release the Company from all obligations to the Ministerio de Energia y Minas of Peru.

Upon release of Nyrstar from the Mine Closure Bond, the other financial liability shall be derecognised and the monies in the cash backed account in favour of the issuing bank guarantor shall be released to the Company at which time cash shall be reclassified from restricted cash to cash and cash equivalents.

## 21. Inventories

EUR million	31 Dec 2017	31 Dec 2016
Raw materials	387.7	289.0
Work in progress	331.1	266.9
Finished goods	162.2	111.9
Stores and consumables	61.5	56.7
Fair value adjustment*	22.6	(4.4)
<b>Total inventories</b>	<b>965.1</b>	<b>720.1</b>

\* As the Group applies hedge accounting as described in note 3g, the hedged items of inventories are adjusted for fair value movements.

The increase of inventories between 2017 and 2016 is primarily due to the higher zinc, lead and silver prices in.

As of 31 December 2016, by-product inventories included in finished goods, which were written down by EUR 12.2 million to their net realisable value. There were no write down as of 31 December 2017.

As at 31 December 2017, EUR 633.4 million (2016: 390.4 million) of inventories were pledged for the SCTF credit facility.



## 22. Other assets and liabilities

EUR million	31 Dec 2017	31 Dec 2016
Other - non-current	0.7	2.0
<b>Total other non-current assets</b>	<b>0.7</b>	<b>2.0</b>
Fair value of underlying hedged risk - current <sup>(a)</sup>	0.7	-
<b>Total other current assets</b>	<b>0.7</b>	<b>-</b>
Fair value of underlying hedged risk - current <sup>(a)</sup>	2.1	1.3
<b>Total other current liabilities</b>	<b>2.1</b>	<b>1.3</b>

### (a) Fair value of underlying hedged risk

The fair value of fixed forward sales contracts (the underlying hedged items) resulted in a net liability of EUR 1.4 million (2016: net liability of EUR 1.3 million), being offset by an amount of EUR 1.4 million (2016: EUR 1.3 million). This represented the fair value of hedging derivatives on these fixed forward sales contracts and included in note 20 other financial assets and liabilities.

## 23. Trade and other receivables

EUR million	31 Dec 2017	31 Dec 2016
Trade receivables	174.0	150.2
Less provision for receivables	(1.2)	(1.3)
<b>Net trade receivables</b>	<b>172.8</b>	<b>148.9</b>
Other receivables*	50.7	70.1
<b>Total trade and other receivables</b>	<b>223.5</b>	<b>219.0</b>

\* During 2016 the Company entered into various commodity swaps ("swaps") to optimise sourcing of raw material supply to its smelters. The outstanding balances of the swaps that did not meet the revenue recognition criteria are recognised in Other receivables: EUR 36.1 million and Other payables: EUR 33.5 million. There were no outstanding balances of the swaps, which did not meet the revenue recognition criteria in 2017.

As at 31 December 2017, EUR 59.3 million (2016: EUR 28.9 million) of trade receivables were pledged for the SCTF credit facility.

The movement in the provision for receivables is detailed in the table below:

EUR million	2017	2016
As at 1 Jan	1.3	2.0
Disposal of subsidiaries	(0.1)	-
Payments	-	(0.6)
Additions	-	0.1
Currency translation effects	-	(0.2)
<b>As at 31 Dec</b>	<b>1.2</b>	<b>1.3</b>

The Group's exposure to currency and liquidity risk related to trade and other receivables is disclosed in note 35.

## 24. Cash and cash equivalents

EUR million	31 Dec 2017	31 Dec 2016
Cash at bank and on hand	68.4	127.1
<b>Total cash and cash equivalents</b>	<b>68.4</b>	<b>127.1</b>

Cash at bank and on hand and short-term deposits earned a combined weighted average interest rate of 0.8% for calendar year 2017 (2016: 0.7% per annum).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 35.

## 25. Capital

### Share capital and share premium

In November 2017, Nyrstar issued 15,384,616 new shares as the result of the completion of a capital increase in the amount of EUR 100.0 million within the framework of an accelerated book build offering. The associated costs of the capital increase amounted to EUR 2.4 million.

In June 2017 the Company issued 84,969 new ordinary shares for a cash consideration of EUR 0.4 million (consisting of capital and issue premium) within the framework of the authorised capital. The new shares were subscribed for by certain existing senior employees of the Company and its subsidiaries.

As at 31 December 2017, the number of issued ordinary shares is 109,033,545 (31 December 2016: 93,563,960) with a par value of EUR 1.038 (2016: EUR 1.038). 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.

In February 2016, Nyrstar issued 608,165,740 new shares as the result of the completion of a capital increase in the amount of EUR 273.7 million within the framework of a rights offering which was approved by the extraordinary general shareholders' meeting of 18 January 2016. The associated costs of the capital increase amounted to EUR 11.4 million.

In May 2016, the Company implemented a share consolidation with respect to all outstanding shares by means of a 1-for-10 reverse stock split (the "RSS"). The RSS was effective as of 9 June 2016.

In addition to the issued share capital, Nyrstar has the following two outstanding convertible bonds issued in 2013 and 2016 (note 28) respectively:

- Convertible bonds issued in 2013 in an aggregate principal amount of EUR 120.0 million. Based on a conversion price of EUR 21.28 per share, if all outstanding convertible bonds are converted, a maximum of 1,362,781 new shares are to be issued; and
- Convertible bonds issued in 2016 in an aggregate principal amount of EUR 115.0 million. Based on a conversion price of EUR 9.44 per share, if all outstanding convertible bonds are converted, a maximum of 12,182,203 new shares are to be issued.

### Distribution to shareholders (capital decrease)

The Board of Directors has decided not to propose to shareholders a distribution for the financial year 2017 and 2016.

Issued shares		2017	2016
Shares outstanding		109,033,545	93,563,960
Treasury shares		-	-
<b>As at 31 Dec</b>		<b>109,033,545</b>	<b>93,563,960</b>
Movement in shares outstanding		2017	2016
As at 1 Jan		93,563,960	327,473,863
Capital increase		15,469,585	608,165,740
Reverse stock split		-	(842,075,643)
Employee shared based payment plan		-	-
<b>As at 31 Dec</b>		<b>109,033,545</b>	<b>93,563,960</b>
Movement in treasury shares	Note	2017	2016
As at 1 Jan		-	12,571,225
Cancellation of treasury shares		-	(12,571,225)
Employee shared based payment plan	33	-	-
<b>As at 31 Dec</b>		<b>-</b>	<b>-</b>

At 18 January 2016, Nyrstar's extraordinary general meeting approved cancellation of all outstanding treasury shares. Following the cancellation Nyrstar does not hold any treasury shares.

#### Disclosure of the shareholders' structure

The Group's major shareholders (holding greater than 3% of the Group's outstanding shares) based on the latest information received of significant shareholdings available as at 31 December 2017 were:

Shareholder's name	Shareholder's address	Date of notification	Number of voting rights	in %
Union Holdings (Malta) Ltd	Leicester Court, Suite 2, Edgar Bernard Str., Gzira, Malta	1 Sep 2015	26,830,662.0	24.61%
<b>Total</b>			<b>26,830,662.0</b>	<b>24.61%</b>

The Group's major shareholders (holding greater than 3% of the Group's outstanding shares) based on notifications of significant shareholdings available as at 31 December 2016 were:

Shareholder's name	Shareholder's address	Date of notification	Number of voting rights	in %
Union Holdings (Malta) Ltd	Leicester Court, Suite 2, Edgar Bernard Str., Gzira, Malta	1 Sep 2015	23,055,662.0	24.64%
BlackRock Group*	33 King William Street, London EC4R 9AS, UK	16 Dec 2016	5,789,472.0	6.19%
BlueMountain Capital Management LLC	280 Park Ave, 12 FL New York, NY 10017 USA	1 March 2016	4,250,000.0	4.54%
Umicore S.A. / N.V.	Broekstraat 31, 1000 Brussels, Belgium	23 Mar 2011	2,891,126.0	3.09%
<b>Total</b>			<b>35,986,261.0</b>	<b>38.46%</b>

\* The number of 6.19% is comprised of voting rights linked to securities (1.73%) and voting rights that may be acquired upon exercise of financial instruments deemed equivalent to voting securities (4.46%)

## 26. Perpetual securities

Commencing in November 2015, Nyrstar Port Pirie (NPP) issued tranches of perpetual securities (the Securities) related to the Nyrstar Port Pirie lead smelter redevelopment (the Project). The Securities are perpetual, subordinated and unsecured. Distributions on the Securities are unconditionally deferrable into perpetuity and cumulative if deferred. The Securities are redeemable at the option of Nyrstar or on insolvency of the Group.

At 31 December 2017, an aggregate total of EUR 186.3 million (31 December 2016: EUR 131.6 million) of perpetual securities had been issued. Each tranche represented an amount equal to the forecast project costs actually payable in the following calendar month (less the unspent amount of any previous tranches and less any required overrun funding) with the last drawdown in November 2017 including a six months lookahead mechanism. No further tranches can be issued.

Whilst the Securities are outstanding, NPP is subject to forms of economic compulsion which compel the Company to make the intended distributions on the Securities. During the year ended 31 December 2017 distributions were made in accordance with the targeted distribution schedule. The Company estimates, taking into consideration the forms of economic compulsion, it will continue to make future distributions and then redeem the Securities according to the targeted amortisation schedule. The redemption of the Securities is expected to commence in May 2018 through to November 2022.

### *Forms of economic compulsion contained in the Securities:*

(i) The Securities have scheduled (targeted) distributions (the Distribution Amount Payments) every six months (with the first payment on 27 May 2016) and scheduled (targeted) redemption every six months commencing on 27 May 2018 according to an agreed targeted amortisation schedule (the Amortisation Schedule). The Amortisation Schedule contemplates ten payments of AUD 29.125 million (EUR 27.7 million) with the first payment in May 2018 and subsequent payments every six months with the final payment targeted in November 2022. The distributions on Perpetual Securities in 2017 amounted to AUD 11.0 million (EUR 7.4 million) (2016: EUR 3.5 million). No redemptions were made in 2017 and 2016. The Distribution Amount on the Securities accrues daily in respect of each day in the relevant six month period at a distribution rate plus a fee component amount. The distribution rate is based on a floating interest rate being the Bank Bill Rate (this is the interbank rate published by the Australian Financial Markets Association) plus a fixed margin of 1.275%. The average distribution rate for 2017 was 3.24% (2016: 3.37%). The fee component amount varies based on the time and amount of the Securities outstanding. The fees were renegotiated in 2017. The fee component amount for 2017 varied between 1.7% and 2.2% (2016: 1.7%). Distributions on Securities are recognised directly in equity.

Nyrstar, at its sole discretion, will have the ability to defer any and all of the Distribution Amount Payments. However, if Nyrstar does not make the Distribution Amount Payments every six months, the unpaid amount is capitalised and added to the amount of accumulated distributions for the following six month period (and so on). The fee component amount may increase depending on the amount outstanding and for how long that amount is outstanding. Should the Company not make the Distribution Amount Payments in accordance with the targeted distribution amount schedule within the first 2.5 years, the fee component amount will increase from 2.2% to 3.5% (and may potentially increase to 5.7% in certain circumstances). The fee increases to 8% per annum if the Perpetual Securities have not been redeemed by the seventh year after first issue, and 12% after ten years.

(ii) In the event NPP defers a Distribution Amount Payment on the Securities, or does not redeem in accordance with the Targeted Amortisation Schedule, or in certain other circumstances, the Group is obliged each time to transfer cash into NPP up to an amount equal to the missed payment or redemption amount (the "Liquidity Facility"). The maximum amount which can be paid into the Liquidity Facility is up to AUD 75.0 million (EUR 48.9 million). There is no requirement for NPP to use the Liquidity Facility to pay Distribution Amount Payments or redeem the Securities, however there are limitations to the use of the Liquidity Facility. These limitations include NPP cannot transfer the proceeds of the Liquidity Facility to another

member of the Nyrstar group or use the proceeds to acquire assets unless permitted otherwise in the contractual documentation.

(iii) Except in very limited circumstances, NPP is not permitted to make any distributions (for example dividends, capital redemptions, management fees or similar or interest or principal payments on outstanding intercompany balances) to any other Nyrstar Group companies without prior approval of the Securities holders. This is essentially a “Dividend Stopper” type clause associated with the Securities.

(iv) NPP is required to maintain a minimum cash balance of at least AUD 30.0 million (EUR 19.5 million) which is to be deposited by NPP with an authorised deposit taking institution in Australia. The minimum cash balance is to be maintained until the Securities are fully redeemed and has been classified as restricted cash (note 20).

#### *Contractual amendments relating to perpetual securities*

During the year ended 31 December 2017, Nyrstar agreed with the holder of the Securities to amend or exclude certain clauses relating to the contingent option for the holder to request redemption (i.e. a contingent settlement provision). Nyrstar can undertake certain actions to prevent a contingent settlement event from occurring. There are no circumstances where Nyrstar would have to mandatorily redeem the Securities. As such, the Securities have been accounted for as entirely equity financial instruments as at 31 December 2017. This classification did not impact the financial statements as at 31 December 2017 on the basis that the fair value of the financial liability component of the compound financial instrument presented in the 31 December 2016 financial statements was insignificant.

#### *Contingent settlement provisions*

The final contingent settlement provisions for the Securities are provided below.

Nyrstar NV ceases to legally or beneficially own (directly or indirectly) 100% of the issued voting share capital of NPP.

NPP breaches its obligation not to make a distribution other than in the few permitted circumstances and does not remedy the breach within 5 business days of its occurrence.

a) NPP does not comply with the tolling agreement and, where that event can be remedied, it has not been remedied within 10 days of a Securities holder requesting remedy or NPP becoming aware of the event provided that for the avoidance of doubt, if NPP or NSM AG is unable to fully perform any of its obligations under the Tolling Agreement as a result of:

- a. actual or anticipated financial distress of any member of the Nyrstar Group; or
- b. external events beyond the control of any member of the Nyrstar Group (which may include changes in the economic situation of countries the Nyrstar Group members are operating in, changes in market prices or changes in the competitive environment),

then such non-performance alone of itself is not an Early Redemption Event.

