



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

Report of the Board of Directors ex Article 119 Company Code

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 2018.

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 2018 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.

(a) Statement of compliance

The consolidated financial statements of Nyrstar NV ("Company") and its subsidiaries ("Group") 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.

In October 2018 the Group initiated a review of its capital structure in response to the challenging financial and operating conditions being faced by the Group. As at 31 December 2018, the Company was the ultimate holding entity of the Group. However, upon completion of the restructuring of the Nyrstar Group ("Restructuring") on 31 July 2019, the Company ceased its control over the operating entities that it controlled as at 31 December 2018 and the Group ceased trading in the form it traded in as at 31 December 2018 (refer to note 42: "Subsequent events" for a detailed description of the Restructuring). While the Company has ceased trading as a controlling holding company of the Operating Group (as defined below in note 42), it is continuing to trade as an investment company, holding 2% of the equity in the Operating Group for the benefit of Nyrstar NV shareholders. The liquidity of the Company is supported by funding and other ongoing support arrangements with NewCo (as defined below in note 42) which is the present controlling holding company of the Operating Group. These arrangements provide the Company with, among other things, a EUR 8.5 million committed limited recourse loan facility ("the Limited Recourse Loan Facility") that the Company can use on its terms to finance its ongoing operating activities. The original arrangements obliging Trafigura and NewCo to provide certain funding and support were entered into on 19 June 2019. The Limited Recourse Loan Facility between the Company and NewCo was subsequently entered into on 23 July 2019. Certain of these agreements only became fully effective on completion of the Restructuring on 31 July 2019. As a consequence of the Restructuring, the consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared on a basis that the Group has ceased to trade in the form it existed as at 31 December 2018 and is therefore other than that of a going concern.

Following the completion of the Restructuring on 31 July 2019, the Operating Group has liquidity provided by the post-restructuring facilities and by Trafigura. The liquidity of the Company is supported by the EUR 8.5 million committed Limited Recourse Loan Facility for the Company's ongoing ordinary course operating activities (such facility has an additional separate EUR 5 million tranche for litigation defence costs (if any)).

The conclusion of the directors that the Group's consolidated financial statements for the year ended 31 December 2018 are prepared on a basis other than that of a going concern has not altered the accounting policies as described in note 3 "Significant accounting policies" but has resulted in significant judgements being made by management in their application, including:

- The recoverable amount of assets and cash-generating units described in note 3 (h) "Impairment of non-financial assets" corresponds to their fair value less costs of disposal
- The operating entities of the Group are not presented as discontinued operation or as disposal groups held for sale as the conditions for such a classification were not met on 31 December 2018;
- The measurement basis of financial liabilities at amortised cost remains unchanged despite the fair values being lower at 31 December 2018 (note 3(c)(ii)); and
- The loans and borrowings (note 28) as well as the zinc prepayments (note 20) recognised as other financial liabilities have been presented based on the contractual due dates at 31 December 2018, even though the Restructuring has resulted in a full or partial extinguishment of these liabilities of the Group. For more details on the Restructuring refer to section 4 of this report.

1.1 Overview of activities and finance overview

As was communicated by the Company on 20 September 2018 and 30 October 2019, the external market conditions in H2 2018, primarily reduced zinc prices, historically low treatment charges and increased energy prices, caused a material negative impact to the Company's earnings for H2 2018 and FY 2018.

Metals Processing underlying EBITDA of EUR 135 million, down EUR 71 million year-on-year, driven by lower zinc treatment charges, higher energy prices in Europe and Australia during H2 2018, the suspension of operations at Port Pirie in December 2018, partially offset by higher production of zinc, copper, silver and minor metals.

Mining underlying EBITDA of EUR 19 million, down EUR 28 million year-on-year, driven by the negative EBITDA performance from the restart of the Myra Falls mine and weak production and operating cost performance at the Langlois and Middle Tennessee mines, partially offset by lower zinc treatment charges and continued operating improvements at the East Tennessee mines.

Group underlying EBITDA of EUR 99 million for 2018, a decrease of 52% on 2017, primarily driven by a 15% decrease in the benchmark zinc treatment charge, a weakening of the US dollar against the Euro (1.13 to 1.18), increased energy prices in Metals Processing and higher direct operating costs at the mining operations, partially offset by increased zinc metal and zinc in concentrate production (up 4% and 14% respectively).

1.2 Non-Financial Key-Performance Indicators

Production

	Financial year 2018	Financial year 2017
<u>Mining production</u>		
Zinc in concentrate ('000 tonnes)	139	123
Gold ('000 troy ounces)	2.1	1.9
Silver ('000 troy ounces)	439	553
Copper in concentrate ('000 tonnes)	1.6	2.1
<u>Smelting production</u>		
Zinc metal ('000 tonnes)	1,064	1,019
Lead metal ('000 tonnes)	160	171
Sulphuric acid ('000 tonnes, gross)	1,364	1,266
Silver (million troy ounces)	13.8	13.6
Gold ('000 troy ounces)	73	73

Metals Processing produced approximately 1.06 million tonnes of zinc metal in 2018, representing a 4% increase on 2017. The increase in zinc metal production year-over-year was despite the planned maintenance shuts at Auby, Balen, Clarksville and Hobart; and was assisted by a lack of material unplanned outages which had impacted production volumes in 2017. However, zinc and lead metal production was impacted during Q4 2018 by lower raw material inventory as a consequence of the Company's liquidity constraints.

Lead metal production at Port Pirie of 160kt was down 7% year-over-year due to a 38 day planned blast furnace maintenance outage in Q2 2018 and a shut of the blast furnace for December 2018. During December 2018, the Company chose not to operate the old sinter plant at Port Pirie in order to further support reducing lead-in-air emissions which ended the year below the defined limit. In addition, Nyrstar also performed maintenance on the TSL furnace and blast furnace during December 2018. These maintenance shuts were to address a TSL furnace cooling issue and to bring forward maintenance previously scheduled for the blast furnace in January 2019. The TSL furnace resumed operation on 15 December 2018.

Nyrstar's Mining operations produced approximately 139kt of zinc in concentrate in 2018, an increase of 14% compared to 2017. The total mine production of zinc in concentrate in 2018 is marginally below the revised full year guidance range of 140 to 150kt. This lower level of zinc in concentrate production has been largely due to disappointing production performance of the Langlois and the Middle Tennessee mines and commercial production at the Myra Falls mine commencing later than had been originally anticipated at the start of the year and the impact of the suspension of ore extraction at year end to address deficiencies identified in compliance orders from the Ministry for Energy, Mines & Petroleum Resources in British Columbia.

Markets

At the start of the year the zinc price opened at USD 3,316 per tonne and reached a high of USD 3,596 per tonne in February 2018. Over the course of the year, the zinc price retreated with a low of USD 2,283 per tonne in August 2018. The zinc price averaged USD 2,922 per tonne in 2018, up 1% on 2017.

On the back of the tightening availability of zinc concentrate, the annual 2018 benchmark treatment charge terms were settled in April 2018 at approximately 15% below the 2017 terms of USD 172 per dmt and spot treatment charges in H1 2018 reached historically low levels of approximately USD 20 per tonne before recovering substantially in H2 2018. The zinc concentrate 2018 benchmark treatment charges were settled with a base TC of USD 147 per dmt (dry metric tonne) of concentrate.

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 2018 the Group continued to make significant progress in our safety "towards zero" vision. No severe irreversible injuries occurred. The frequency rate of cases with time lost or under restricted duties (DART) for the Company achieved a new record low of 3.7, an improvement of 7% compared to a rate of 3.9 in 2017. The frequency rate of cases requiring at least a medical treatment (RIR) was 6.7, this is a 4% increase compared to 6.4 in 2017. More important, the number of days lost due to LTIs and RW injuries reached a new record low of 202. This is 20% lower than the previous best of 255 days lost by million working hours in 2017

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 2018 of EUR 1,118 million was up 4% on 2017, driven by higher zinc production volumes in Mining and Metals Processing and marginally higher zinc and gold prices which were both up 1%, partially offset by deteriorating benchmark zinc treatment charge terms and a weaker US dollar against the Euro.

Direct operating costs for 2018 of EUR 1,014 million increased 16% on 2017, due to higher zinc production volumes in Mining and Metals Processing, higher electricity prices at the smelters, increased mining costs as a result of the restart of operations at Myra Falls and the ramp-up of mining operations at Middle Tennessee.

Group underlying EBITDA of EUR 99 million in 2018, a decrease of 52% on 2017, due to a weakening of the US dollar against the Euro, lower lead and silver prices, a 15% reduction in the benchmark zinc treatment charge, higher direct operating costs per tonne of zinc in both Mining and Metals Processing. Underlying adjustments in 2018 were a total of EUR 49 million, comprising EUR 2 million of embedded derivatives, EUR (22) million of restructuring expense, EUR 1 million of M&A related transaction expense and EUR (30) million of other expenditure relating primarily to the write-off of payments that were connected with the divestment of the

El Toqui mine in Chile which had been sold in 2017. This write-off was due to the insolvency of the purchaser of the El Toqui mine.

Depreciation, depletion and amortisation expense for 2018 of EUR 162 million was up 4% year-on year.

In 2018 the Company recognised a non-cash, pre-tax **impairment loss** of EUR 130 million (2017: impairment gain of EUR 126 million). This impairment loss relates fully to pre-tax impairment losses on Nyrstar's Mining assets (EUR 117.2million) at Langlois and Myra Falls and specific asset write-offs in Metals Processing (EUR 11.4 million).

Net finance expense (including foreign exchange) for 2018 of EUR 151 million was down EUR 56 million on 2017 primarily due to a net foreign exchange gain of EUR 6.5 million in 2018 compared to a loss of EUR 59.9 million in 2017. The interest expense in 2018 of EUR 128.3 million was higher than in 2017 (EUR 104.4 million).

Nyrstar recognised an **income tax expense** for the year ended 31 December 2018 of EUR 250 million (2017: income tax benefit of EUR 37 million) representing an effective income tax rate of -63.4% (for the year ended 31 December 2017: -481.3%). The tax rate is impacted by non-recognition of current year losses, and by the de-recognition of previous losses relating mainly to Nyrstar Sales & Marketing AG, the US Group, and the Canadian Group given it is not probable that these tax losses will be used in the future considering forecast profit projections.

Loss after tax of EUR 650 million in 2018, compared to a net profit of EUR 47 million in 2017, mainly as a result of the impairment charges related to the write down of the carrying value of Langlois and Myra Falls mines, the partial downed-recognition of Nyrstar Sales & Marketing AG and Nyrstar US deferred tax assets due to reduced expected recoverability and the operational losses incurred in 2018 and change of control impacts.

Capital expenditure was EUR 229 million in 2018, representing a decrease of 37% year-on-year driven by a substantial reduction in Metals Processing from EUR 303 million in 2017 to EUR 126 million in 2018 with the completion of the Port Pirie Redevelopment and a EUR 43 million increase in Mining with the restart of the Myra Falls mine.

1.4 Liquidity Position and Capital Resources

Net debt at the end of 2018 at EUR 1,643 million, excluding the zinc metal prepay, was 49% higher compared to the end of 2017 (EUR 1,102 million at the end of 2017), predominantly due to substantial working capital outflow during Q4 2018 due to higher commodity prices, no new silver prepays in H2 2018, reduction in non-committed letter of credit lines from banking counterparties, tightened credit terms with a number of suppliers, the reclassification of EUR 82.5 million of prepayments for deliveries of silver metal from deferred income to loans and borrowing at 31 December 2018 as the Group had no ability to settle by physical delivery of silver metal from its own production, the reclassification of EUR 50.7 million of prepayments for deliveries of zinc metal from deferred income to loans and borrowing at 31 December 2018 as the Group had no ability to settle by physical delivery of zinc metal from its own production and the reclassification of perpetual securities (EUR 174.9 million at 31 December 2018) from equity to loans and borrowings. The net debt inclusive of the zinc metal prepay and perpetual securities at the end of 2018 was EUR 1,771 million, up 30% compared to the end of 2017. Cash balance at the end of 2018 was EUR 239 million compared to EUR 68 million at the end of 2017.

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 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. In 2018 the Board of Directors formed a "Special committee" consisting the independent Board members as well as the members of the executive management team to closely monitor the liquidity position of the company and report its findings and recommendations to the Board of Directors. No additional sub-committees were convened in 2018. Four Audit Committee meetings were held in 2018.

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.be 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.

Cyber security

Nyrstar's cyber security framework embeds the following elements:

- ISO 27001: requirements for establishing, implementing, maintaining and continually improving an information security management system
- NIST Framework: U.S. Government cybersecurity risk frameworks for voluntary use by critical infrastructure owners and operators to identify, assess, and manage cyber risks and to improve critical infrastructure cybersecurity
- Nyrstar Business Systems IT Security Policy
- Nyrstar Business Systems risks and internal controls register
- Ongoing compliance with EU GDPR regulations

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. These risks relate primarily to the Operating Group (refer below). Subsequent of the completion of the Restructuring, the Company have different financial and operating risks, mainly related to the performance of the Operating Group I which the Company will have a 2% investment.

FINANCIAL RISKS		
Description	Impact	Mitigation
<p>Commodity price risk</p> <p>Nyrstar's results are largely dependent on the market prices of commodities and raw materials, which are cyclical and volatile.</p>	<p>Profitability will vary with the volatility of metals prices.</p>	<p>Nyrstar typically 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. This metal at risk hedging was undertaken throughout 2018. In March 2019, Nyrstar closed out all of its metal at risk cash collateralised positions and is currently fully exposed to metal prices for its metal at risk.</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. In December 2018, Nyrstar terminated all of its strategic metal hedges to provide additional liquidity to the business.</p>
<p>Forward price risk</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</p>

		face difficulties related to their liquidity and profitability in a reasonably possible pricing decline.
<p>Foreign Currency Exchange rate risk</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>Interest rate risk & leverage risk</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 compliance with debt covenants.</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 smelter, as a consequence it is now subject to risks inherent with higher leverage and compliance with debt covenants. Nyrstar initiated a review of its capital structure in October 2018 in response to the challenging financial and operating conditions being faced by the Group. The review identified a very substantial additional funding requirement that the Group is unable to meet without a material reduction of the Group's indebtedness.</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 on-going basis. On the basis of the 31 December 2018 accounts, Nyrstar was in breach of certain debt covenants and required head room.</p> <p>Balance sheet strengthening also includes management of the liquidity headroom, longer debt maturities or equity issuance.</p>
<p>Credit risk</p> <p>Nyrstar is exposed to the risk of non-payment from any counterparty in relation to sales of goods and other transactions.</p>	<p>Group cash flows and income may be impacted by non-payment.</p>	<p>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.</p>
<p>Liquidity risk</p>	<p>Nyrstar may not be able to fund operations, capital investments, the</p>	<p>Liquidity risk is addressed by maintaining a sufficient degree of</p>

<p>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.</p>	<p>growth strategy and the financial condition of the Company.</p>	<p>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. In response to the liquidity tightness experienced by Nyrstar in Q4 2018, a special committee of the Board was established to proactively manage liquidity and the capital structure review.</p>
<p>Reliance on specific means of funding</p> <p>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.</p>	<p>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 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. For year ended 31 December 2018, the Perpetual Securities were reclassified as financial liabilities as opposed to entirely equity as they had been in prior reporting periods (note 26</p>	<p>Management aims to diversify the sources of funding to spread the risk that one of the sources become unavailable to the Company.</p>

	of the 31 December 2018 consolidated financial statements of the Group).	
<p>Treatment charge (TC) risk</p> <p>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.</p>	<p>A decrease in TCs can be expected to have a material adverse effect on Nyrstar's business, results of operations and financial condition.</p>	<p>TCs are negotiated on an annual basis. The impact of TC levels is expected to further decrease in the future in line with the completion of the Port Pirie Redevelopment and in line with the increasing Nyrstar mining production.</p>
<p>Energy price risk</p> <p>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.</p>	<p>Increases in energy, particularly electricity, prices would significantly increase Nyrstar's costs and reduce its margins.</p>	<p>Nyrstar attempts to limit its exposure to short term energy price fluctuations through forward purchases, long term contracts and participation in energy purchasing consortia.</p>