NPP fails to comply with its undertakings in respect of:

- (i) not misrepresenting
- (ii) not providing Security holders with a no default certificate;
- (iii) not providing negative pledge;
- (iv) not disposing of its assets;
- (v) not entering into any amalgamation, demerger, merger or corporate reconstruction (other than any amalgamation, merger or corporate reconstruction within the Nyrstar Group that does not involve NPP);
- (vi) not changing its business;

- (vii) not entering into any derivative transactions (other than in accordance with the hedging policy);
- (viii) not joining a tax consolidated group;
- (ix) not commingling property;
- (x) not providing financial accommodation, guarantees or finance debt;
- (xi) insurance; and
- (xii) the project documents,

except where, if any such non-compliance can be remedied, NPP remedies the non-compliance within 5 business days of a Security holder requesting remedy or NPP becoming aware of the non-compliance.

In addition to the requirement to redeem the Securities upon an early repayment event, NPP is obliged to redeem the Securities upon liquidation of either NPP or the Company (other than, in the case of the Company, for the purpose of a solvent merger, restructure or amalgamation, provided that the merged, restructured or amalgamated entity has equivalent or better financial standing and technical expertise and provides guarantees and indemnities on the same terms as the Company issued a guarantee and Indemnity connected to the financing arrangement and closure indemnity).

## 27. Reserves

### Reconciliation of movement in reserves

EUR million	Treasury shares	Translation reserves	Reverse acquisition reserve	Cash flow hedge reserve	Convertible bond	Investments reserve	Total
<b>As at 1 Jan 2017</b>	-	<b>83.9</b>	<b>(265.4)</b>	<b>45.5</b>	<b>39.2</b>	<b>3.1</b>	<b>(93.7)</b>
Losses on cash flow hedges	-	-	-	(19.3)	-	-	(19.3)
Foreign currency translation differences	-	(48.1)	-	-	-	-	(48.1)
Change in fair value of investments in equity securities	-	-	-	-	-	(0.2)	(0.2)
<b>As at 31 Dec 2017</b>	-	<b>35.8</b>	<b>(265.4)</b>	<b>26.2</b>	<b>39.2</b>	<b>2.9</b>	<b>(161.3)</b>

EUR million	Treasury shares	Translation reserves	Reverse acquisition reserve	Cash flow hedge reserve	Convertible bond	Investments reserve	Total
<b>As at 1 Jan 2016</b>	<b>(1.2)</b>	<b>148.8</b>	<b>(265.4)</b>	<b>59.5</b>	<b>24.5</b>	<b>2.8</b>	<b>(31.0)</b>
Losses on cash flow hedges	-	-	-	(14.0)	-	-	(14.0)
Foreign currency translation differences	-	(64.9)	-	-	-	-	(64.9)
Change in fair value of investments in equity securities	-	-	-	-	-	0.3	0.3
Cancellation of treasury shares	1.2	-	-	-	-	-	1.2
Convertible bond	-	-	-	-	14.7	-	14.7
<b>As at 31 Dec 2016</b>	-	<b>83.9</b>	<b>(265.4)</b>	<b>45.5</b>	<b>39.2</b>	<b>3.1</b>	<b>(93.7)</b>

### Treasury shares

The extraordinary general shareholders' meeting held on 18 January 2016 approved the cancellation of all 12,571,225 treasury shares held by the Company.

The treasury shares reserve comprises the par value of the Company's share held by the Group. As at 31 December 2017, the Group held none of the Company's shares (31 December 2016:Nil).

## 28. 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 35.

EUR million	as at 31 Dec 2017	as at 31 Dec 2016
Convertible bonds	100.8	211.5
Fixed rate bonds	837.0	340.8
Unsecured bank loans	10.2	12.2
Finance lease liabilities	0.4	0.5
<b>Total non-current loans and borrowings</b>	<b>948.4</b>	<b>565.0</b>
Convertible bonds	27.2	-
Unsecured bank loans	17.2	2.1
SCTF Credit Facility	176.9	329.9
Loans from related parties	-	94.8
Finance lease liabilities	0.3	0.2
<b>Total current loans and borrowings</b>	<b>221.6</b>	<b>427.0</b>
<b>Total loans and borrowings</b>	<b>1,170.0</b>	<b>992.0</b>

### Convertible bonds

In July 2016, Nyrstar issued an EUR 115 million 5.00% convertible bonds listed on the Frankfurt Open Market (Freiverkehr), due July 2022.

The bonds are convertible at the option of the holder, at any time from 17 November 2016 until 1 July 2022 (ten days prior to final maturity date being 11 July 2022), or if the bonds are called by the Group for redemption prior to the final maturity date, until the seventh day before the date fixed for redemption. The conversion price as at 31 December 2017 is EUR 9.60 per share.

The bonds consist of a liability component and an equity component. The fair values of the liability component (EUR 97.3 million) and the equity component (EUR 14.6 million) were determined, using the residual method, at issuance of the bonds. The liability component is measured at amortised cost at an effective interest rate of 8.46% per annum.

The bonds have been issued at 100% of their principal amount and have a coupon of 5.00% per annum, payable semi-annually in arrears.

In September 2013 Nyrstar issued an EUR 120 million 4.25% convertible bonds listed on the Frankfurt Open Market (Freiverkehr), due September 2018.

The bonds are convertible at the option of the holder, at any time from 31 December 2013 until 15 September 2018 (ten days prior to final maturity date being 25 September 2018), or if the bonds are called by the Group for redemption prior to the final maturity date, until the seventh day before the date fixed for redemption. The conversion price as at 31 December 2017 is EUR 21.63 per share.

The bonds consist of a liability component and an equity component. The fair values of the liability component (EUR 102.3 million) and the equity component (EUR 15.7 million) were determined, using the residual method, at issuance of the bonds. The liability component is measured at amortised cost at an effective interest rate of 8.03% per annum.

The bonds have been issued at 100% of their principal amount and have a coupon of 4.25% per annum, payable semi-annually in arrears.

In March 2017, Nyrstar bought back part of its own 4.25% convertible bonds (due in 2018) with a face value of EUR 29.5 million for a total cash consideration of EUR 29.5 million.

In September 2017, Nyrstar bought back part of its own 4.25% convertible bonds (due in 2018) with a face value of EUR 61.5 million for a total cash consideration of EUR 63.7 million.

In 2017 and 2016 no convertible bonds were converted in ordinary shares of the company.

### **SCTF credit facility**

SCTF credit facility is a secured multi-currency revolving structured commodity trade finance credit facility with a limit of EUR 600 million. The facility was refinanced in December 2017 and has a maturity of four years (with run-off period during the fourth year leading to a maturity of December 2021). The facility includes an accordion to increase its size to EUR 750 million on a pre-approved but uncommitted basis.

Funds drawn under the facility bear interest at EURIBOR plus a margin of 2.25%.

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 6.5 million (31 December 2016: EUR 2.3 million). In 2017, the costs of the previous SCTF credit facility were written off at the time of renewal, leading to finance charges of EUR 1.7 million.

Borrowings under this facility are secured by Nyrstar's inventories and receivables. 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 total consolidated tangible net worth and net debt to equity.

### **Fixed rate bonds**

In March 2017, Nyrstar issued a EUR 400.0 million 6.875 % Senior Notes listed on the Luxembourg Stock Exchange's Euro MTF market, due in 2024. In September 2017 Nyrstar issued an additional EUR 100.0 million Senior Notes to be consolidated with and form a single series with the original EUR 400.0 million 6.875 % Senior Notes. The EUR 100.0 million Notes have been consolidated on 10 November 2017.

In May 2016, Nyrstar repaid its 5.375% fixed rate bonds with an original face value of EUR 525.0 million, due May 2016.

At 31 December 2017, the Company has two outstanding fixed rate bonds; 8.5% fixed rate bond with an original face value of EUR 350 million (maturity: September 2019) and the 6.875% fixed rate bond with an original face value of EUR 500 million (maturity: March 2024) . Directly attributable transaction costs have been deducted at initial recognition and are amortised over the term of the bonds.

### **Loans from related parties**

In May 2016, Nyrstar entered into a USD 150 million revolving working capital facility agreement with Trafigura. The facility was uncommitted and was secured by the shares of Nyrstar France SAS, a subsidiary of the Company, with a current term through to January 2017 and with an interest of LIBOR plus 4%. In November 2016, with the effective date of 1 January 2017, the working capital facility become committed, was extended till 31 December 2017 and was upsized to USD 250 million. The amended working facility is secured by a share pledge over the shares of Nyrstar France SAS and Budel BV, subsidiaries of the Company. In November 2017 the facility USD 250 million was extended until the end of 2019 on similar terms to the existing facility.



## Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

EUR million	Currency	Nominal interest rate	Year of maturity	31 Dec 2017		31 Dec 2016	
				Face value	Carrying amount	Face value	Carrying amount
Convertible bonds*	EUR	4.25%	2018	29.0	27.2	120.0	113.0
Fixed rate bonds	EUR	8.50%	2019	350.0	343.9	350.0	340.8
Convertible bonds**	EUR	5.00%	2022	115.0	100.8	115.0	98.5
SCTF credit facility	USD	EURIBOR+2.25%	2021	183.4	176.9	332.1	329.9
Loan from related party	USD	LIBOR+4%	2019	-	-	100.0	94.8
Fixed rate bonds	EUR	6.88%	2024	500.0	493.0	-	-
<b>Total interest bearing liabilities</b>				<b>1,177.4</b>	<b>1,141.8</b>	<b>1,017.1</b>	<b>977.0</b>

\* The Company may, at any time on or after 16 October 2016, redeem the convertible 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 130% of the conversion price.

\*\* The Company may, at any time on or after 1 August 2020, redeem the convertible 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.

## Finance leases

EUR million	31 Dec 2017	31 Dec 2016
Within 1 year	0.3	0.1
Between 2 and 5 years	0.5	0.7
<b>Total undiscounted minimum lease payments</b>	<b>0.8</b>	<b>0.8</b>
Less: amounts representing finance lease charges	0.1	0.1
<b>Present value of minimum lease payments</b>	<b>0.7</b>	<b>0.7</b>

## 29. Provisions

EUR million	Note	Restoration, rehabilitation and decommissioning	Restructuring	Other	Total
As at 1 Jan 2017		158.9	7.3	22.4	<b>188.6</b>
Reclassified from held for sale		19.8	-	2.4	<b>22.2</b>
Disposal of subsidiaries		(24.6)	-	(3.8)	<b>(28.4)</b>
Payments		(8.4)	(5.2)	(3.3)	<b>(16.9)</b>
Additions / (reversals)		(1.4)	1.0	(2.4)	<b>(2.8)</b>
PPE asset adjustment	15	17.3	-	-	<b>17.3</b>
Transfers		(0.2)	-	-	<b>(0.2)</b>
Unwind of discount		10.0	-	0.2	<b>10.2</b>
Currency translation effects		(12.3)	(0.2)	(1.6)	<b>(14.1)</b>
<b>As at 31 Dec 2017</b>		<b>159.1</b>	<b>2.9</b>	<b>13.9</b>	<b>175.9</b>
Whereof current		<b>9.4</b>	<b>2.9</b>	<b>6.8</b>	<b>19.1</b>
Whereof non-current		<b>149.7</b>	<b>-</b>	<b>7.1</b>	<b>156.8</b>

EUR million	Note	Restoration, rehabilitation and decommissioning	Restructuring	Other	Total
As at 1 Jan 2016		189.3	1.9	21.2	<b>212.4</b>
Reclassified to held for sale		(19.8)	-	(2.4)	<b>(22.2)</b>
Disposal of subsidiaries		(13.6)	-	-	<b>(13.6)</b>
Payments		(14.2)	(1.9)	(2.6)	<b>(18.7)</b>
Additions / (reversals)		(10.0)	7.2	5.3	<b>2.5</b>
PPE asset adjustment	15	22.9	-	-	<b>22.9</b>
Transfers		(12.2)	-	-	<b>(12.2)</b>
Unwind of discount		10.3	-	0.1	<b>10.4</b>
Currency translation effects		6.2	0.1	0.8	<b>7.1</b>
<b>As at 31 Dec 2016</b>		<b>158.9</b>	<b>7.3</b>	<b>22.4</b>	<b>188.6</b>
Whereof current		<b>15.5</b>	<b>7.3</b>	<b>5.4</b>	<b>28.2</b>
Whereof non-current		<b>143.4</b>	<b>-</b>	<b>17.0</b>	<b>160.4</b>

### Restoration, rehabilitation and decommissioning

95% (2016: 95%) of all Group's restoration, rehabilitation and decommissioning work on the projects provided for is estimated to occur progressively over the next 20 years. The provision is discounted using a current market based pre-tax real discount rate and the unwinding of the discount is included in interest expense. Refer to note 4 for the significant estimations and assumptions applied in the measurement of this provision.

The discount rates used in the calculation of the environmental provisions are summarised below:

	2017		2016	
	Metals Processing	Mining	Metals Processing	Mining
Country specific risk free rate (nominal)	1.47% - 2.84%	2.63% - 4.17%	1.29% - 2.91%	2.91% - 8.60%
Market credit spread	5.0%	5.0%	5.0%	5.0%
Discount rate (nominal)	6.47% - 7.84%	7.63% - 9.17%	6.29% - 7.91%	7.91% - 13.60%
Discount rate (real)	3.97% - 5.35%	5.27% - 6.81%	5.03% - 5.67%	5.67% - 11.36%

The following table sets out the estimated impact on the environmental provisions for the financial year ended 31 December 2017 and 2016 due to a change in the discount rates (in EUR million):

EUR million		2017		2016	
Parameter	Variable	Metals Processing	Mining	Metals Processing	Mining
Discount rate	+ 100 bps	(2.9)	(8.5)	(3.3)	(8.3)
Discount rate	- 100 bps	3.5	10.0	3.5	9.2

## Restructuring

In 2017, Nyrstar incurred restructuring costs of EUR 4.1 million (2016: EUR 8.4 million). The remaining provision of EUR 2.9 million (31 December 2016: EUR 7.3 million) is mainly related to the effect associated with the disposal of the mining operations and the restructuring of the Company's support functions during 2017. The implementation of the restructuring measures is expected to be finalised during 2018.

## Other

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 2 years (2016: 2 years). The estimates may vary due to changes in cost estimates and timing of the costs to be incurred.

## 30. Employee benefits

EUR million	31 Dec 2017	31 Dec 2016
Long service leave	2.5	2.8
Retirement plans	66.8	66.8
Other	4.2	4.4
<b>Total non-current employee provisions</b>	<b>73.5</b>	<b>74.0</b>
Annual leave and long service leave	22.6	23.0
Other	14.0	13.0
<b>Total current employee provisions</b>	<b>36.6</b>	<b>36.0</b>
<b>Total employee provisions</b>	<b>110.1</b>	<b>110.0</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 contribution plans

The Group is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only responsibility of the Group is to make the specified contributions.

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. The entity's obligations are limited to the payment of the contributions required according to the funding plan of the PME and cannot be held liable for any deficits or contributions from other participating companies.

In 2017, the total expense for defined contribution plans recognised in the consolidated income statement is EUR 4.6 million (2016: EUR 4.2 million).

## Defined benefit plans

The Group sponsors defined benefit plans as described below. All defined benefit plans are externally funded, either through a collective insurance contract or through a self-administered pension fund legally separated from the entity. All plans comply with local regulatory frameworks and minimum funding requirements and have been reviewed as at 31 December 2017. Furthermore the Group is responsible for the administration and governance of the defined benefit plans in Belgium, Switzerland, the US and Canada. The plan assets do not include direct investments in the Group's own financial instruments nor in property occupied by or used by the companies of the Group.

The defined benefit plans also include the so-called cash balance plans. The cash balance plans, sponsored by the Belgian and Swiss entities, account for about 11% of the total defined benefit obligation value as at 31 December 2017 (2016: 11%) and are valued on the basis of the Projected Unit Credit Method.

In Belgium, defined contribution plans are subject to a legally enforced minimum rate of return. The latter was modified by a 2015 change of legislation in Belgium on occupational pensions enacted in December 2015. Until 2015, the minimum return was fixed at 3.25% on employer contributions and 3.75% on employee contributions. As of 2016, the minimum rate of return is determined based on the Belgian state bonds with a term of 10 years with an absolute minimum of 1.75% and an absolute maximum of 3.75%. The Belgium DC plans are funded through a group insurance.

The obligations of the Belgium pension plans have been valued as the actuarial present value at any moment of the career of the highest of the accrued individual reserves with the insurance company and the minimum reserves to be guaranteed by the employer. Insured assets have been valued as the actuarial present value of the paid-up value at retirement of the insurance policy for each individual. Both present values are calculated on the basis of the market yield on high-quality corporate bonds. The net defined liability for the plan then equals the sum of the positive differences between liabilities and assets calculated for each individual separately, less the collective reserves accumulated in the group insurance financing fund.

The defined benefit plans expose the sponsoring company to actuarial risks such as investment risk, interest rate risk, salary risk, inflation risk and longevity risk. The medical benefit plans are further exposed to medical cost inflation risk. The possible impact of changes in these risks has been illustrated by a sensitivity analysis which is further detailed below.

Death in service and disability risks are in most countries insured with an external (re)insurance company.

Based on geographical location of the sponsoring entities, the recognised retirement benefit obligations as at 31 December 2017 can be split as follows:

EUR million	31 Dec 2017	Average duration
<b><u>Euro zone:</u></b>	(20.3)	11.0 years
Nyrstar Budel BV Excedent Pension Plan		
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"		
Nyrstar NV: Staff Cash Balance Plan, Staff Complementary Savings Plan		
Nyrstar France Régime d'Indemnités de Fin de Carrière and Régime du Mutuelle		
Nyrstar France Mutuelle (medical benefit plan)		
<b><u>USA:</u></b>	(29.1)	13.8 years
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		
Nyrstar Clarksville Inc. Post Retirement Medical Benefit and Life Insurance Plan (medical benefit plan)		
<b><u>Canada:</u></b>	(12.4)	11.1 years
Nyrstar Myra Falls Ltd.: Hourly-Paid Employees' Pension Plan, Thirty-Year Retirement Supplement and Voluntary Early retirement Allowance		
Nyrstar Myra Falls Ltd.: Non-Pension post-retirement benefits plan (medical benefit plan)		
<b><u>Switzerland:</u></b>	(5.0)	19.7 years
Nyrstar Sales & Marketing AG: Pension Plan Staff and Pension Plan Staff NMC funded through the Helvetia Group Foundation		
Nyrstar Finance International AG: Pension Plan funded through the Helvetia Group Foundation		
<b>Total</b>	<b>(66.8)</b>	<b>12.5 years</b>

In 2017, the total value of the medical benefit plans, included in the retirement benefit obligations is EUR 35.4 million (2016: EUR 33.5 million).

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

EUR million	31 Dec 2017	31 Dec 2016
Present value of funded obligations	163.1	168.0
Present value of unfunded obligations	44.5	43.4
<b>Total present value of obligations</b>	<b>207.6</b>	<b>211.4</b>
Fair value of plan assets	(141.4)	(144.6)
<b>Total deficit</b>	<b>66.2</b>	<b>66.8</b>
Limitation on recognition of surplus due to asset ceiling	0.6	0.0
<b>Total recognised retirement benefit obligations</b>	<b>66.8</b>	<b>66.8</b>

Plan assets comprise:

EUR million	31 Dec 2017	31 Dec 2016
Cash	1.5	1.7
Equity instruments	47.5	50.7
Debt instruments	35.9	35.0
Other assets	56.5	57.2
<b>Total plan assets</b>	<b>141.4</b>	<b>144.6</b>

Mutual funds consist of equity funds, fixed-income funds and mixed investments funds including both equity and debt instruments. All assets, except for the insurance contracts have quoted prices in active markets. The fair value of the insurance contracts corresponds either to the present value of the secured future benefits (Netherlands) or to the capitalized value of the paid contributions at the contractually guaranteed insurance rate (other countries).

The changes in the present value of the defined benefit obligations are as follows:

EUR million	31 Dec 2017	31 Dec 2016
Defined benefit obligations at start of period	211.4	211.2
Current service cost	6.7	8.9
Interest cost	5.3	6.1
Remeasurement (gains)/losses:		
Actuarial (gains)/losses arising from changes in demographic assumptions	(1.1)	(2.4)
Actuarial (gains)/losses arising from changes in financial assumptions	10.1	5.5
Actuarial (gains)/losses arising from changes in experience	0.5	(6.0)
Actuarial (gains)/losses due to exchange rate movements	(12.3)	5.5
Contributions paid into the plans by participants	1.3	1.4
Benefits paid by the plans	(13.2)	(16.5)
Past service cost (including plan amendment or curtailment)	(0.3)	(1.5)
Admin expenses, taxes and social securities	(0.8)	(0.8)
Inclusion of Belgian DC Plans	0.0	-
<b>Defined benefit obligations at end of period</b>	<b>207.6</b>	<b>211.4</b>

During 2017 and 2016 there were no curtailments nor settlements.

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

EUR million	31 Dec 2017	31 Dec 2016
Fair value of plan assets at start of period	144.6	137.6
Interest Income	3.6	4.0
Remeasurement gains/(losses):		
Return on plan assets excluding interest income recognised in net interest expense	4.8	7.1
Actuarial gains/(losses) due to exchange rate movements	(7.3)	3.8
Contribution paid into the plans by employer	6.8	6.3
Contribution paid into the plans by participants	1.3	1.4
Benefits paid by the plans	(11.6)	(14.8)
Admin expenses, taxes and social securities	(0.8)	(0.8)
Inclusion of Belgian DC Plans	0.0	0.0
<b>Fair value of plan assets at end of period</b>	<b>141.4</b>	<b>144.6</b>

The expense recognised in the income statement is as follows:

EUR million	31 Dec 2017	31 Dec 2016
Service cost:		
Current service cost, including admin fees, taxes and social securities	(6.8)	(8.9)
Past service cost	0.3	1.5
Net interest expense	(1.7)	(2.1)
<b>Components of defined benefit costs included in income statement</b>	<b>(8.2)</b>	<b>(9.5)</b>
Remeasurement on the net defined benefit liability:		
The return on plan assets (excluding amounts included in net interest expense)	4.8	7.1
Actuarial gains and (losses) arising from changes in demographic assumptions	1.1	2.4
Actuarial gains and (losses) arising from changes in financial assumptions	(10.1)	(5.5)
Actuarial gains and (losses) arising from experience adjustments	0.5	6.0
Adjustments for restrictions on the defined benefit asset	(0.2)	(0.2)
Actuarial gains/(losses) due to exchange rate movements	(1.3)	0.5
<b>Components of defined benefit costs recorded in OCI</b>	<b>(5.2)</b>	<b>10.3</b>
<b>Total of components of defined benefit cost</b>	<b>(13.4)</b>	<b>0.8</b>

### Principal actuarial assumptions

The principal actuarial assumptions used at the reporting date are as follows:

EUR million	31 Dec 2017	31 Dec 2016
Discount rate (range; weighted average in %)	0.0 - 3.65; 2.43	0.0 - 4.0; 2.7
Expected future salary increases (range; weighted average in %)	0.0 - 1.8; 1.4	1.0 - 1.8; 1.5
Expected inflation rate (range; weighted average in %)	1.8; 1.8	1.8; 1.8
Initial trend rate (range; weighted average in %)	1.8 - 8.0; 5.9	1.8 - 7.0; 5.8
Ultimate trend rate (range; weighted average in %)	1.8 - 6.0; 3.7	1.8 - 6.0; 4.4
Years until ultimate is reached	0 - 10; 6.4	0 - 4; 3.2

Multiple discount rates have been used in accordance with the regions as indicated in the table above. The discount rates have been determined by reference to high quality corporate bonds with a similar duration as the weighted average duration of the concerned plans for the EURO zone, USA and Canada. As there is no deep market for AA corporate bonds with the required term in Switzerland, discount rates have been determined by reference to government bond rates.

Future salary increase assumptions reflect the Groups' expectations and HR policy for the next few years.

In 2017, a single inflation rate assumption of 1.8% (2016: 1.8%) has been used for the EURO zone corresponding to the target inflation rate of the European Central Bank.

The medical cost trend rate assumptions have been determined based on industry standards and survey data with consideration for actual plan experience.

Mortality assumptions are based on the latest available standard mortality tables for the individual countries concerned. These tables imply expected future lifetimes (in years) for employees aged 65 as at the 31 December 2017 of 19 to 24 for males (2016: 19 to 24) and 23 to 28 (2016: 23 to 28) for females. The assumptions for each country are reviewed each year and are adjusted where necessary to reflect changes in fund experience and actuarial recommendations. If applicable, the longevity risk is covered by using appropriate prospective mortality rates.

### Sensitivity analysis

The significant actuarial assumptions for the determination of the defined benefit obligation have been discussed earlier in this note. The table below shows the sensitivity analysis on the effect on the defined benefit obligation of reasonable positive changes in the most significant actuarial assumptions used. Note that the sensitivity analysis is done per assumption (where the other significant assumptions were held constant):

EUR million	31 Dec 2017
Discount rate -0.5%	14.6
Discount rate +0.5%	(12.9)
Expected future salary increase - 0.5%	(0.6)
Expected future salary increase + 0.5%	0.8
Expected inflation rate - 0.25%	(0.7)
Expected inflation rate + 0.25%	0.7
Medical cost trend rate -1.0%	(5.9)
Medical cost trend rate +1.0%	7.7
Life expectancy - 1 year	6.2
Life expectancy + 1 year	(6.2)

### Expected contributions 2018

The Group expects to make EUR 7.6 million contributions to post-employment defined benefit plans for the year ending 31 December 2018 (2017: EUR 7.1 million).

### 31. Trade and other payables

EUR million	31 Dec 2017	31 Dec 2016
Trade payables	590.2	572.6
Other payables*	41.7	34.3
<b>Total trade and other payables</b>	<b>631.9</b>	<b>606.9</b>

\* During 2016, the Company entered into various commodity swaps ("swaps") to optimise sourcing of raw material supply to its smelters. The outstanding balances of the swaps that did not meet the revenue recognition criteria are recognised in Other receivables: EUR 36.1 million and in Other payables: EUR 33.5 million. There were no outstanding balances of the swaps that did not meet the revenue recognition criteria in 2017.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 35.



## 32. Deferred income

EUR million	as at 31 Dec 2017	as at 31 Dec 2016
Prepayments for deliveries of silver metal	54.1	52.7
Prepayments for deliveries of copper metal	25.0	-
<b>Total non-current deferred income</b>	<b>79.1</b>	<b>52.7</b>
Prepayments for deliveries of silver metal	158.3	77.6
Prepayments for deliveries of zinc and lead metal	307.3	229.0
Other prepayments	-	6.4
<b>Total current deferred income</b>	<b>465.6</b>	<b>313.0</b>
<b>Total deferred income</b>	<b>544.7</b>	<b>365.7</b>

Deferred income consists of payments received by the Company from customers for future physical deliveries of metal production that are expected to be settled in normal course of business.

### Prepayments for deliveries of silver metal

During 2017, Nyrstar entered into five prepay transactions to deliver silver or gold for which it received total funds of USD 230 million (EUR 198.6 million):

- The first silver prepay of USD 60 million (EUR 52.6 million) has a six months grace period with a six months delivery period with variable silver instalments based on the silver price at the time of deliveries. As at 31 December 2017, 1.8 million oz has been delivered. The remaining approximately 1.8 million oz will be delivered between January 2018 and March 2018.
- The second silver prepay of USD 50 million (EUR 43.8 million) has a ten months grace period with a five months delivery period with variable silver instalments based on the silver price at the time of deliveries. As at 31 December 2017, no silver has been delivered. The remaining approximately 3.1 million oz will be delivered between June 2018 and September 2018.
- The third silver prepay of USD 50 million (EUR 43.8 million) has an eleven months grace period and six months delivery period with equal instalments and total delivery of 4.2 million oz. As at 31 December 2017, no silver has been delivered. The remaining 4.2 million oz will be delivered between June 2018 and November 2018.
- The fourth silver prepay of USD 60 million (EUR 50.0 million) has a nine months grace period with a ten months delivery period with variable silver instalments based on the silver price at the time of deliveries. As at 31 December 2017, no silver has been delivered. The remaining approximately 3.8 million oz will be delivered between October 2018 and July 2019.
- The fifth silver prepay of USD 10 million (EUR 8.4 million) has a 11 months grace period with a one-off delivery of 0.8 million oz. As at 31 December 2017, no silver has been delivered. The 0.8 million oz will be delivered in December 2018.