OPERATIONAL RISKS		
Description	Impact	Mitigation
<p>Operational risks</p> <p>In operating mines, smelters and other production facilities, Nyrstar is required to obtain and comply with licenses to operate.</p> <p>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</p>	<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</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),</p>

<p>the ramping-up of mining assets).</p>	<p>major uninsured loss, future earnings could be materially adversely affected.</p>	<p>operational and product liability, marine stock and transit and directors' and officers' liability.</p>
<p>Supply risk</p> <p>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.</p>	<p>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.</p>	<p>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.</p> <p>Nyrstar is continuously monitoring the energy market worldwide. This includes also considering alternate energy supply, e.g. wind power at mine sides.</p>
<p>Environmental, health & safety risks</p> <p>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.</p>	<p>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.</p>	<p>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.</p>
<p>International operations risk</p> <p>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.</p>	<p>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.</p>	<p>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.</p>
<p>Reserves and resource risk</p> <p>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</p>	<p>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.</p>	<p>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>

properties containing economically recoverable reserves.		
Project execution risk 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..	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.	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.

3. Important Events which occurred after the End of the Financial Year

Please refer to Note 42 (Subsequent events) in the 31 December 2018 IFRS Financial Statements.

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

Introduction

The Group initiated a review of its capital structure (the "Capital Structure Review") in October 2018 in response to the challenging financial and operating conditions being faced by the Group. In November 2018, the Group experienced increased working capital requirements as its liquidity position suddenly and unexpectedly deteriorated following the third quarter 2018 results announcement, negative press coverage and credit rating downgrade. In particular, a significant portion of the Group's trade financing arrangements were suspended or terminated, or required to be cash collateralised, either partly or fully. These substantial working capital and liquidity outflows experienced by the Group during the fourth quarter of 2018 and first quarter of 2019 necessitating the raising of urgent funding to enable the Company and the Group to continue its operations. Combined with the Group's materially reduced Underlying EBITDA performance in 2018 and the maturing of certain liabilities during 2019, these factors resulted in the need to reconsider the Group's capital structure.

The Capital Structure Review identified a very substantial additional funding requirement that the Group was unable to meet without a material reduction of the Group's indebtedness. As a consequence, the Capital Structure Review necessitated negotiations between the Group's financial creditors in order to develop a deleveraging and funding plan as part of a comprehensive balance sheet recapitalisation. Alternatives to such a recapitalisation were carefully considered but no alternative to address the financial issues was viable and failure to address these financial issues would have placed the future of the Company, its subsidiaries and its stakeholders at severe risk. Accordingly, on 15 April 2019, Nyrstar announced that it had entered into a lock-up agreement dated 14 April 2019 (the "Lock-Up Agreement") with representatives of its key financial creditor groups. The Lock-Up Agreement set out the terms for the recapitalisation of the Group (the "Recapitalisation Terms"). Subsequently, on 29 April 2019, Nyrstar announced that formal consents to the Lock-Up Agreement had been received from, inter alia, over 79% of the aggregate outstanding principal amount under the senior notes due in 2019 and due in 2024, and over 87% of the aggregate outstanding principal amount under the convertible bonds. Under the Lock-Up Agreement, implementation of the Recapitalisation Terms was subject to various conditions precedent which included various third party regulatory approvals which were all successfully obtained.

The Recapitalisation Terms included, amongst a number of other steps, a sale of all of the subsidiaries of Nyrstar NV (excluding a newly incorporated English holding company of NewCo (as defined below) ("Operating Group") at a nominal amount of USD 1 taking into account the fair market value of the assets (as adjusted by liabilities within the Operating Group) at the time of the sale (i.e. pre-restructuring) to a newly incorporated English subsidiary of the Company ("NewCo") and one or more schemes of arrangement under the UK Companies Act 2006. Upon implementation of the Recapitalisation

Terms, Trafigura Group Pte. Ltd. (together with its affiliates, "Trafigura") was issued 98% of the outstanding share capital of NewCo and as a result has become the owner of 98% of the equity of the Operating Group with Nyrstar NV owning the balance of 2%. As a result of the recapitalisation, Trafigura Group Pte. Ltd. has become the ultimate parent of the Operating Group.

On 14 June 2019, NewCo was incorporated in England under the name of NN2 Newco Limited. On 20 June 2019, the Company announced that various steps to implement the Restructuring had been and were being undertaken, including that NewCo had acceded to the Notes (as defined below) and that NewCo had published a practice statement letter in relation to a scheme of arrangement to be proposed by NewCo in respect of the Notes. The English court held the convening hearing on 4 July and ordered the NewCo scheme meetings to be held on 22 July (or such later time or date as NewCo may have decided). The NewCo scheme meetings were held on 22 July. There were two creditor classes for the NewCo scheme – the convertible bonds in one class, and the senior notes due in 2024 and the senior notes due in 2019 combined into a single second creditor class. For the first scheme creditor class (the convertible bonds), 98.87% by value voted and 100% by value and 100% by number of those voting supported the scheme. For the second scheme creditor class (the senior notes due in 2024 and the senior notes due in 2019), 95.57% by value voted and 99.96% by value and 98.93% by number of those voting supported the scheme. Accordingly, the NewCo scheme was supported by an overwhelming majority of the scheme creditors and well in excess of the requisite majorities (being 75% by value and a majority by number of those creditors voting in each scheme class).

The English court sanction hearing for the NewCo scheme of arrangement was held on 26 July 2019 when the sanction order was granted. The scheme of arrangement became effective on the same day. On 29 July, a meeting of holders of the convertible bonds was held and a resolution was passed to approve the NewCo scheme (98% by value of those entitled to vote did so and 100% of those voting approved the resolution scheme). On 30 July, the United States Bankruptcy Court Southern District of New York entered an order under Chapter 15 of title 11 of the United States Bankruptcy Code granting recognition of main proceedings and related relief giving full force to the UK scheme of arrangement of NewCo in the United States.

The Restructuring subsequently took full effect on 31 July 2019.

Implementation of the Recapitalisation Terms has ensured the continuing operations of the Operating Group for the benefit of all stakeholders; failure to implement the Recapitalisation Terms would have highly likely lead to the insolvency of the Group as well as the Company, which was anticipated to have resulted in material harm to the Group's customers, suppliers and approximately 4,100 employees of the Group, as well as very substantial loss of value to the financial stakeholders, and a total loss to shareholders.

Support for the Lock-Up Agreement

The Lock-Up Agreement was initially entered into by the Group (and relevant subsidiaries) with representative lenders across each of its key financial creditor groups, who were closely involved in the discussions on the proposed terms of the recapitalisation. Subsequently, many other creditors acceded to the Lock-Up Agreement.

By late July 2019, the Lock-Up Agreement had been signed by noteholders representing slightly over 94% in aggregate by value of the Group's EUR 500 million 6.875% senior notes due in 2024, EUR 340 million 8.5% senior notes due in 2019 and EUR 115 million convertible bonds due in 2022 (together "the Notes" and holders of the Notes being "the Noteholders").