In connection with the silver prepay agreements with the fixed silver oz deliveries Nyrstar entered into forward purchase contracts with equivalent delivery dates to hedge the silver price exposure related to delivery commitments. These contracts are accounted for as effective fair value hedges of the firm sales commitments in the silver prepay agreements. The change in fair value of the forward purchase contracts of EUR 1.2 million has been included in other financial assets and the portion of deferred income related to the silver prepay agreement of EUR 1.2 million effectively offsets in the income statement.

In October 2014, Nyrstar entered into a forward sale of a portion of the future incremental silver production from the Port Pirie smelter for a gross upfront payment of approximately AUD 120 million (net proceeds of EUR 85.2 million) in order to

fund the second component of the funding package of the redevelopment of its smelter in Port Pirie. The forward sale is for a term of five years. Under the terms of the forward sale, the majority of the silver volumes will be delivered under a defined delivery schedule from 2016 until the end of 2019. Silver prices have been hedged with counterparties.

### Prepayments for deliveries of contained copper

During 2017, Nyrstar entered into a copper prepay transaction with its offtaker related to a delivery of the copper concentrate from its mines for which it received total funds of USD 30 million (EUR 25.0 million). The prepay has a 12 months grace period with a three years delivery period until December 2021.

### Prepayments for deliveries of zinc and lead metal

The prepayments for deliveries of zinc and lead metal consist prepayments received from the Company's customers for future physical deliveries of 101kt of zinc and lead metal under existing offtake agreements that will be delivered in first quarter of 2018.

## 33. Share-based payments

EUR million	2017	2016
Share based payment expenses, including social security	(2.7)	(2.8)

The Company has established an Executive Long Term Incentive Plan (LTIP), a Leveraged Employee Stock Ownership Plan (LESOP) and a Deferred Share Award 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:

### Long Term Incentive Plan

LTIP Grants 6 to 10 were granted between 2013 and 2017 in accordance with the rules and conditions of the Executive Long Term Incentive Plan (LTIP). The table below summarises the details of the grants.

	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10
Number of instruments granted at the grant date	2,270,961	5,121,113	3,803,515	871,000	1,155,536
Effective grant date	30 Jun 2013	5 Sep 2014	30 Jun 2015	2 Nov 2016	30 Apr 2017
Performance period	1 Jan 2013 to 31 Dec 2015	1 Jan 2014 to 31 Dec 2016	1 Jan 2015 to 31 Dec 2017	1 Jan 2016 to 31 Dec 2018	1 Jan 2017 to 31 Dec 2019
Vesting date	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019
Settlement <sup>(b)</sup>	Share	Share	Share	Share	Share
Fair value at grant date (EUR per share) *	1.37	0.44	2.78	1.13	4.57

\* the fair value is the weighted average fair value for both performance measures: price of Zinc and MSCI as explained below

### (a) Performance criteria

The board initially set two performance conditions, which are weighted equally. For both performance conditions an equal number of awards was granted. For an award to vest, Nyrstar's annual share price performance was measured relative to the implied change in a notional share price that was based upon the historical performance of the price of zinc and the MSCI World Metals and Mining Index. To ensure that the LTIP is aligned with maximizing shareholder returns the Board modified in 2017 the performance criterion related to LTIP 9 and 10 by amending the performance conditions.

Shares are awarded to eligible employees to the extent that predetermined scaling thresholds for each of the performance conditions are met and that the employee remains in service to vesting date of the respective grant.

## (b) Settlement

The board has the discretion to settle Grant 8, Grant 9 and Grant 10 award in shares or cash. However it intends, whenever possible, to settle all plans in shares. As such, all LTIP plans are treated as equity settled share based payments.

The significant inputs into the valuation model for the LTIP plans granted in 2017 and 2016 are:

	2017	2016
Dividend yield	0.0%	0.0%
Expected volatility - Nyrstar share price	60.0%	60.0%
Expected volatility - zinc price	n/a	25.0%
Expected volatility - MSCI metals and mining index	25.0%	26.0%
Risk free interest rate	0.7%	1.4%
Share price at grant date (in EUR)	5.20	4.77
Expected forfeiture rate	0.0%	0.0%
Valuation model used	Monte Carlo	Monte Carlo

The expected volatilities are based on the historic volatility during the period prior to the grant date (that is equivalent to the expected life of the award, subject to historical data remaining relevant). The performance conditions are both market-related and were accounted for in calculating the fair value of the awards.

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

	Grant 7	Grant 8	Grant 9	Grant 10	Total
As at 1 Jan 2017	717,174	475,223	871,000	-	<b>2,063,397</b>
Initial allocation 2 Nov 2017	-	-	-	1,155,536	<b>1,155,536</b>
Dilutive impact / adjustment	-	42,754	127,135	194,166	<b>364,055</b>
Forfeitures	-	(231,807)	(415,703)	(89,545)	<b>(737,055)</b>
Additions	-	16,848	318,562	115,934	<b>451,344</b>
Expired	-	-	-	-	-
Settlements	(717,174)	-	-	-	<b>(717,174)</b>
<b>As at 31 Dec 2017</b>	<b>-</b>	<b>303,018</b>	<b>900,994</b>	<b>1,376,091</b>	<b>2,580,103</b>

	Grant 7	Grant 8	Grant 9	Total
As at 1 Jan 2016	5,471,628	3,281,719	-	<b>8,753,347</b>
Initial allocation 5 Sep 2016	-	-	871,000	<b>871,000</b>
Dilutive impact / adjustment	4,386,870	2,919,100	-	<b>7,305,970</b>
Reverse stock split	(8,872,647)	(5,580,737)	-	
Forfeitures	(333,025)	(252,082)	-	<b>(585,107)</b>
Additions	64,348	107,223	-	<b>171,571</b>
Expired	-	-	-	-
Settlements	-	-	-	-
<b>As at 31 Dec 2016</b>	<b>717,174</b>	<b>475,223</b>	<b>871,000</b>	<b>2,063,397</b>

In 2017 and 2016 LTIP Grant 7 and Grant 6 was settled in cash.

During 2017, the Group modified the Grant 9 of the LTIP and issued the awards under the Grant 10 of the LTIP.

The modification of Grant 9 and the issuance of Grant 10 were made in accordance with the rules and conditions of the LTIP. 871,000 awards of Grant 9 were modified and 1,155,536 awards of Grant 10 were granted with an effective accounting grant date of 30 April 2017 and a performance period of 3 years, commencing 1 January 2016 and 1 January 2017 respectively, over which the performance conditions are assessed.

To ensure that the LTIP is aligned with maximising shareholder returns, the Board has set two performance conditions under the modified Grant 9 and under Grant 10. These performance conditions are:

- Nyrstar achieving a target underlying EBITDA in 2018 (LTIP 9) and in 2019 (LTIP 10) (70% weighting); and
- Nyrstar's share price movement (as a percentage) is to outperform the MSCI World Metals and Mining Index movement (as a percentage) on average over the performance period (30% weighting).

Shares are awarded pro rata to executives to the extent that the target underlying EBITDA is met and predetermined scaling thresholds for the second market-based condition is met. Settlement of the awarded shares will be in the way of an allocation of shares.

The fair value of services received in return for the modified Grant 9 award and the newly issued Grant 10 award issued for the twelve month period to 31 December 2017 was EUR 2.3 million.

In 2017 and 2016, certain employees who joined Nyrstar during the year received LTIP awards under Grants 7, 8, 9 and 10. The fair value of these rights amounted to EUR 0.6 million for 2017 (2016: EUR 1.7 million). There have been no changes to the terms and conditions of the grants.

### **Leveraged Employee Stock Ownership Plan (LESOP)**

On 17 June 2015 the Board decided to suspend the LESOP plan and to not continue it in 2015.

In 2013, the Board submitted to the general shareholder's meeting a proposal to provide a new remuneration component to certain senior managers, including the management committee, called a LESOP. The LESOP would enable participants to purchase shares of the Company at a discount of 20%, following which the shares would be subject to a holding period of three years. For each share purchased by a participant with their personal contribution, a financial institution would provide the participant with additional financing enabling them to purchase nine additional shares at such discount. The number of shares that a participant could purchase with their personal contribution under the LESOP is capped. With respect to the members of the Nyrstar Management Committee, the cap is set at 50,000 shares for each member. At the end of the holding period, the participant will be required to transfer all shares purchased to the financial institution and will receive in return a cash amount or a number of shares of the Company, the value of which equals their personal contribution in the LESOP and a certain percentage of any increase in value of the shares over the lifetime of the LESOP.

The 2013 LESOP was approved by the general shareholder's meeting in April 2013. The first stage of the 2013 LESOP was implemented in December 2013.

3,065,000 shares were granted, with an effective accounting grant date of 21 December 2013. The shares vested immediately at grant date. The fair value at the grant date per share was EUR 0.10, resulting in the total fair value of EUR 0.3 million fully recognized in the financial year ended 31 December 2013.

On 30 April 2014, the Company's general shareholders' meeting approved and granted the board of directors the powers to establish an annual leveraged employee stock ownership plan for the years 2014, 2015 and 2016 (respectively the "2014 LESOP", the "2015 LESOP" and the "2016 LESOP"), whereby each LESOP (if established) must have the following features:

- (i) eligible participants can purchase Shares of the Company at a discount of 20%, whereby the Shares are subject to a holding period of three years,
- (ii) eligible participants can purchase such Shares with their own personal contributions, or alternatively, with a combination of personal contributions and an additional financing provided to them by a financial institution, whereby such leverage will however not exceed a one to nine ratio,
- (iii) the eligible participants include the members of the Nyrstar management committee, as well as other participants determined by the board of directors, and
- (iv) the number of Shares that an eligible participant can purchase with his or her personal contribution is capped, whereby such number is determined by the board of directors (however not exceeding 50,000, as the case may be, adjusted in case of a (reverse) stock split).

The total number of Shares that can be purchased under each LESOP amounts to 6,000,000.

The first stage of the 2014 LESOP was implemented in June 2014. 3,750,000 shares were granted, with an effective accounting grant date of 15 June 2014. 2,500,000 shares vested immediately at grant date and the remaining 1,250,000 shares vested in 2017. The fair value at the grant date per share was EUR 0.11, resulting in the total fair value of EUR 0.3 million fully recognized in the financial year ended 31 December 2014.

The significant inputs into the valuation model for the LESOP plan granted in 2014 were:

	2016
Dividend yield	3.0%
Risk free interest rate	0.5%
Credit spread for a private individual	5.0%
Interest rate for borrowing securities	0.5%
Share price at grant date (in EUR)	2.15
Valuation model used	Monte Carlo

The following table sets out the movements in the number of equity instruments granted during the period in relation to the LESOP plans:

	2017	2016
As at 1 Jan	217,505	1,250,000
Dilutive impact / adjustment	-	2,175,048
Reverse stock split (1 to 10)	-	(3,207,543)
Settlements	(217,505)	-
<b>As at 31 Dec</b>	<b>-</b>	<b>217,505</b>

### 34. Earnings per share

#### (a) Basic earnings / (loss) per share

The basic earnings / (loss) per share is calculated as follows:

EUR million	2017	2016
<b>Shareholders of Nyrstar</b>		
Profit / (loss) attributable to ordinary shareholders (basic)	46.5	(413.8)
Weighted average number of ordinary shares (basic, in million) <sup>(1)</sup>	95.6	101.7
<b>Earnings / (loss) per share (basic, in EUR)</b>	<b>0.49</b>	<b>(4.07)</b>
<b>Continuing operations</b>		
Profit / (loss) attributable to continuing operations (basic)	9.6	(263.7)
Weighted average number of ordinary shares (basic, in million) <sup>(1)</sup>	95.6	101.7
<b>Earnings / (loss) per share continuing operations (basic, in EUR)</b>	<b>0.10</b>	<b>(2.59)</b>
<b>Discontinued operations</b>		
Profit / (loss) attributable to discontinued operations (basic)	36.9	(150.1)
Weighted average number of ordinary shares (basic, in million) <sup>(1)</sup>	95.6	101.7
<b>Earnings / (loss) per share discontinued operations (basic, in EUR)</b>	<b>0.39</b>	<b>(1.48)</b>

1) ) In relation to the November 2017 equity placement, the comparative earnings per share for 31 December 2016 have been restated to retroactively reflect the impact of the November 2017 equity placement. The weighted average number of shares outstanding for 31 December 2017 and 31 December 2016 was 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 2017 and 2016 of approximately 16 %. Further details of the equity placement are disclosed in Note 25 Share capital and share premium.

#### (b) Diluted earnings / (loss) per share

The calculation of diluted earnings per share (EPS) at 31 December 2017 was based on the profit attributable to ordinary shareholders (diluted) of EUR 46.5 million and a weighted average number of ordinary shares outstanding of 97.3 million. As the Group incurred a loss for the twelve months ended 31 December 2016, the diluted loss per share EUR 4.07 equals the basic loss per share. The convertible bonds have been anti-dilutive for 2017 and 2016.

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 diluted weighted average number of shares is calculated as follows:

	2017	2016
Weighted average number of ordinary shares (basic, in million) <sup>(1)</sup>	95.6	101.7
Effect of long term incentive plan (in million)	1.7	-
Effect of conversion of convertible bond (in million)	-	-
<b>Weighted average number of ordinary shares (diluted, in million)<sup>(1)</sup></b>	<b>97.3</b>	<b>101.7</b>

The diluted EPS is calculated as follows:

EUR million	2017	2016
<b>Sharholders of Nyrstar</b>		
Profit / (loss) attributable to ordinary shareholders (diluted)	46.5	(413.8)
Weighted average number of ordinary shares (diluted, in million) <sup>(1)</sup>	97.3	101.7
<b>Earnings / (loss) per share (diluted, in EUR)</b>	<b>0.48</b>	<b>(4.07)</b>
<b>Continuing operations</b>		
Profit / (loss) attributable to continuing operations (diluted)	9.6	(263.7)
Weighted average number of ordinary shares (diluted, in million) <sup>(1)</sup>	97.3	101.7
<b>Earnings / (loss) per share continuing operations (diluted, in EUR)</b>	<b>0.10</b>	<b>(2.59)</b>
<b>Discontinued operations</b>		
Profit / (loss) attributable to discontinued operations (diluted)	36.9	(150.1)
Weighted average number of ordinary shares (diluted, in million) <sup>(1)</sup>	97.3	101.7
<b>Earnings / (loss) per share discontinued operations (diluted, in EUR)</b>	<b>0.38</b>	<b>(1.48)</b>

### 35. 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 for the Group primarily 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 Group does not have any significant credit enhancements to mitigate its credit exposure, except for the retention to the title of the sold products until payment is received by the customers. The maximum exposure to credit risk at the reporting date was:

EUR million	31 Dec 2017	31 Dec 2016
Trade and other receivables	223.5	219.0
Cash and cash equivalents	68.4	127.1
Other financial assets	14.8	13.8
Commodity contracts used for hedging: assets	6.6	22.2
Embedded derivatives: assets	63.1	59.2
Foreign exchange contracts used for hedging: assets	-	0.6
Foreign exchange contracts used for trading: assets	3.1	5.2
Restricted cash	113.0	111.7
Held to maturity	5.2	5.4
<b>Total</b>	<b>497.7</b>	<b>564.2</b>

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

EUR million	31 Dec 2017	31 Dec 2016
Euro-zone countries	101.5	78.9
Asia	40.4	45.2
United States	10.2	10.8
Other European countries	14.2	48.0
Other regions	57.2	36.1
<b>Total</b>	<b>223.5</b>	<b>219.0</b>

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

EUR million	31 Dec 2017	31 Dec 2016
Wholesale customers	189.0	183.8
End-user customers	34.5	35.2
<b>Total</b>	<b>223.5</b>	<b>219.0</b>

## (ii) Ageing analysis

Trade and other receivables including ageing of trade and other receivables which are past due but not impaired at the reporting date was:

EUR million	31 Dec 2017	31 Dec 2016
Not past due	172.8	173.9
Past due 0-30 days	35.5	18.0
Past due 31-120 days	11.0	23.8
Past due 121 days – one year	3.9	0.5
More than one year	0.3	2.8
<b>Total</b>	<b>223.5</b>	<b>219.0</b>

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 rating 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
Finance lease liabilities	(0.7)	(0.7)	(0.1)	(0.2)	(0.2)	-	(0.2)
Loans and borrowings	(1,169.3)	(1,524.4)	(51.6)	(249.0)	(422.0)	(127.9)	(673.9)
Trade and other payables	(631.9)	(631.9)	(621.1)	(5.3)	(2.9)	(1.0)	(1.6)
Zinc prepayment *	(74.8)	(77.3)	(38.7)	(38.6)	-	-	-
Other financial liability	(16.9)	(16.9)	-	-	(9.4)	(7.5)	-
Commodity contracts – fair value hedges	(29.2)	(29.2)	(29.2)	-	-	-	-
Commodity contracts – cash flow hedges	(35.0)	(35.0)	(35.0)	-	-	-	-
Foreign exchange contracts – held for trading	(11.2)	(11.2)	(11.2)	-	-	-	-
<b>Total, 31 Dec 2017</b>	<b>(1,969.0)</b>	<b>(2,326.6)</b>	<b>(786.9)</b>	<b>(293.1)</b>	<b>(434.5)</b>	<b>(136.4)</b>	<b>(675.7)</b>

\* to be settled through physical deliveries of zinc (note 20)

In addition to the contractual maturities of financial liabilities disclosed above, the Company intends to redeem the Perpetual Securities as described in note 26(i).

EUR million	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	5 years or more
Finance lease liabilities	(0.7)	(0.7)	(0.1)	(0.1)	(0.2)	(0.3)	-
Loans and borrowings	(991.3)	(1,160.4)	(21.4)	(448.4)	(162.7)	(403.4)	(124.5)
Trade and other payables	(606.9)	(606.9)	(596.4)	(1.9)	(2.5)	(4.2)	(1.9)
Zinc prepayment *	(170.4)	(195.3)	(50.6)	(49.5)	(95.2)	-	-
Other financial liability	(11.6)	(11.6)	-	(11.6)	-	-	-
Commodity contracts – fair value hedges	(3.5)	(3.5)	(3.5)	-	-	-	-
Commodity contracts – cash flow hedges	(18.8)	(18.8)	(18.8)	-	-	-	-
Foreign exchange contracts – held for trading	(2.8)	(2.8)	(2.8)	-	-	-	-
<b>Total, 31 Dec 2016</b>	<b>(1,806.0)</b>	<b>(2,000.0)</b>	<b>(693.6)</b>	<b>(511.5)</b>	<b>(260.6)</b>	<b>(407.9)</b>	<b>(126.4)</b>

\* to be settled through physical deliveries of zinc (note 20)

In addition to the contractual maturities of financial liabilities disclosed above, the Company intends to redeem the Perpetual Securities as described in note 26(i).

## (c) Currency risk

### Strategic foreign exchange hedges

Since 2016, Nyrstar has entered into a series of foreign exchange options to hedge the Company's monthly exposure related to the direct operating costs denominated in Australian dollars (AUD), Canadian Dollars (CAD) and in Euro (EUR) utilising put and call collar structures. For the EUR/USD transactional exposure, various collars were executed resulting in a weighted average collar of 1.05 to 1.14 for approximately 100% of the total transactional expenses in the first half of 2017; and a weighted average collar of 1.00 to 1.10 for approximately 100% of the total transactional expenses in the second half of 2017. For the AUD/USD transactional exposure, various collars were executed resulting in a weighted average collar of 0.62 to 0.81 for approximately 100% of the total transactional expenses for the first half of 2017; a weighted average collar of 0.68 to 0.81 for approximately 100% of the second half of 2017; and a weighted average collar of 0.70 to 0.80 for approximately 100% of 2018. For the CAD/USD transactional exposure on Langlois, various collars have been executed resulting in a weighted average collar of 1.28 to 1.35 for approximately 70% of 2017 and a weighted average collar of 1.32 to 1.36 for approximately 100% of 2018. Nyrstar has not undertaken hedging of EUR/USD transactional exposure for 2018.

The Group has accounted for the strategic foreign exchange hedges as cash flow hedges and determined the hedge relationship to be effective. The amount recognised in other comprehensive income during the period was a gain of EUR 3.3 million. A gain of EUR 12.3 million related to the strategic foreign exchange hedges was reclassified from equity to income statement in 2017. There was also no ineffectiveness recognised in the income statement.

### Foreign exchange hedges of the Nyrstar Port Pirie capital expenditures

The Group entered into foreign exchange forwards to hedge its exposure to the volatility in cash outflows related to capital expenditure denominated in foreign currency and incurred in relation to the Nyrstar Port Pirie redevelopment. The Group hedged its AUD exposure to the cash outflows that have been denominated in Euro, USD and Chinese Yuan Renminbi (CNY).

Nyrstar has accounted for the foreign exchange hedges of the Nyrstar Port Pirie capital expenditures as cash flow hedges. The amount recognised in other comprehensive income at 31 December 2017 is a loss of EUR 1.4 million. There was no ineffectiveness recognised in profit or loss related to the foreign exchange hedges of the Nyrstar Port Pirie capital expenditures. The amount that was recycled out of equity during the period and into the carrying amount of the capital expenditure was EUR 0.2 million. EUR 0.6 million was recognised in the Income Statement in 2017. The final cash flows related to the hedges are expected to occur during the year ending 31 December 2018.

### 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
Trade and other receivables	62.6	140.5	8.7	9.5	2.2	<b>223.5</b>
Other financial assets	-	14.8	-	-	-	<b>14.8</b>
Loans and borrowings	(992.4)	(176.9)	-	(0.2)	(0.5)	<b>(1,170.0)</b>
Zinc prepayment	-	(74.8)	-	-	-	<b>(74.8)</b>
Other financial liabilities	-	(16.9)	-	-	-	<b>(16.9)</b>
Trade and other payables	(135.9)	(398.9)	(66.1)	(19.9)	(11.1)	<b>(631.9)</b>
<b>Gross balance sheet exposure</b>	<b>(1,065.7)</b>	<b>(512.2)</b>	<b>(57.4)</b>	<b>(10.6)</b>	<b>(9.4)</b>	<b>(1,655.3)</b>
Foreign exchange contracts	124.4	195.1	(245.6)	(67.5)	(14.5)	<b>(8.1)</b>
Commodity contracts	-	(57.6)	-	-	-	<b>(57.6)</b>
<b>Net exposure, 31 Dec 2017</b>	<b>(941.3)</b>	<b>(374.7)</b>	<b>(303.0)</b>	<b>(78.1)</b>	<b>(23.9)</b>	<b>(1,721.0)</b>

EUR million	EUR	USD	AUD	CAD	Other	Total
Trade and other receivables	65.0	126.5	3.6	22.3	1.6	<b>219.0</b>
Other non-current financial assets	-	13.8	-	-	-	<b>13.8</b>
Loans and borrowings	(566.6)	(424.7)	-	-	(0.7)	<b>(992.0)</b>
Zinc prepayment	-	(170.4)	-	-	-	<b>(170.4)</b>
Other financial liabilities	-	(11.6)	-	-	-	<b>(11.6)</b>
Trade and other payables	(146.7)	(357.0)	(80.7)	(10.1)	(12.4)	<b>(606.9)</b>
<b>Gross balance sheet exposure</b>	<b>(648.3)</b>	<b>(823.4)</b>	<b>(77.1)</b>	<b>12.2</b>	<b>(11.5)</b>	<b>(1,548.1)</b>
Foreign exchange contracts	160.8	82.9	(131.5)	(93.0)	(16.2)	<b>3.0</b>
Commodity contracts	-	(0.1)	-	-	-	<b>(0.1)</b>
<b>Net exposure, 31 Dec 2016</b>	<b>(487.5)</b>	<b>(740.6)</b>	<b>(208.6)</b>	<b>(80.8)</b>	<b>(27.7)</b>	<b>(1,545.2)</b>

### 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	Full year 2017 annual average rate	Full year 2016 annual average rate	Variable	Income statement		Equity	
				2017	2016	2017	2016
EUR / USD	1.130	1.107	+ / - 10%	(87) / 106	(83) / 102	(87) / 106	(70) / 89
EUR / AUD	1.473	1.488	+ / - 10%	25 / (31)	23 / (28)	24 / (4)	23 / (28)
EUR / CHF	1.112	1.09	+ / - 10%	5 / (6)	4 / (5)	5 / (6)	4 / (5)

The above sensitivities were calculated by modelling Nyrstar's 2017 and 2016 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**

#### **Metal at risk hedges**

The Group is exposed to commodity price volatility on commodity sales and raw materials purchased. The Group enters 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. The Group also enters 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 Group has accounted the metal at risk hedges as fair value hedges with any mark-to-market on the hedging instrument recognised in the Income Statement. The amount of the losses recognised on the hedging instrument in 2017 was EUR 108.4 million. The gains on the hedged item attributable to the hedged risk was EUR 100.5 million. The fair values of the metal at risk hedges at 31 December 2017 was a loss of EUR 26.7 million.

#### **Strategic metal price hedges**

In the first quarter of 2017, Nyrstar had in place zinc price collar hedges to protect 70% of total free metal produced at the zinc smelters and North American mines within a price range of USD 2,127 and USD 2,496 with full upside from USD 2,800; and for the second quarter of 2017 to the fourth quarter of 2017, a collar of USD 2,172 to USD 2,543 (plus a call at USD

3,117). During the entirety of 2017, the zinc production at Langlois has been hedged with a fixed forward position of USD 2,280 per tonne on a payable volume of 2,000 tonnes per month.

During the course of 2017, Nyrstar has further placed protective zinc hedges on certain volumes of the total free metal produced by Nyrstar's zinc smelters and mines. Nyrstar has put in place hedges for 70% of the total free metal produced by Nyrstar's zinc smelters and mines for the first half of 2018 and 30% of the total free metal produced in the second half of 2018. The first half of 2018 hedges result in full exposure to the zinc price for 100% of the production volume in the first half of 2018 between a floating zinc price of USD 2,300/t and USD 3,094/t. Above and below these prices, Nyrstar's exposure is limited to 30% of the total free metal produced. The second half of 2018 hedges result in full exposure to the floating zinc price within a price range of USD 2,600/t and USD 3,641/t. Above and below these prices, Nyrstar's exposure is reduced to 70% of the total free metal produced. Nyrstar has also placed fixed forward hedges to protect the profitability of the Myra Falls mine during its restart and ramp-up. The Myra Falls fixed forward commodity price hedging has been placed at USD 2,760 and USD 2,685 per tonne for zinc in 2018 and 2019 respectively; USD 1,281 and USD 1,296 per troy ounce in 2018 and 2019 respectively; USD 6,461 and USD 6,415 per tonne for copper in 2018 and 2019 respectively; and USD 17.41 per troy ounce for silver in both 2018 and 2019.

#### **Silver price hedges related to the long term silver prepayment**

The Group entered into forward sales of silver metal to hedge its exposure related to the deliveries of silver units under the long term silver prepayment.

Nyrstar has accounted for the silver price hedges related to the long term silver prepayment as cash flow hedges. The amount recognised in other comprehensive income during the period was a loss of EUR 17.7 million. There was no ineffectiveness recognised in profit or loss related to the silver price hedges related to the long term silver prepayment. The amount reclassified from equity to income statement was EUR 13.9 million. The cash flows related to the hedges are expected to occur during the year ending from 31 December 2018 to 31 December 2019.