The Lock-Up Agreement was negotiated and agreed in full cooperation with the coordinating committee of the Group's bank lenders (the "Bank Coordinating Committee") representing the following Group facilities entered into by the Company's affiliate, Nyrstar Sales & Marketing AG ("NSM") (the "Bank Facilities"):

- The EUR 600m revolving structured commodity trade finance facility agreement originally dated as of 28 January 2010 between, among others, NSM and Deutsche Bank AG, Amsterdam Branch as Facility Agent and Security Agent (the "SCTF");

- Certain unsecured bank facilities (together the “Unsecured Facilities”), with an aggregate principal amount outstanding at the relevant time of around EUR 238m comprising:
 - the Prepayment Agreement dated 24 April 2018 with Politus B.V. as buyer (the “Politus Prepayment”);
 - the Common Terms Agreement dated 5 September 2014 with Hydra Limited (the “Hydra Prepayment”); and
 - certain unsecured bilateral prepayment and working capital facilities (together the “Bilateral Facilities”).

The Bank Coordinating Committee provided their formal approvals by entering into the Lock-Up Agreement in parallel with the Noteholder approval process.

The Lock-Up Agreement was also fully supported by Trafigura including in its capacity as lender under the USD 650 million Trade Finance Facility Agreement dated 6 December 2018 (as amended) (the “TFFA”) provided to NSM, as well as in its capacity as bridge finance provider to NSM (see below) and as future majority owner of the Operating Group in accordance with the Recapitalisation Terms.

Operation of the Lock-Up Agreement, Standstill and Implementation of the Recapitalisation Terms

The Lock-Up Agreement obliged, subject to its terms and certain conditions, each of the parties to it to take such action and/or provide such approvals as were required to implement the Recapitalisation Terms.

The Lock-Up Agreement provided that obligations of the parties under the Lock-Up Agreement would automatically terminate on, inter alia, the earliest of:

- Implementation of the Recapitalisation Terms; and
- The Restructuring Long Stop Date of 30 August 2019, which could be extended to 30 September 2019 with the consent of Nyrstar, Trafigura, the Bank Coordinating Committee and a representative group of Noteholders.

The Lock-Up Agreement required the parties to proceed expeditiously with the steps required to implement the Recapitalisation Terms. During the period in which the Lock-Up Agreement was in effect, from the time of entry into it the parties agreed to the suspension and deferral of certain amounts otherwise falling due under the Group’s debt facilities. These amounts included any principal or interest payment under the Notes and the Unsecured Facilities, including any accrued coupons or interest.

The Recapitalisation Terms are summarised below.

USD250 million Bridge Finance Facility in conjunction with the Lock-Up Agreement

In conjunction with entering into the Lock-Up Agreement, Trafigura provided up to USD 250 million through a committed term loan facility to NSM (the “Bridge Finance Facility”) to strengthen the Group’s liquidity position and provide for its interim funding requirements prior to completion of the implementation of the Recapitalisation Terms. Under the Lock-Up Agreement, entry into the Bridge Finance Facility and subsequent funding were subject to certain conditions.

The Bridge Finance Facility benefitted from certain asset and share security and had a final maturity date of 30 August 2019 (unless extended by the agreement of all the parties to the Bridge Finance Facility) and an interest rate of LIBOR plus a margin of 5% per annum. The Bridge Finance Facility’s asset and share security included guarantees from Nyrstar NV, NSM and the Group’s US, Canadian and Belgian principal operating companies, a pledge of the shares of NewCo and share pledges of and asset security over the Group’s US, Canadian and Belgian principal operating companies.

The necessary Noteholder consents were sought from, and committed to by, consenting Noteholders under the Lock-Up Agreement in order to permit the incurrence of, and security interests attaching to, the Bridge Finance Facility. All these consents were successfully obtained from the Noteholders, as announced on 18 April 2019, and all the conditions precedent in the Bridge Finance Facility were satisfied.

Principal Recapitalisation Terms – Trafigura

The principal Recapitalisation Terms relating to Trafigura's ownership of the Operating Group, its obligations under existing arrangements with the Group and under new arrangements with the Group's stakeholders, were as follows:

- Trafigura to become the owner of 98% of the shares of the Operating Group by a share issuance by NewCo;
- The provision by Trafigura of a guarantee in respect of the reinstated Bank Facilities on the terms and in the amounts described below;
- Issuance by Trafigura of the securities in the amounts described below (see "Principal Recapitalisation Terms – Notes") to Noteholders in consideration for the discharge of the Notes;
- Funding by Trafigura of the USD 250 million Bridge Finance Facility (with all security and guarantees released on completion of the Restructuring);
- Reinstatement by Trafigura of the USD 650 million TFFA (with all security and guarantees released on completion of the Restructuring);
- Providing by Trafigura of the ongoing funding requirements for the Operating Group; and
- 2% equity participation in the Operating Group to be retained by the Company.

Principal Recapitalisation Terms – Bank Facilities

SCTF (as defined above)

- The SCTF was reinstated in the amounts set out as follows (the "Reinstated SCTF"):
 - 100% of the principal amount outstanding at the time of reinstatement for those lenders participating in their pro rata share of up to EUR 100 million of the New Revolving Facility (see below);
 - 85% of the principal amount outstanding at the time of reinstatement for those lenders not participating in their pro rata share of the New Revolving Facility; and
 - All the SCTF lenders committed to participate in the EUR 100 million of the New Revolving Facility, so the Reinstated SCTF was 100% of the principal amount outstanding at the time of reinstatement,
- The Reinstated SCTF is divided equally between a revolving borrowing base facility and a term loan facility with a bullet maturity and benefitting from comprehensive asset security over the European subsidiaries of the Operating Group and a corporate guarantee by Trafigura, in addition to the existing borrowing base security over certain inventories and receivables of the Operating Group; and
- The Reinstated SCTF has a 5 year maturity and an interest margin of LIBOR/EURIBOR + 1% per annum.

Unsecured Facilities

- The Politus Prepayment, the Hydra Prepayment and the Bilateral Facilities have been amended and reinstated in the aggregate amounts set out as follows (the "Reinstated Unsecured Facilities") (the exact allocation per facility varies according to the agreement which was reached in relation to those facilities as detailed in the Lock-up Agreement):
 - 47.5% on a blended basis of the principal amount outstanding for those lenders participating in their pro rata share of up to EUR 60 million of the New Revolving Facility;
 - 35% on a blended basis of the principal amount outstanding for those lenders not participating in their pro rata share of the New Revolving Facility; and

- Lenders under the Unsecured Facilities committed to take up all of the above EUR 60 million of the New Revolving Facility and, therefore, the Reinstated Unsecured Facilities were reinstated to EUR 100 million in aggregate,
- The Reinstated Unsecured Facilities have a 5 year maturity and an interest margin of LIBOR + 1.5% per annum; and
- The Reinstated Unsecured Facilities benefit from a corporate guarantee by Trafigura.

New Revolving Facility following the completion of the Restructuring

- EUR 160 million new revolving credit facility (the “New Revolving Facility”) provided by lenders under the SCTF and Unsecured Facilities in the proportions described above;
- The New Revolving Facility has a 4 year maturity and an interest margin of LIBOR/EURIBOR + 1.25% per annum; and
- The New Revolving Facility shares the same security and guarantee package as the Reinstated SCTF except for having second ranking security over the inventory and receivables securing the borrowing base which, following the discharge of the borrowing base tranche of the Reinstated SCTF, ranks pari passu with the security for the term loan tranche of the Reinstated SCTF.

Principal Recapitalisation Terms – Notes

The Notes issued by Trafigura to the Noteholders were treated equally with one another, with each Noteholder having been issued its pro-rata share of the consideration set out below:

- EUR 262.5 million Perpetual Resettable Step-up Subordinated Securities issued by Trafigura Group Pte Ltd:
 - Maturity: no fixed maturity date;
 - Interest: 7.5% per annum with step up margin of 3% applied after 5 years; and
 - Other terms and conditions based on Trafigura’s perpetual securities issued under an offering memorandum dated 15 March 2017,
- EUR 80.6 million (USD equivalent) Guaranteed Senior Notes issued by Trafigura Funding S.A. under the EUR 3 billion Euro Medium Term Note Programme (and consolidated with the USD400 million notes issued on 19 March 2018):
 - Maturity: 19 March 2023;
 - Interest: 5.250% per annum; and
 - Guaranteed by Trafigura Group Pte. Ltd., Trafigura Trading LLC and Trafigura Pte Ltd,
- EUR 225 million (USD equivalent) Guaranteed Zero Coupon Commodity Price Linked instrument issued by a new subsidiary of Trafigura:
 - Maturity: 7 years following the Issue Date;
 - Early Repayment: quarterly calculated by reference to 5% of 250,000 tonnes multiplied by the excess of the average zinc price during that quarter over USD2,500/t up to a cap of USD2,900/t plus 10% of 250,000 tonnes multiplied by the excess of the average zinc price during the quarter over USD2,900/t; and
 - All payments guaranteed by Trafigura Group Pte. Ltd., Trafigura Trading LLC and Trafigura Pte Ltd,
- In addition, any Noteholder who had acceded to the Lock-Up Agreement on or before 11.59pm (London time) on 7 May 2019 (and subject to certain other requirements) received a cash settled fee of 150bps of the principal amount of its Notes on implementation of the Recapitalisation Terms. Ultimately the holders of slightly over 93% of the Notes were paid this fee.

Principal Recapitalisation Terms – TFFA

Under the Recapitalisation Terms, all security and guarantors supporting the TFFA was released. Its term was extended to a new 5 year maturity.

Principal Recapitalisation Terms – Bridge Finance Facility

Under the Recapitalisation Terms, all security and guarantees supporting the Bridge Finance Facility were released. The Bridge Finance Facility was then replaced with an unsecured on-demand intercompany debt with no fixed maturity, and which, at Trafigura's option, was to be equitised or subordinated.

Principal Recapitalisation Terms – Unaffected Facilities

Existing debt and working capital facilities not specifically referenced above were unaffected by the Recapitalisation Terms. This includes the AUD291 million (as at 31 December 2018) perpetual securities issued by Nyrstar Port Pirie Pty Ltd which was unaffected by the Lock-Up Agreement.

Principal Recapitalisation Terms – Equity

The Recapitalisation Terms provided for a sale by Nyrstar NV of the Operating Group to NewCo; following that, on 31 July 2019, a subsidiary of Trafigura incorporated in Malta (Nyrstar Holdings PLC) was issued 98% of the outstanding share capital of NewCo. Nyrstar NV continues to be a holding company, holding 2% of the equity in the Operating Group for the benefit of Nyrstar NV shareholders. Nyrstar NV and Trafigura also agreed on certain minority protection rights for Nyrstar NV and Nyrstar NV benefits from certain information rights, including in respect of distributions. Further, if Trafigura (at any time) proposes a transfer of any right or interest to a third party purchaser (on arms' length terms, for cash or non-cash consideration) that would result in a member of the Trafigura group holding 50% or less of the shares in NewCo, then Trafigura has the right to oblige Nyrstar NV to transfer (drag right), and Nyrstar NV has an equivalent right to participate in such transfer to the third party purchaser (tag right) in relation to, its entire 2% equity stake in NewCo on the same terms and for the same consideration per share as the transfer by Trafigura. Finally, Nyrstar NV can put all (but not part only) of its 2% holding onto Trafigura at a price equal to EUR 20 million in aggregate payable to Nyrstar NV. This put option can be exercised by Nyrstar NV between 6 months and 3 years of the implementation of the Recapitalisation Terms, subject to limited triggers allowing earlier exercise of the put option before 6 months or earlier termination of the put option before 3 years.

Further, Nyrstar NV has been released of liabilities for existing financial indebtedness and obligations owed under parent company guarantees of commercial or other obligations of the current members of the Operating Group (or indemnified by NewCo to the extent such guarantee liabilities are not released). Nyrstar NV is indemnified in respect of certain other historic liabilities relating to the Operating Group. NewCo also provides certain funding towards the continued operating costs of Nyrstar NV under the Limited Recourse Loan Facility. This includes EUR 8.5 million committed funding in respect of day-to-day ordinary course operating costs subject to various draw down requirements (the relevant facility has an additional separate EUR 5 million tranche for litigation defence costs (if any)).

In the interests of all stakeholders of the Group, including the Nyrstar NV's shareholders, the Board of Directors decided to voluntarily apply the procedure provided for in article 524 of the Belgian Companies Code to: (a) the Bridge Finance Facility (this article 524 procedure was applied on 15 April 2019), and, separately, to (b) (i) the sale by the Company of the Operating Group and all receivables owed to Nyrstar NV by the Operating Group at a nominal amount of USD 1 taking into account the fair market value of the assets (as adjusted by liabilities within the Operating Group) at the time of the transfer to NewCo, and (ii) the subsequent transfer of majority ownership of NewCo to Trafigura, through the issuance by NewCo of a 98% equity stake in itself to Trafigura (with the remaining 2% issued directly to Nyrstar NV) in connection with the coming into effect of certain other steps regarding implementation of the Restructuring. This article 524 procedure was voluntarily applied by the Board on 19 June 2019 and the independent expert appointed during this process included a review of the consideration at which Nyrstar NV sold the Operating Group to NewCo.

Other subsequent events:

- In January 2019, Nyrstar was subject to a cyber-attack. Certain IT systems, including email, were impacted. The cyber-attack issue was subsequently contained and resolved. The operational and financial impact of the cyber-attack on Nyrstar's Metals Processing and Mining operations was not significant.
- In March 2019, Nyrstar unwound the majority of its metal at risk hedges to improve the liquidity of the Company. The improved liquidity was due to the fact that the metal at risk hedges required cash collateralising due to the loss of credit lines from hedge counterparties. Nyrstar was then subsequently fully exposed to metal prices for its metal at risk. Due to the declining metal prices in 2019, the operating result of the Group for the seven months ended 31 July 2019 (the effective date of the Restructuring) has been negatively impacted by approximately EUR 40 to EUR 50 million as the Group has not hedged its metal at risk exposure.
- On 29 April 2019, Nyrstar Port Pirie Pty Ltd notified the holder of the Perpetual Securities that it elected to cash pay all of the Distribution Amount (interest/fees) on the Perpetual Securities for the period 27 November 2018 to 27 May 2019 (being AUD 13.2 million) and also that it would redeem 29,125 Perpetual Securities with a value of AUD 29.1 million. This was the targeted number of Perpetual Securities for the relevant period under the financing arrangement involving the State of South Australia. Nyrstar paid the aggregate of both amounts, AUD 42.3 million (EUR 26.1 million) on 27 May 2019. During the period to 31 July 2019, the South Australian Government, Nyrstar and Trafigura participated in discussions that ultimately have led to agreement on the terms on which the perpetual securities will be restructured to a guaranteed secured debt. Those terms include Nyrstar Port Pirie Pty Ltd making a A\$58.25M repayment in November 2019 (corresponding with the payments that were deferred in May and November 2018).
- In June 2019 Nyrstar declared force majeure under a number of its agreements, due to an unplanned stoppage of production at the Port Pirie smelter that commenced on 28 May 2019. Production was initially expected to resume at the end of June 2019. The Blast Furnace was intentionally shut down in May 2019, to allow the Top Submerged Lance Furnace (TSL) to re-establish an adequate stock of TSL slag feed for the Blast Furnace, following an extended planned shutdown of the TSL in April 2019. The Blast Furnace restart was unexpectedly delayed on 28 May 2019 by a steam eruption in the Refinery and a failed Blast Furnace water jacket. On 5 June 2019, a failure of the TSL main process gas duct (Gooseneck), between the Waste Heat Boiler and Evaporative Gas Cooler required a further shutdown of the TSL for remedial work. Consequently the further extended Blast Furnace outage resulted in a requirement for a partial dig out of the Continuous Drossing Furnace (CDF), essential for treatment of all lead output from the Blast Furnace, as it had fully solidified. The Blast Furnace was restarted on 27 June 2019, however, the restart attempt was aborted due to issues with the slag chemistry. Remediation work on the TSL Gooseneck was completed in July 2019 and the TSL restarted on 18 July 2019. The Blast Furnace was subsequently restarted on 27 July 2019. These unplanned shutdowns had an estimated negative impact on production at Port Pirie of approximately 30,000 tonnes of lead market metal over the course of June and July 2019 (i.e. before the 31 July 2019 restructuring effective date when the Port Pirie smelter started to be controlled by the Trafigura group) and an estimated Underlying EBITDA impact of EUR 25 to 30 million in the same period.
- It was discovered at the end of May 2019 that certain Board materials had not been provided to Deloitte. Deloitte then reviewed the materials as part of its audit activities. The Board commissioned an investigation with Alvarez & Marsal to examine whether the fact that the materials were not provided to Deloitte was an oversight or had been instructed by Nyrstar Board or management members. Alvarez & Marsal did not finalise its investigation as the lead examiner has been incapacitated due to grave illness after providing a first draft of his report. The Board then commissioned a second independent investigation with the law firm Contrast to examine the same question. Based on the reports of the law firm Contrast and Alvarez & Marsal, the Audit Committee and the Board of Directors concluded that the fact that these materials were not provided to Deloitte earlier was an individual error, that occurred in exceptional circumstances of pressure, but was not organised or instructed at Nyrstar Board or management level and not made with the intention to mislead or deny relevant information from the Company's auditors. Alvarez & Marsal and the law firm Contrast have conducted management interviews and the law firm Contrast has also conducted a forensic search to reach its conclusion.