#### **Hobart embedded derivatives**

At 31 December 2017 Nyrstar Hobart has in place two electricity fixed price contracts (in the form of swaps) to hedge its exposure to the volatility in electricity prices until 2029. The hedge relationships have been accounted for as cash flow hedges. The amount recognised in other comprehensive income during the period was a gain of EUR 9.8 million. The Group reclassified an amount of EUR 0.8 million related to the Hobart embedded derivatives from equity to income statement. The hedge ineffectiveness recognised in profit or loss related to the Hobart embedded derivatives was a loss of EUR 2.6 million. The cash flows related to the hedges are expected to occur during the year ending 31 December 2018 through to 31 December 2029.

The following table sets out a summary of the notional value of derivative contracts hedging commodity price risks at 31 December 2017.

EUR million	Average price in USD	6 months or less	6 - 12 months	12 - 18 months	more than 18 months	Total
Zinc	per tonne					
Contracts purchased	2,641	17.7	88.7	24.2	23.7	154.3
Contracts sold	3,174	806.7	113.8	-	-	920.5
<b>Net position</b>		<b>824.4</b>	<b>202.5</b>	<b>24.2</b>	<b>23.7</b>	<b>1,074.8</b>
Lead	per tonne					
Contracts purchased	2,531	(6.0)	-	-	-	(6.0)
Contracts sold	2,493	77.4	-	-	-	77.4
<b>Net position</b>		<b>71.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71.4</b>
Silver	per ounce					
Contracts purchased	17.0	(138.7)	(60.1)	-	-	(198.8)
Contracts sold	16.8	252.6	60.2	1.2	1.2	315.2
<b>Net position</b>		<b>113.9</b>	<b>0.1</b>	<b>1.2</b>	<b>1.2</b>	<b>116.4</b>
Gold	per ounce					
Contracts purchased	1,264.9	(2.9)	-	-	-	(2.9)
Contracts sold	1,283.7	41.7	4.1	5.2	5.2	56.2
<b>Net position</b>		<b>38.8</b>	<b>4.1</b>	<b>5.2</b>	<b>5.2</b>	<b>53.3</b>
Copper	per tonne					
Contracts purchased	-	-	-	-	-	-
Contracts sold	6,424	0.1	1.6	5.6	5.6	12.9
<b>Net position</b>		<b>0.1</b>	<b>1.6</b>	<b>5.6</b>	<b>5.6</b>	<b>12.9</b>

The following table sets out a summary of the notional value of derivative contracts hedging commodity price risks at 31 December 2016.

EUR million	Average price in USD	6 months or less	6 - 12 months	12 - 18 months	more than 18 months	Total
Zinc	per tonne					
Contracts purchased	2,609.0	295.0	391.5	-	-	686.5
Contracts sold	2,566.0	229.0	213.9	26.0	-	468.9
<b>Net position</b>		<b>524.0</b>	<b>605.4</b>	<b>26.0</b>	<b>-</b>	<b>1,155.4</b>
Lead	per tonne					
Contracts purchased	2,117.0	(19.4)	-	-	-	(19.4)
Contracts sold	2,185.0	90.2	-	-	-	90.2
<b>Net position</b>		<b>70.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70.8</b>
Silver	per ounce					
Contracts purchased	16.1	(80.7)	-	-	-	(80.7)
Contracts sold	16.7	161.1	-	-	-	161.1
<b>Net position</b>		<b>80.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80.4</b>
Gold	per ounce					
Contracts purchased	1,140.7	(3.9)	-	-	-	(3.9)
Contracts sold	1,227.9	16.8	-	-	-	16.8
<b>Net position</b>		<b>12.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.9</b>
Copper	per tonne					
Contracts purchased	-	-	-	-	-	-
Contracts sold	5,702	0.9	-	-	-	0.9
<b>Net position</b>		<b>0.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.9</b>

### 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	Full year 2017 annual average price	Full year 2016 annual average price	Variable	Income statement		Equity	
				2017	2016	2017	2016
Zinc price	\$2,896	\$2,095	+ / - 30%	198 / (175)	199 / (148)	78 / (126)	111 / (70)
Lead price	\$2,317	\$1,872	+ / - 10%	1 / (1)	1 / (1)	1 / (1)	1 / (1)
Silver price	\$17.1	\$17.1	+ / - 10%	5 / (5)	4 / (4)	0 / 0	(4) / 4
Zinc TC	\$172	\$203	+ / - 10%	20 / (20)	25 / (25)	20 / (20)	25 / (25)
Lead TC	\$120	\$165	+ / - 10%	3 / (3)	4 / (4)	3 / (3)	4 / (4)

The above sensitivities were calculated by modelling Nyrstar's 2017 and 2016 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**

EUR million	Loans and receivables	Fair value through profit and loss	Held to maturity	Available for sale	Derivatives used for hedging	At amortised costs	Total
Derivative financial instruments	-	5.6	-	-	67.2	-	<b>72.8</b>
Other financial assets	-	14.8	-	-	-	-	<b>14.8</b>
Trade and other receivables excl prepayments	223.5	-	-	-	-	-	<b>223.5</b>
Cash and cash equivalents	68.4	-	-	-	-	-	<b>68.4</b>
Restricted cash	113.0	-	-	-	-	-	<b>113.0</b>
Held to maturity	-	-	5.2	-	-	-	<b>5.2</b>
Investments in equity securities	-	-	-	19.8	-	-	<b>19.8</b>
Borrowings excl finance lease liabilities	-	-	-	-	-	(1,169.3)	<b>(1,169.3)</b>
Finance lease liabilities	-	-	-	-	-	(0.7)	<b>(0.7)</b>
Derivative financial instruments	-	(40.4)	-	-	(35.0)	-	<b>(75.4)</b>
Zinc prepayment	-	-	-	-	-	(74.8)	<b>(74.8)</b>
Other financial liabilities	-	-	-	-	-	(16.9)	<b>(16.9)</b>
Trade and other payables	-	-	-	-	-	(631.9)	<b>(631.9)</b>
<b>Net position, 31 Dec 2017</b>	<b>404.9</b>	<b>(20.0)</b>	<b>5.2</b>	<b>19.8</b>	<b>32.2</b>	<b>(1,893.6)</b>	<b>(1,451.5)</b>

EUR million	Loans and receivables	Fair value through profit and loss	Held to maturity	Available for sale	Derivatives used for hedging	At amortised costs	Total
Derivative financial instruments	-	21.9	-	-	65.3	-	<b>87.2</b>
Other financial assets	-	13.8	-	-	-	-	<b>13.8</b>
Trade and other receivables excl prepayments	219.0	-	-	-	-	-	<b>219.0</b>
Cash and cash equivalents	127.1	-	-	-	-	-	<b>127.1</b>
Restricted cash	111.7	-	-	-	-	-	<b>111.7</b>
Held to maturity	-	-	5.4	-	-	-	<b>5.4</b>
Investments in equity securities	-	-	-	22.4	-	-	<b>22.4</b>
Borrowings excl finance lease liabilities	-	-	-	-	-	(991.3)	<b>(991.3)</b>
Finance lease liabilities	-	-	-	-	-	(0.7)	<b>(0.7)</b>
Derivative financial instruments	-	(6.3)	-	-	(18.8)	-	<b>(25.1)</b>
Zinc prepayment	-	-	-	-	-	(170.5)	<b>(170.5)</b>
Other financial liabilities	-	-	-	-	-	(11.6)	<b>(11.6)</b>
Trade and other payables	-	-	-	-	-	(606.9)	<b>(606.9)</b>
<b>Net position, 31 Dec 2016</b>	<b>457.8</b>	<b>29.4</b>	<b>5.4</b>	<b>22.4</b>	<b>46.5</b>	<b>(1,781.0)</b>	<b>(1,219.5)</b>

## (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:

EUR million	31 Dec 2017 Interest rate			Sensitivity analysis, in 100 bp			
	Floating	Fixed	Total	Income statement		Equity	
				increase	decrease	increase	decrease
Financial assets:							
Cash and cash equivalents	68.4	-	<b>68.4</b>	0.7	(0.5)	0.7	(0.5)
Restricted cash	-	113.0	<b>113.0</b>	-	-	-	-
Held to maturity	-	5.2	<b>5.2</b>	-	-	-	-
Financial liabilities:							
Loan facility	-	(27.4)	<b>(27.4)</b>	-	-	-	-
Borrowings - fixed rate bonds	-	(837.0)	<b>(837.0)</b>	-	-	-	-
Borrowings - convertible bonds	-	(128.0)	<b>(128.0)</b>	-	-	-	-
Borrowings - SCTF Credit Facility	(176.9)	-	<b>(176.9)</b>	(1.8)	1.8	(1.8)	1.8
Zinc prepayment	(74.8)	-	<b>(74.8)</b>	(0.7)	0.7	(0.7)	0.7
Finance lease liabilities	-	(0.7)	<b>(0.7)</b>	-	-	-	-
<b>Net interest bearing financial assets / (liabilities)</b>	<b>(183.3)</b>	<b>(874.9)</b>	<b>(1,058.2)</b>	<b>(1.8)</b>	<b>2.0</b>	<b>(1.8)</b>	<b>2.0</b>

In addition to the exposure to the interest rate risk on financial liabilities disclosed above, the Company is exposed to the interest rate movements on the Perpetual Securities as described in note 26(i).

EUR million	31 Dec 2016 Interest rate			Sensitivity analysis, in 100 bp			
	Floating	Fixed	Total	Income statement		Equity	
				increase	decrease	increase	decrease
Financial assets:							
Cash and cash equivalents	127.1	-	<b>127.1</b>	1.0	(0.4)	1.0	(0.4)
Restricted cash	-	111.7	<b>111.7</b>	-	-	-	-
Held to maturity	-	5.4	<b>5.4</b>	-	-	-	-
Financial liabilities:							
Loan facility	-	(14.3)	<b>(14.3)</b>	-	-	-	-
Borrowings - fixed rate bonds	-	(340.8)	<b>(340.8)</b>	-	-	-	-
Borrowings - convertible bonds	-	(211.5)	<b>(211.5)</b>	-	-	-	-
Borrowings - SCTF Credit Facility	(329.8)	-	<b>(329.8)</b>	(3.3)	2.5	(3.3)	2.5
Borrowings - Loans from related parties	(94.8)	-	<b>(94.8)</b>	(1.0)	0.7	(1.0)	0.7
Zinc prepayment	(170.5)	-	<b>(170.5)</b>	(1.7)	1.3	(1.7)	1.3
Finance lease liabilities	-	(0.7)	<b>(0.7)</b>	-	-	-	-
<b>Net interest bearing financial assets / (liabilities)</b>	<b>(468.0)</b>	<b>(450.2)</b>	<b>(918.2)</b>	<b>(5.0)</b>	<b>4.1</b>	<b>(5.0)</b>	<b>4.1</b>

In addition to the exposure to the interest rate risk on financial liabilities disclosed above, the Company is exposed to the interest rate movements on the Perpetual Securities as described in note 26(i).

Sensitivity calculations are based on closing cash balances. No negative interest rates are assumed.



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

The carrying amount of all financial assets and liabilities recognised at amortised cost on the consolidated statement of financial position approximate their fair value, with the exception of the fixed rate bonds of EUR 837.0 million (2016: EUR 340.8 million) and the convertible bonds of EUR 128.0 million (2016: EUR 211.5 million), with fair values based on quoted prices in active markets (Level 1 measurement including equity and debt component), of EUR 917.4 million (2016: EUR 381.4 million), and EUR 157.6 million (2016: EUR 245.4 million) respectively.

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

- 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 indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (level 3).

EUR million	Valuation technique (s) and key input (s)	Level 1	Level 2	Level 3	Total as at 31 Dec 2017
Commodity contracts – fair value hedges	a	-	2.5	-	<b>2.5</b>
Commodity contracts – cash flow hedges	a	-	4.1	-	<b>4.1</b>
Foreign exchange contracts – held for trading	b	-	3.1	-	<b>3.1</b>
Embedded derivative	c	-	63.1	-	<b>63.1</b>
<b>Total</b>		-	<b>72.8</b>	-	<b>72.8</b>
Commodity contracts – fair value hedges	a	-	(29.2)	-	<b>(29.2)</b>
Commodity contracts – cash flow hedges	a	-	(35.0)	-	<b>(35.0)</b>
Foreign exchange contracts – held for trading	b	-	(11.2)	-	<b>(11.2)</b>
<b>Total</b>		-	<b>(75.4)</b>	-	<b>(75.4)</b>

EUR million	Valuation technique (s) and key input (s)	Level 1	Level 2	Level 3	Total as at 31 Dec 2016
Commodity contracts – fair value hedges	a	-	16.7	-	<b>16.7</b>
Commodity contracts – cash flow hedges	a	-	5.5	-	<b>5.5</b>
Foreign exchange contracts – held for trading	b	-	5.2	-	<b>5.2</b>
Foreign exchange contracts – cash flow hedge	b	-	0.6	-	<b>0.6</b>
Embedded derivative	c	-	59.2	-	<b>59.2</b>
<b>Total</b>		-	<b>87.2</b>	-	<b>87.2</b>
Commodity contracts – fair value hedges	a	-	(3.5)	-	<b>(3.5)</b>
Commodity contracts – cash flow hedges	a	-	(18.8)	-	<b>(18.8)</b>
Foreign exchange contracts – held for trading	b	-	(2.8)	-	<b>(2.8)</b>
<b>Total</b>		-	<b>(25.1)</b>	-	<b>(25.1)</b>

For level 2 fair value measurements, fair values are determined based on the underlying notional amount and the associated observable forward prices/rates in active markets. The key inputs in these valuations are as follows (with reference to the tables above):

- a) forward commodity prices in active market
- b) forward exchange rates in active market
- c) forward electricity prices in active market

#### (h) Reconciliation of liabilities arising from financing activities

The table below shows changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

EUR million	1 Jan 2017	Financing cash inflows / (outflows)	Non-cash changes - amortisation / (incurrence) of transaction related costs using the effective interest rate method	Non-cash changes - repayment of zinc prepayment	Other changes - foreign exchange changes	31 Dec 2017
Convertible bonds	211.5	(88.8)	5.3	-	-	<b>128.0</b>
Fixed rate bonds	340.8	492.2	4.0	-	-	<b>837.0</b>
Unsecured bank loans	14.3	13.7	-	-	(0.6)	<b>27.4</b>
Finance lease liabilities	0.7	-	-	-	-	<b>0.7</b>
SCTF credit facility	329.9	(115.1)	(4.1)	-	(33.8)	<b>176.9</b>
Loans from related parties	94.8	(88.4)	-	-	(6.4)	<b>-</b>
Zinc prepayment	170.4	-	-	(79.4)	(16.2)	<b>74.8</b>
<b>Total</b>	<b>1,162.4</b>	<b>213.6</b>	<b>5.2</b>	<b>(79.4)</b>	<b>(57.0)</b>	<b>1,244.8</b>

The sale of Campo Morado, Coricancha and Contonga mines does not impact the disclosure.

### 36. 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	31 Dec 2017	31 Dec 2016
Within one year	22.9	53.1
<b>Total</b>	<b>22.9</b>	<b>53.1</b>

### 37. 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	31 Dec 2017	31 Dec 2016
Within one year	16.1	8.5
Between one and five years	30.6	11.7
<b>Total</b>	<b>46.7</b>	<b>20.2</b>

### 38. Contingencies

#### Legal actions

Although Nyrstar is the subject of a number of claims and legal, governmental and arbitration proceedings incidental to the normal conduct of its business, neither the Company nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the year ended 31 December 2017 which may have or has had significant effects on the financial position or profitability of the Company and its subsidiaries, taken as a whole.

The sanction process initiated at Coricancha in 2014, related to alleged non-compliances identified by the environmental regulator (OEFA) during an inspection in April 2013, remains open at 31 December 2017. Nyrstar has filed a legal defense contesting OEFA's findings and Nyrstar's assessment is that material monetary penalties are unlikely to be incurred. Efforts to return the sites to compliance are being pursued, however the potential for regulatory action cannot be excluded.

### 39. Related parties

#### (a) Related Parties

#### Relationship with Trafigura

#### Overview of the relationship with Trafigura

Trafigura is a significant shareholder of the Company through its subsidiary, Urion Holdings (Malta) Ltd ("Urion"). It acquired its shareholding in the Company through several acquisitions, which were notified to the Company as follows:

Date of Notification	Number of shares notified	Percentage of shares notified
1 October 2014	28,638,753	8.42% <sup>(1)</sup>
2 October 2014	34,651,369	10.19% <sup>(1)</sup>
12 November 2014	52,035,694	15.30% <sup>(1)</sup>
1 September 2015	68,090,869	20.02% <sup>(1)</sup>

Notes:

- (1) On the basis of 340,045,088 outstanding Shares of the Company at that time before conversion of any of the convertible bonds outstanding at that time.

Since the notification of significant shareholding received by the Company at 1 September 2015, Urion acquired additional shares in the Company via market purchases. According to the most recent information received by the Company, at 31 December 2017 Urion held 26,830,622 shares representing 24.61% of the voting rights.

Following the annual general shareholders' meeting held at 27 April 2016, the Board of Directors is comprised of two non-executive dependent directors, namely Mr. Christopher Cox and Jesús Fernandez. Both Mr Christopher Cox and Jesús Fernandez represent Urion.

### ***Trafigura Relationship Agreement***

In connection with Trafigura's commitment to support the Offering (see below), on 9 November 2015 the Company entered into a relationship agreement (the "Relationship Agreement") with Trafigura Group Pte. Ltd. to govern Nyrstar's relationship with Trafigura Group Pte. Ltd. and its affiliated persons (collectively "Trafigura").

The Relationship Agreement provides amongst other things for the following:

All transactions between the Group and Trafigura are to be conducted at arm's length and on normal commercial terms.

Trafigura will during the term of the Relationship Agreement not acquire (directly or indirectly) any shares or voting rights in the Company that would bring its aggregate holding of shares or voting rights (when aggregated with the holdings of any person with whom it acts in concert, including, as the case may be, the Group) to a level above 49.9% of the outstanding shares or voting rights of the Company. Furthermore, Trafigura does not intend to and will not, directly or indirectly, solicit, launch or publicly announce the solicitation or launching of a private or public offer or any proxy solicitation with respect to all or substantially all of the voting securities of the Company that is not recommended or otherwise supported by the board of directors of the Company. The aforementioned restrictions would automatically fall away in case of the announcement by a third party at the request of the Belgian FSMA regarding its intention to carry out a public tender offer, the announcement of an actual public tender offer by a third party, an acquisition by a third party of shares such that such person's holding of shares reaches or exceeds 10% of the outstanding shares in the Company, and it becoming unlawful for the Relationship Agreement to remain in force. The restrictions do not prevent Trafigura from soliciting, launching or publicly announcing the solicitation or launching of a private or public offer or any proxy solicitation with respect to all or substantially all of the voting securities of the Company that is recommended or otherwise supported by the board of directors of the Company, tendering shares in a public tender offer (including the entering into an irrevocable commitment with respect to such public tender offer) or entering into another transaction in relation to its shares, such as sale of its shares.

Trafigura will be able to nominate or propose the nomination of such number of directors to the Company's board of directors as it determines, but limited to a number that does not constitute a majority of the Company's board of directors (such directors being a "Trafigura Director", but it being noted that the director appointed upon proposal of Trafigura, Mr. Martyn Konig, prior to the date of the Relationship Agreement who is an "independent director" shall not for these purposes be considered as a Trafigura Director). The Relationship Agreement also provides that the proposal for appointment of any new independent director requires the approval of a majority of the directors other than the Trafigura Directors, it being understood however, that the Relationship Agreement in no way restricts the Trafigura group as shareholder to vote in favour of or against any proposed independent director. In case a Trafigura Director is chairman of the board of directors or chairs a meeting of the board of directors, he or she shall not have a casting vote. Furthermore, the Relationship Agreement provides that the attendance quorum for a board meeting shall be at least one independent director and one Trafigura Director, but if this attendance quorum is not met, a subsequent board meeting can be held with the same agenda if at least any two directors are present.

After completion of the Offering, Trafigura may request the Company to take certain steps, including the publication of a prospectus or other offering document in connection with a proposed disposal of some or all of Trafigura's shares.

After completion of the Offering, if the Company issues equity securities, Trafigura will have pro rata subscription rights.

The Relationship Agreement will have effect for as long as Trafigura holds 20% or more but less than 50% of the shares in the Company. It may be terminated by Trafigura if any of the Trafigura Commercial Agreements that it entered into with the Nyrstar Sales & Marketing AG on 9 November 2015 is terminated other than as a result of expiry or non-renewal and other than due to material breach by Trafigura.

### ***Trafigura's Commitment to the Rights Offering***

On 9 November 2015, Trafigura, (through its subsidiary, Urion) agreed, subject to certain conditions, to subscribe for shares in the rights offering ("Offering") that was launched on 5 February 2016, for up to a maximum aggregate amount of EUR 125 million, and provided that its aggregate shareholding in the Company after completion of the Offering is not more than 49.9%. Pursuant to the Rights Offering, Urion subscribed with rights for 149,861,803 new shares for an aggregate amount of EUR 67.4 million. As a result of the Offering, Urion's shareholding in the Company remained at 24.61% in aggregate. The Company paid to Trafigura a commission of EUR 5.0 million;

### ***Trafigura's Commitment to the Equity Issuance in 2017***

On 14 November 2017, Trafigura, (through its subsidiary, Urion) subscribed for shares in the equity issuance of EUR 100 million. Urion subscribed for 3,775,000 new shares. As a result of the equity issuance, Urion's shareholding in the Company changed to 24.61% in aggregate.

### ***Trafigura Commercial Agreements***

On 9 November 2015, Nyrstar Sales & Marketing AG entered into commercial agreements with Trafigura Pte. Ltd. (the "Trafigura Commercial Agreements") relating to the purchase by Nyrstar from Trafigura of zinc concentrate, lead concentrate and finished refined aluminium metal (the "Purchase Agreements") and the sale by Nyrstar to Trafigura of finished refined zinc metal (part of this contract being implemented by way of the 2015 prepay financing), finished refined lead metal and finished refined copper cathodes (the "Sales Agreements").

All of the agreements entered into force on 1 January 2016 for a fixed term of five years, with an option for Trafigura to renew for a further period of five years. Thereafter they are expected to continue on an evergreen basis, provided that with at least one calendar year's notice (which can be given on and from 31 December 2024) (i) Trafigura may terminate at any time and (ii) Nyrstar may terminate if Trafigura's or its affiliates' shareholding in Nyrstar NV or its affiliate falls below 20%. In addition, the agreements are subject to certain termination rights in case of default under the various agreements. The Company is of the opinion that Trafigura Commercial Agreements were entered into at market conditions.

The Purchase Agreements provide for market-based prices with annually agreed treatment charges (for zinc concentrate and lead concentrate) and premiums (for aluminium) subject to certain fallback mechanisms, in case no agreement can be reached between the parties. Subject to annual agreement, the Purchase Agreements will relate to approximately 10-35% of Nyrstar's feedstock requirements. In January 2017, Nyrstar and Trafigura agreed a framework for the granting by Trafigura, on a case by case basis, of deferred payment terms on concentrate deliveries for two specific Purchase Agreements. Any such deferred payments will be secured by the shares of Nyrstar Budel BV, a subsidiary of the Company.

The Sales Agreements provide for market-based prices with (i) market-based premiums subject to specific market-based discounts up to and including 2017 and annually agreed discounts thereafter for zinc metal, (ii) annually agreed premiums for lead metal and (iii) market-based premiums subject to annually agreed discounts for copper cathodes, subject to certain fallback mechanisms in case no agreement can be reached between the parties. The Sales Agreements will relate to substantially all of Nyrstar's commodity grade metal.

In May and November 2017, Nyrstar and Trafigura amended the "Trafigura Commercial Agreements" entered into on 9 November 2015. These amendments are effective as of the date the agreements are signed. These amendments further defined the zinc specifications and volumes by region.

In April 2016, Nyrstar announced that it terminated the offtake and marketing agreement with Noble Group Limited ("Noble") to market and sell 200,000 tonnes per annum of commodity grade zinc metal produced at its European smelters. Nyrstar has included the zinc metal volumes that were previously to be provided to Noble until the end of 2016 into the zinc metal offtake agreement with Trafigura entered into on 9 November 2015 with market based terms and a prepayment mechanism.

### **Trafigura Off-take Agreement under the zinc prepayment agreement**

In December 2015, Trafigura also become the off-taker in the USD 150 million (EUR 137.8 million) zinc prepayment arranged by Deutsche Bank AG that is linked to the physical delivery of refined zinc metal to Trafigura under the terms of a three-year offtake agreement. In second half of 2016 the zinc prepayment was increased to USD 185 million.

### **Trafigura Working Capital Facility**

In May 2016, Nyrstar entered into a USD 150 million revolving working capital facility agreement with Trafigura. The facility was uncommitted and was secured by the shares of Nyrstar France SAS, a subsidiary of the Company, with a current term through to January 2017 and with an interest of LIBOR plus 4%. In November 2016, with the effective date of 1 January 2017, the working capital facility become committed, was extended till 31 December 2017 and was upsized to USD 250 million. The amended working facility is secured by a share pledge over the shares of Nyrstar France SAS and Budel BV, subsidiaries of the Company. In November 2017, the facility USD 250 million was extended until the end of 2019 on similar terms to the existing facility.

### **Transactions with related parties**

EUR million	Transaction values for the year ended 31 December	
	2017	2016
<b>Sale of goods and services</b>		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	650.8	354.5
Other related parties	-	-
<b>Purchase of goods</b>		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	674.9	514.0
Other related parties	33.1	-
<b>Amounts owed by*</b>		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	25.8	40.9
Other related parties	-	-
<b>Amounts owed to*</b>		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	71.9	140.7
Other related parties	0.6	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

The balance owed to Trafigura at 31 December 2017 of EUR 14.6 million (2016: EUR 129.8 million) represents Trafigura's direct participation of USD 17.5 million (EUR 14.6 million) in the Zinc prepayment (2016: USD 35 million (EUR 33.2 million)) (Note 20). The loan from related parties was Nil in 2017 (2016: EUR 94.8 million) (note 28).

EUR million	Balances at the end of 31 December	
	2017	2016
<b>Loan from related parties</b>		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	14.6	129.8
<b>Interest and fees paid to related parties</b>		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	4.1	4.3

#### (b) Key management compensation

##### Board of directors

EUR million	2017	2016
Salaries and other compensation	0.5	0.4

##### Nyrstar Management Committee

EUR million	2017	2016
Salaries and other compensation	5.8	4.7
Pension benefits	0.6	0.7
Share based payments	1.0	0.9

Share based payments reflect the cost to the Group related to share based awards granted to the members of the NMC. These costs do not represent actual monetary or non-monetary benefits received by the members of the NMC.