- On 24 June 2019 the president of the court of Brussels rendered a decision against Nyrstar NV after a unilateral petition dated 21 June 2019 by minority shareholders Kris Vansanten and Jean-Marc Van Nypelseer, both represented by WATT Legal. The decision, amongst others, requested Nyrstar NV to disclose certain documentation at its AGM on 25 June 2019 and on its website. Nyrstar fully complied with the court decision, yet filed a third party opposition to this decision on 11 July 2019. WATT Legal subsequently launched counterclaims such as for a shareholders' meeting to be convened (either by the board or an interim administrator).

The court hearing took place on 14 August 2019. The Court rendered its decision on 28 August 2019 declaring Nyrstar's opposition admissible and largely well founded. In particular, the court only upheld the request to suspend the vote on all agenda points for the AGM of 25 June 2019 and the request for Nyrstar to convene a new AGM once the auditor has finalized her report. All other measures requested by WATT Legal (in their initial petition of 21 June 2019) were found inadmissible, as the shareholders had ample time to request these through a contradictory procedure. The court also declared the counter measures by WATT Legal (which they reduced in their final legal briefs to requesting the appointment of an interim administrator to convene an AGM) inadmissible. The court rejected Nyrstar's counter damage claim for compensation of EUR 10,000 per shareholder due to frivolous and vexatious lawsuit. The minority shareholders have to bear $\frac{3}{4}$ of the court expenses and Nyrstar only $\frac{1}{4}$ of the court expenses.

- Nyrstar notes the press coverage by L'Echo and De Tijd on Saturday 17 August 2019. The various allegations that have been raised by Nyrstar's ex-internal auditor in the press coverage published by L'Echo and De Tijd date from 2018 and before. They were all historically reported to, investigated and fully dealt with by Nyrstar's management committee, audit committee and/or board of directors as appropriate in 2018 and early 2019. Nyrstar strongly refutes any allegation that any of its published accounts have been falsely or incorrectly stated.

5. Research and Development

The Group undertakes research and development through a number of activities at various production sites of the Group. This research and development is primarily concentrated on the production of various high margin non-commodity grade alloy products and by-products in Nyrstar's Metals Processing operations.

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

Introduction

The non-financial information presented in this section is prepared in accordance with Article 119 § 2 of the Belgian Company Code and in consideration of the disclosure guidance contained in the Sustainability Accounting Standards Board's (SASB) Sustainability Accounting Standard for Metals & Mining. The information is primarily aimed at investors but other interested stakeholder groups such as employees, local communities, non-governmental organisations (NGOs), customers and regulators are likely to find it useful as well. Additional mechanisms are in place to report on sustainability performance and to engage with particular stakeholders on matters that are of specific interest to them.

Business Model

A description of Nyrstar's business model including principal products, production processes and market characteristics is available on the Nyrstar website at www.nyrstar.be.

Materiality Analysis

This non-financial statement provides disclosures and information on environmental, human rights, anti-corruption, social and employee-related matters of material importance to the company and its stakeholders. In determining what matters to report on, we consider legal requirements and disclosure commitments made by Nyrstar as well as the potential for the topic to impact our financial or operational performance. The materiality assessment is further guided by the disclosure topics identified by the Sustainability Accounting Standards Board's (SASB) Sustainability Accounting Standard for Metals & Mining. Whilst the SASB standards are designed for use by companies providing 10-K filings to the US Securities and Exchange Commission (SEC) and therefore not directly applicable to Nyrstar, we believe the industry-specific assessment completed by SASB to provide a good representation of the material issues facing a metals and mining organization of our size, operational profile and global footprint. The relevance of the SASB disclosure topics to Nyrstar has been validated by comparing them to the outcomes of qualitative and quantitative risk assessments conducted under the Nyrstar Enterprise Risk Management Framework, to the contents of functional reports on environment, health and safety, community relations and other sustainability matters prepared during the year, and to feedback from our stakeholders. To a large extent, the topics identified by SASB and through our higher level risk assessments represent structural risks that are inherent in what we do and, for this reason, the list of material issues requiring disclosure in our annual and sustainability reporting does not change significantly from year to year. The specific exposures that these topics represent at a site or business unit level are, however, often more dynamic. To the extent relevant for Nyrstar's financial and operational performance, we strive for our reporting to consider and incorporate impacts resulting from long-term structural shifts as well as those relating to local and dynamic risk exposures.

Governance

Introduction

Nyrstar is committed to ethical and transparent business practices in accordance with our Corporate Governance Charter, Code of Business Conduct and Anti-Corruption Policy. Our governance structures provide clear lines of responsibility from the operations through to the Board of Directors. The Safety, Health, Environment and Community (SHEC) Committee of the Board has the specific mandate to monitor Nyrstar's SHEC performance and the effectiveness of the SHEC control framework. Further details on Nyrstar's governance structures and processes are provided in the Corporate Governance Statement and on the Nyrstar website.

Management of Non-Financial Risks

Risk is managed through an enterprise risk management approach which is aligned to the ISO 31000 risk management standard. The ERM framework specifies a common approach and process to the assessment, prioritization and control of risks across the Group. Risk management and due diligence processes for safety & health, environment and community (SHEC) are aligned with the ERM framework and our functional leaders are responsible for ensuring the policies, plans and programmes developed within their areas of accountability contribute to the achievement of Nyrstar's business strategy and risk management objectives. The assessment and control of non-financial risks is further supported by the Nyrstar SHEC Management Framework comprising a range of policies, standards, procedures and guidelines targeting key SHEC topics and hazards relevant to the organisation. More information about the SHEC Framework is available on the Nyrstar website.

Monitoring of non-financial risks is further supported by our Group Assurance programmes for safety & health, environment and business risk. Under these programmes, in 2018 all Nyrstar operations were audited against Nyrstar standards for critical safety risks. In addition, a new audit process providing assurance on environmental regulatory compliance, critical environmental risks and physical conditions was launched and implemented at half of the operations (remaining sites being scheduled for 2019). The outcomes of the audits form the basis for treatment plans to address identified performance deficiencies and weaknesses in risk management processes.

Responsible Sourcing

Responsible sourcing represents a quickly evolving sustainability topic driven by broadened public interest in the social and environmental footprint of goods and services. For Nyrstar, the most significant aspect of responsible sourcing relates to the procurement of mineral concentrates and other raw materials for our smelters. The 'feed book' of third party mines supplying mineral concentrates to our smelters typically comprise 50 or more operations located worldwide. Understanding the value chains involved in delivering these materials and ensuring that environmental, social and governance (ESG) related risks are managed are becoming increasingly important for Nyrstar.

Consistent with the societal interest, several responsible sourcing initiatives have been launched by regulators, industry associations, non-governmental organisations and other parties. While varying in scope and approach, these initiatives generally require companies to implement supply chain due diligence processes and to report on identified risks related to specific ESG topics. Of most relevance to Nyrstar, the London Metal Exchange (LME) is in the process of introducing responsible sourcing requirements for brands listed with the exchange. Under these requirements, Nyrstar would be required to complete annual risk assessments of its supply chain and file these with the LME.

As a first step towards integrating environmental and social considerations in our raw material sourcing activities, a mapping of existing supply chain participants and operations has been initiated. This will serve as input to an assessment of supply chain risks and the development of processes for engaging with raw material suppliers around social and environmental impacts. We expect this work to be advanced in 2019 and to be well aligned with the requirements of the LME and other external interest groups.

No incidents concerning environmental, social and governance impacts in Nyrstar's supply chain were reported in 2018.

Environmental Stewardship

Compliance with Environmental Laws and Regulations

Compliance with laws and regulations is a core priority for Nyrstar's operations and a necessity for maintaining our licence to operate. Regulatory compliance is managed under the ISO 14001-certified environmental management systems implemented at most of our sites. Basic compliance processes such as legal registers

and compliance calendars are also mandated by Nyrstar standards and environmental permits are managed through our online risk and compliance system.

Environmental performance and regulatory compliance are monitored through various processes implemented at corporate and site level. This includes the reporting of environmental non-compliances through our online incident management system. The key measure for regulatory compliance is referred to as 'Notifiable Non-Compliance' and is defined as a regulatory non-compliance event which must be notified to the regulatory authorities. In 2018, a total of 43 Notifiable Non-Compliance incidents occurred across our operations which compare to the 50 events recorded in 2017. 29 of these non-compliance incidents took place at the Myra Falls mine and at the Balen/Overpelt smelter, most of them involving exceedance of effluent discharge limits. All incidents have been investigated and corrective action taken to prevent reoccurrence, as required under Nyrstar standards.

One environmental fine at an amount of US\$2,000 was paid in 2018, relating to a 2017 release of contaminated stormwater at the Langlois mine.

Energy and Greenhouse Gas Emissions

Energy and greenhouse gas (GHG) emissions represent one of Nyrstar's most material sustainability risks. This is especially the case for our smelters which consume large quantities of electricity and that are therefore sensitive to energy prices and carbon regulations. To mitigate these risks, we work to continuously improve our energy efficiency and to reduce the carbon footprint of the power that we use.

Purchased electricity is our leading source of energy, accounting for three quarters of the total energy consumption. At this time, the power purchase strategies applied by Nyrstar do not specifically target the sourcing of low-carbon electricity. Instead, we are actively partnering with third parties to explore opportunities for installation of low-carbon energy technologies such as wind and solar at our operations. In 2018, these efforts resulted in the construction of a 44MW solar park on reclaimed landfills at our Budel smelter in the Netherlands.

With respect to GHG emissions and carbon trading, four Nyrstar operations are currently subject to carbon pricing mechanisms. This includes our three European smelters (Auby, Balen and Budel), which operate under the EU Emissions Trading System (ETS), and the Myra Falls mine in British Columbia, Canada, which is subject to a carbon tax on fossil fuels. The direct (scope 1) emissions produced by these operations account for approximately 20% of Nyrstar's total footprint of direct GHG emissions. In 2018, the free emission allowances allocated to our European smelters exceeded the plants' GHG emissions; hence no purchase of allowances was necessary. For Myra Falls, the carbon tax on fuels has a relatively limited financial impact on Nyrstar given that most of the power consumed by the operations is generated from Nyrstar-owned hydro power facilities. Going forward, we expect carbon pricing mechanisms to be introduced in most, if not all, of our other operating jurisdictions as countries take action to meet the commitments made in the 2015 Paris Agreement of the United Nations. The timelines and formats of such mechanisms, and therefore their impacts on Nyrstar, are, however, difficult to predict. We engage actively with governments to help inform public policy and legislation on energy pricing and carbon emissions.

In addition to risks posed by increasing regulation and carbon pricing, extreme weather events, availability of water and other physical impacts resulting from climate change could also affect our operations. Working together with technical experts and external stakeholders we strive to understand how these changes may affect us and to devise appropriate response and adaptation strategies. For example, climate change modelling is incorporated in the planning for mine closure and in emergency response planning. While site-specific studies of this kind have been completed at several of our operations, we are yet to model the potential impacts on our complete network of sites, suppliers and transport routes that may be caused from rising sea levels, extreme weather events, drought, flooding and other physical risks of climate change.

Further disclosure on energy and climate change matters is provided in Nyrstar's sustainability report and in our annual submission to the CDP (www.cdp.net).

Water Use and Discharges

For the past decade, water scarcity has consistently ranked as one of the most impactful risks globally with potentially devastating effects on human health and economic activity. For Nyrstar, a decline in the available quality and quantity of freshwater could affect our business through supply restrictions, increased water withdrawal costs, investment in water treatment technologies and/or reduced production volumes. Given the importance of water to local communities and other stakeholders, responsible management of scarce water resources is also key to our social licence to operate.

At the current time the Nyrstar operation facing the most significant water supply risks is the Port Pirie smelter in South Australia. Obtaining its freshwater from public water utilities, these risks impact the operations through high water use fees making effective water stewardship a key priority for the site. In the longer term, we expect water-related risks to grow in importance in step with increased competition for scarce water resources and as regulation forces the internalisation of costs for water withdrawal and use.

We seek to minimise our use of water, avoid impacting the quality of freshwater resources and ensure a fair, equitable and sustainable use of these resources in cooperation with other users and stakeholders. Mitigation measures implemented to achieve these objectives focus on the diversion of clean water from areas and activities that may impact its quality, improvement of water use efficiency, maximisation of water recycling opportunities, and treatment of impacted water before returning it to nature. At sites facing more complex or significant water risks, such as Port Pirie, the water management strategies and activities are guided by integrated water management plans. The plans provide a holistic and comprehensive approach to the management of water resources across the sites and establish a process by which water withdrawals, uses and discharges are regularly reviewed and evaluated for improvement opportunities.

In regards to water quality, key aspects relevant to our operations include acid rock drainage generated at several of our mines and discharge of metals in effluent from our smelters. The effluent discharges from our sites are strictly regulated and enforced through permits and other legislation. Compliance with regulatory requirements is monitored through comprehensive water monitoring plans which specify regular sampling and analysis of the water returned to the environment. Additionally, the majority of our sites have water treatment plants for treatment of effluent prior to release. Other water quality controls include the separation of clean water, e.g. using diversion structures, to minimize effluent quantities, reuse and recycling of impacted water within our production processes, implementation of operational and maintenance routines to ensure the integrity of water treatment plants and other key control equipment, and regular auditing to verify that established controls are being implemented and working as intended.

In 2018, 26 effluent-related incidents involving breach of regulatory requirements were documented at our operations. Whilst inconsistent with the performance that we expect from our operations, most of the breaches were of a minor nature and none of the incidents are expected to significantly impact the environment or Nyrstar's operating results.

Emissions to Air

Our mining and smelting operations produce air emissions which have the potential to affect human health and the environment. For Nyrstar, emission related risks are largely associated with increasingly stringent regulations demanding investment in treatment technologies (financial risk) and community impacts affecting corporate reputation and our social licence to operate.