#### 40. Audit and non-audit services 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	2017	2016
Audit services	194.1	186.6
Audit related services	5.4	-
Tax services	66.6	-
Other services	263.5	-
<b>Total Deloitte Bedrijfsrevisoren</b>	<b>529.6</b>	<b>186.6</b>
Audit services	974.2	951.8
Audit related services	79.1	213.1
Tax services	2.7	22.4
Other services	45.0	-
<b>Total other offices in the Deloitte network</b>	<b>1,101.0</b>	<b>1,187.3</b>

## 41. 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 31 Dec 2017	Ownership 31 Dec 2016
Nyrstar NV	RPR 0888.728.945	Belgium	Holding entity	Holding entity
Nyrstar Australia Pty Ltd		Australia	100%	100%
Nyrstar Hobart Pty Ltd		Australia	100%	100%
Nyrstar Port Pirie Pty Ltd		Australia	100%	100%
Nyrstar Trading GmbH		Austria	-	100%
Nyrstar Resources (Barbados) Ltd		Barbados	-	100%
Nyrstar Belgium NV	RPR 0865.131.221	Belgium	100%	100%
Breakwater Resources Ltd		Canada	100%	100%
Canzinc Ltd		Canada	100%	100%
Nyrstar Mining Ltd		Canada	100%	100%
Nyrstar Canada (Holdings) Ltd		Canada	100%	100%
Nyrstar Myra Falls Ltd		Canada	100%	100%
Nyrstar France SAS		France	100%	100%
Nyrstar France Trading SAS		France	100%	100%
Nyrstar Germany GmbH		Germany	100%	100%
Nyrstar Hoyanger AS		Norway	100%	100%
Nyrstar Campo Morado SA de CV		Mexico	-	100%
Nyrtrade Mexico SA de CV		Mexico	100%	100%
Nyrstar Budel BV		The Netherlands	100%	100%
Nyrstar International BV		The Netherlands	100%	100%
Nyrstar Netherlands (Holdings) BV		The Netherlands	100%	100%
Nyrstar Coricancha S.A.		Peru	-	100%
Nyrstar Ancash S.A.		Peru	100%	100%
Nyrstar Peru S.A.		Peru	100%	100%
Nyrtrade Perú SA		Peru	100%	100%
Nyrstar Finance International AG		Switzerland	100%	100%
Nyrstar Sales & Marketing AG		Switzerland	100%	100%
Breakwater Tunisia SA		Tunisia	100%	100%
Nyrstar Clarksville Inc		United States	100%	100%
Nyrstar Holdings Inc		United States	100%	100%
Nyrstar IDB LLC		United States	100%	100%
Nyrstar Tennessee Mines - Gordonsville LLC		United States	100%	100%
Nyrstar Tennessee Mines - Strawberry Plains LLC		United States	100%	100%
Nyrstar US Inc		United States	100%	100%
Nyrstar US Trading Inc		United States	100%	100%

## 42. Subsequent events

There have been no material reportable events subsequent to 31 December 2017.





## **Nyrstar NV**

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2017

## Statutory auditor's report to the shareholders' meeting of Nyrstar NV on the consolidated financial statements for the year ended 31 December 2017

In the context of the audit of the consolidated financial statements of Nyrstar NV ("the Company") and its subsidiaries (jointly "the Group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 29 April 2015 in accordance with the proposal of the board of directors issued upon recommendation of the Audit Committee. Our mandate will expire on the date of the shareholders' meeting approving the consolidated financial statements for the year ended 31 December 2017. We have performed the statutory audit of the consolidated financial statements of Nyrstar NV for six consecutive years.

### Report on the audit of the consolidated financial statements

#### Unqualified opinion

We have audited the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 3 529.7 million EUR and the consolidated income statement shows a consolidated profit for the year then ended of 46.5 million EUR (Group share).

In our opinion, the consolidated financial statements of Nyrstar NV give a true and fair view of the Group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

#### Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters?
<p><b>Going Concern</b></p> <p>The Directors of the Group are required to make a rigorous assessment of whether the Group will remain a going concern for a period of at least twelve months from the date of approval of the financial statements and assess whether there are any material uncertainties in relation to the going concern basis of preparation.</p> <p>The Group's liquidity and headroom on its financial covenants are closely linked to changes in zinc prices, treatment charges, exchange rates and production volumes from the smelter and mining operations, delays in the ramp-up of the Port Pirie smelting operations or the Myra Falls and Mid Tennessee mining operations.</p> <p>Significant management judgement and estimate is required to forecast future cash flows and conclude on whether the Group will have sufficient liquidity and will be able to comply with its financial covenants for the period of at least 12 months from the date of authorising the financial statements.</p> <p>We refer to the related disclosures in note 4 of the financial statements.</p>	<p>We challenged the appropriateness of the assumptions in the going concern model, in particular the treatment charges, production volumes from the smelter and mining operations, status of the ramp-up of the Port Pirie smelting operations and the Myra Falls and Mid Tennessee mining operations and impact of the Group's hedging strategies. In challenging these assumptions we took account of actual results, external data, independent technical reports and market conditions.</p> <p>We have assessed the design and implementation of controls related to the assessment of going concern.</p> <p>We have tested the arithmetic integrity of the calculations including those related to management's sensitivities. We also performed our own sensitivity calculations to test the adequacy of the available headroom and we considered the mitigating actions available to management under these scenarios.</p> <p>We have tested the quality of management forecasting by comparing EBITDA forecasts for prior periods to actual outcomes.</p> <p>We have discussed and reviewed the financial covenants and recomputed the available headroom.</p>
<p><b>Impairment reversal assessment</b></p> <p>Impairment charges to property, plant and equipment have been recognised in previous years. Management must determine the recoverable amount for property, plant and equipment when impairment indicators are identified.</p> <p>The determination of recoverable amount, being the higher of value-in-use (VIU) and fair value less costs of disposal (FVLCD), requires judgement on the part of management in identifying and then estimating the recoverable amount for the relevant cash generating units (CGUs). Recoverable amounts are based on management's view of key inputs and external market conditions such as future commodity prices, the timing and approval of future</p>	<p>We challenged management's assessment as to whether indicators of impairment or impairment reversal exist for assets including Middle Tennessee Mine and Myra Falls. Where such indicators were identified, we obtained copies of the valuation models used to determine the FVLCD of the relevant asset.</p> <p>We have assessed the design and implementation of controls related to the impairment assessment.</p> <p>We visited the mining operations at Middle Tennessee and Myra Falls, and met with Nyrstar operational management to discuss the reasonableness and viability of the life of mine plan.</p>

capital and operating expenditure, the identification and conversion of inferred resources to proven and probable reserves, and the most appropriate discount rate.

As well as considering indicators of impairment, management must determine whether any indicators of reversal of previous impairments are apparent for recognised assets. Management determined the following impairment reversals at the Middle Tennessee Mines (MTN) and Myra Falls mining operations:

MTN: recommencement of mining operations during the second quarter of 2017, coupled with higher expected zinc prices during 2017.

Myra Falls: operations are expected to re-start in the second quarter of 2018, reduction of operating costs and higher expected zinc prices.

Management determined the recoverable amounts assessed by reference to FVLCD model in line with the accounting policy set out in note 2. The increase in the recoverable amount for MTN and Myra Falls has resulted in a pre-tax impairment reversal of EUR 36.6 million and EUR 89.5 million, respectively, to related to property, plant & equipment.

We refer to the related disclosures in note 17 of the financial statements.

We challenged the assumptions made by management in relation to these models, including the discount rate used, the short-term and long-term commodity prices, capital expenditure and operating cost forecasts and the expected production profiles, by comparison to recent analyst forecast commodity price data, reference to third party documentation where available, utilisation of Deloitte mining specialists, review of Ore Reserves and Mineral Resources reports, consultation with operational management and consideration of sensitivity analyses.

We assessed whether the assumptions had been determined and applied on a consistent basis across the Group.

#### **Recoverability of deferred tax assets**

The Group has recognised net deferred tax assets that arise in its subsidiary in Switzerland of EUR 242.6 million as at 31 December 2017.

We have focused on this balance because the profitability of the Group's Swiss subsidiary is closely linked to the profitability of the Group's Metals Processing segment and the latter is based on management's view of key inputs and external market conditions such as future commodity prices, treatment charges, foreign exchange rates, including completion of the construction phase and ramp-up of the Port Pirie smelting project.

Significant judgement is required over the recoverability of deferred tax assets arising from past losses, because the realisation of tax benefits is often dependent on future taxable profits and there are inherent uncertainties involved in forecasting such profits. The tax losses recognised in the Group's subsidiary are available for seven years per the statutory limitations.

We refer to the related disclosures in note 13 of the financial statements.

We assessed management's process for assessing the recoverability of deferred tax assets.

The ultimate recoverability of the tax losses is highly dependent upon the completion of the construction phase and ramp-up of the Port Pirie Redevelopment Project (the "Project") and the period over which the losses will be available for recovery.

We have assessed the design and implementation of controls related to the recoverability of deferred tax assets.

The ultimate recoverability of the tax losses depends upon the completion of the construction phase and ramp-up of the Port Pirie smelting operations and the period over which the losses will be available for recovery.

We focused on whether convincing evidence was available with regard to these elements, as follows:

- Critically assessed the credibility of the business plan used in the deferred tax asset recoverability assessment by challenging the by-product volumes expected to be achieved by the Port Pirie smelting operations. The seven year forecast is based on the same macroeconomic assumptions that were

	<p>assessed as part of our impairment testing as outlined above.</p> <ul style="list-style-type: none"> <li>- Evaluated the status of the Port Pirie redevelopment (refer to the Commissioning of the Project KAM for details of our audit response). We discussed the commissioning of the Port Pirie redevelopment and challenged whether the completion was in line with management's expectations and full ramp-up was expected to be achieved by the planned 24 months.</li> <li>- challenged whether the Port Pirie smelting operations production and cost assumptions as determined by operational management, were consistently applied in the deferred tax asset recoverability assessment.</li> <li>- Performed our own sensitivity calculations to test the adequacy of the deferred tax recoverability.</li> <li>- Used our tax specialists, to confirm whether the tax losses are legally available for up to seven year.</li> </ul>
<p><b>Related party transactions</b></p> <p>Trafigura Group Pte (Trafigura) is a significant shareholder of the Group, through its subsidiary, Union Holdings Ltd. The Group has entered into a number of agreements with Trafigura, which are significant to the operations of Nyrstar.</p> <p>There is a risk of undisclosed related party transactions as well as the risk that these transactions are not performed on an arm's length basis when disclosed as such.</p> <p>We refer to the related disclosures in note 39 of the financial statements.</p>	<p>We understood and documented management's process for identifying related parties and recording related party transactions.</p> <p>We have assessed management's controls in relation to the assessment and approval of related party transactions and reviewed management's disclosures in respect of the transactions.</p> <p>We assessed management's evaluation that the transactions are at an arm's length basis by reviewing a sample of agreements entered into with Trafigura and comparing the related party transaction price to those quoted by comparable companies when available.</p> <p>We have reviewed significant agreements entered into during the year with related parties, including with Trafigura and through corroboration of our review of the minutes of meetings of the Board of Directors.</p> <p>Throughout the performance of our audit we remained alert for any evidence of related party transactions that had not been disclosed and unusual transactions that do not have an apparent business nature.</p>
<p><b>Classification of metal prepayments</b></p> <p>Nyrstar enters into metal prepayment arrangements whereby it receives an upfront cash payment and agrees to physically deliver metal over time. Judgement is required to determine whether:</p>	<p>We understood and documented management's process for accounting for metal prepayments.</p>

<p>i) the arrangements are capable of requiring Nyrstar to deliver cash in lieu of physical metal; and</p> <p>ii) Nyrstar has both the intention and ability to deliver metal from its own production. In the event metal prepayments are not settled by the delivery of metal from its own production the upfront cash payment would be classified as a financial liability.</p> <p>We refer to the related disclosures in note 32 of the financial statements.</p>	<p>We have assessed management's controls in relation to the approval and accounting for new metal prepayments.</p> <p>We reviewed management's position paper and performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Reviewed the underlying contracts to identify any clauses that would require Nyrstar to deliver cash;</li> <li>• Reviewed historical deliveries to assess whether there has been any tainting of the arrangement through net settlement (i.e. settlement in cash or the delivery of metal purchased); and</li> <li>• Compared forecast production as at 31 December 2017 to ensure there is sufficient production to settle the delivery obligations.</li> </ul>
<p><b>Carrying value and commissioning of the Port Pirie Redevelopment Project</b></p> <p>At the end of 2016, the Group announced delays in the completion of the Port Pirie Redevelopment Project (the "Project"), where an external expert performed a review on the construction and ramp up milestones.</p> <p>Completion of the redevelopment as well as delays in commissioning represent a risk that the Group encounters significant overruns leading to an impairment of the Project.</p> <p>Significant judgement is required to determine when the Project has reached its intended use, which represents the commissioning date of the Project and the cessation of cost capitalisation.</p> <p>We refer to the related disclosures in note 2 of the financial statements.</p>	<p>We have met with operational management to review the Project's revised commissioning timeline and cost performance to budget to determine whether the assumptions under which the Project was approved continued to be relevant and appropriate.</p> <p>We have assessed the design and implementation of controls related to the commissioning of the Project. We assessed through discussion with operational management and review of the Project's status, whether the overruns incurred as a result of the delays represented an indicator of impairment. We visited Port Pirie to observe the status of the Project.</p> <p>We performed sample testing on the expenditure capitalised under the Project to determine whether the costs have been appropriately accounted for in accordance with IFRS.</p> <p>We challenged management's assessment of the commissioning date of the Project and verified the assets being depreciated.</p>

## Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going



concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the statutory auditor for the audit of the consolidated financial statements**

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, if a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

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## Report on other legal and regulatory requirements

### Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements and other matters disclosed in this report.

### Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian (revised) standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements and other matters disclosed in this report, as well as to report on these matters.

### Aspects regarding the directors' report on the consolidated financial statements and other matters disclosed in this report

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, the directors' report on the consolidated financial statements is consistent with the consolidated financial statements for the same year and it has been established in accordance with the requirements of article 119 of the Companies Code, except for the omission of the non-financial information as required by article 119 §2 of the Companies Code. As indicated in section 9 of the director's report this information will only be made available on the Company's website in the second quarter of 2018.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

We do not give any form of assurance conclusion regarding the director's report.

### Statements regarding independence

- We did not perform any services that are incompatible with the statutory audit of the consolidated financial statements and remained independent from the company during the performance of our mandate.
- The fees for the non-audit services compatible with the statutory audit of the consolidated financial statements as defined in article 134 of the Companies Code have been properly disclosed and disaggregated in the disclosures to the consolidated financial statements.

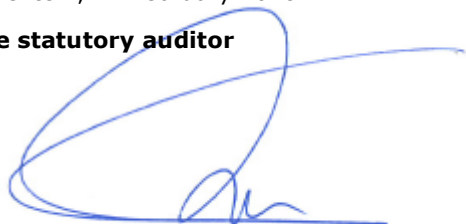


#### Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 22 February 2018

**The statutory auditor**



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**DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Gert Vanhees

# Deloitte.

Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises

Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /

Société civile sous forme d'une société coopérative à responsabilité limitée

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