Our approach to managing emissions to air is focused on: investing in air emission control equipment; maintaining process control and the integrity of key emission controls; and engaging with key stakeholders to understand how they may be affected by emissions from our operations. In addition, we actively monitor

regulatory developments, public opinion and research to make sure we are aware of any potentially emerging issues with implications for our operations.

From a Group perspective, emissions to air are dominated by emissions from the smelting operations with the mines only contributing a small portion of our emission footprint. At our smelters, key emission constituents of concern are sulphur dioxide (SO₂) and particulate containing zinc, lead, cadmium and other metals. The emissions are strictly regulated through permit requirements and other laws and regulations. The strict legal enforcement in combination with the high visibility and public awareness of air quality issues demand that we operate with a high level of control and use best available emission treatment technologies.

From a materiality perspective, the emission of lead-bearing particulate from our lead smelter in Port Pirie is particularly important. This is both in terms of our license to operate and the health and wellbeing of the local community. While compliant with regulatory limits, 2018 emissions from the Port Pirie smelter did not meet our expectations and were marked by several emission events contributing lead-bearing dust to the local community. Focused actions during the latter part of the year, including temporary idling of key production units, were successful in reducing emissions and we expect these actions to deliver further improvements in 2019. The emission performance will also benefit from the continued ramp-up of the new and less polluting technology installed as part of the Redevelopment project and the phase out of old plant and equipment.

Seven Notifiable Non-Compliance incidents (refer to Compliance with Environmental Laws and Regulations above) related to air emissions were recorded in 2018. One of the incidents, involving non-compliant emissions of sulphur dioxide from the Clarksville smelter, resulted in a civil penalty of \$181,000 which is currently under appeal.

Tailings Dam Safety

Our operations generate significant amounts of waste. At our mines, the most important waste stream is tailings consisting of finely crushed rock minerals, water and small amounts of process chemicals from the concentrating of mined ore. The majority of the tailings waste is placed in engineered storage facilities which typically comprise one or several dams or embankments. Nyrstar is responsible for eight tailing storage facilities (TSFs) of which four are operational, three are non-operational and in the process of being reclaimed, and one facility for which reclamation has been completed.

Failure of a tailings dam could have catastrophic impacts on the environment, surrounding communities and on Nyrstar's financial position; hence, maintaining the safety and integrity of our tailing dams is of utmost importance to our licence to operate, shareholder value and to the communities and ecosystems around our sites. Responsible tailing facility management is therefore a top priority for the company and we go to great lengths to ensure the safety of our tailing facilities.

Systems and procedures for the safe management of the TSFs are in place at all locations. Central to this are Operating, Maintenance and Surveillance (OMS) manuals which describe the day-to-day operational and monitoring processes implemented by site personnel to achieve compliance with regulatory requirements and facility design parameters. Additionally, each operation is supported by a qualified external engineer (Engineer of Record) who is responsible for the design of the tailing facilities. The Engineers of Record (EoR) also provide ongoing support on facility operation, maintenance and construction and completes annual dam safety inspections and performance reviews.

In order to further assure and advance the safety of Nyrstar's tailing storage facilities, an Independent Tailings Review Board (ITRB) was established in 2018. The purpose of the Board is to provide independent expert input and advice to Nyrstar on the design, construction, operational management and ultimate closure of the company's TSFs. The ITRB is composed of three independent experts and it reports to our corporate office. In 2018, ITRB meetings were completed at Langlois, Myra Falls, East Tennessee Mines and Mid Tennessee Mines. Findings and recommendations identified in the ITRB meetings are addressed through formal response

plans which are subject to regular review by site and corporate management. The ITRB will convene annually at each mine.

No dam safety related incidents involving Nyrstar's tailings storage facilities occurred in 2018.

Land Use and Biodiversity

Mining and metals processing operations require large areas of land and have the potential to impact biodiversity, ecosystems and the provision of ecosystem services. Impacts may result from the clearing and disturbance of land, discharge of effluent into waterbodies and emission of pollutants to the atmosphere as well as from increased transport activities and other indirect causes. Managing regulatory requirements and meeting community expectations regarding land use and the protection of ecosystems is critical to Nyrstar's license to operate.

Contextually, all except one of Nyrstar's operating sites are located adjacent to or near (within 10 kilometers) protected areas or areas of high biodiversity value. For example, our European smelters are located in the vicinity of areas protected under the European Union Natura 2000 system and the Myra Falls mine is located within the Strathcona Provincial Park in British Columbia, Canada. Further, eight of our operations are situated within or near habitats for endangered species.

We work proactively to minimise the environmental footprint of our activities, protect sensitive habitats and to conserve biodiversity values and landscape functions in the locations where we operate. By and large, the work is guided by legal requirements and the outcomes of environmental impact assessments completed as part of permit applications for new activities or land developments. The biodiversity obligations, risks and opportunities identified under these processes are incorporated in decisions concerning the use of land, water and other natural resources, operational controls and environmental monitoring programmes. As a general rule, these decisions and management controls are developed with a view to avoiding losses of biodiversity values, whenever possible, or else reducing and rehabilitating the impacts that cannot reasonably be avoided.

We are committed to progressively rehabilitating land that is no longer needed for production purposes and to fully reclaim areas after operations have been concluded. To support this commitment, all Nyrstar mines maintain closure plans that outline intended post-closure land uses, key closure concepts and estimated closure costs. The closure plans help to ensure that rehabilitation aspects are considered in operational planning and that sufficient funds are allocated for closure and post-closure monitoring. Considered a 'going concern' with an infinite operating life, our smelters do not have documented closure and reclamation plans.

At the end of 2018, Nyrstar's total footprint of disturbed land was 1.475 hectares (ha). No reclamation activities leading to significant reductions in the amount of disturbed land were completed in 2018.

Social Responsibility

Labour Relations

We are committed to respecting our employees' rights in line with the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. In support of this commitment, we recognise and respect the principles of freedom of association and collective bargaining. At the end of 2018, 57% of our global workforce was covered by collective bargaining agreements.

No strikes, lockouts or industrial actions involving work stoppages occurred at our operations in 2018.

Diversity

Consistent with the diversity requirements specified by the Belgian Companies Code, one third of the members of the Nyrstar Board of Directors is of the opposite gender.

We believe in retaining a diverse workforce with staff of different genders, ages, cultures and professional backgrounds. However, as of yet this belief has not been formalized into a diversity policy applicable below Board level. At the end of 2018, women made up 7% of Nyrstar's total workforce. This is similar to 2016 and 2017.

Workforce Health and Safety

Safety and health are core values of Nyrstar. Our Towards Zero vision is for every employee to return home safe and healthy every day. We believe that every work-related illness and injury is preventable and we empower our employees to turn the vision into reality. The Towards Zero vision is supported by a comprehensive health and safety strategy built around four pillars: Fatality Prevention; Behavioural Safety; Health and Safety Management Systems; and Occupational Health. Everything we do to improve the safety and health of our people fit into one of these focus areas.

In 2018, we placed particular emphasis on the prevention of hand injuries which account for a large portion of our total injuries. A dedicated hand injury prevention program entitled *Because some tools cannot be replaced* was introduced at all operations with the purpose of eliminating unsafe conditions contributing to hand injuries, improving tools and personal protective equipment, and changing at-risk behaviours relevant to hand injuries. We also continued the implementation of the Process Safety Management System launched in 2017 and strengthened controls related to hydrogen explosion risks at our smelters.

Nyrstar's 2018 safety performance represented another step towards our vision of zero harm. No fatalities were reported and the lost time injury rate improved by 27% to a new record low of 1.4. The total number of days away from work, under restricted duties or with alternative duties (DARTs) as a result of workplace injuries decreased by 19% compared to 2017 and the frequency rate associated with these types of events also improved (by 5%). The recordable injury frequency rate deteriorated slightly from 6.4 in 2017 to 6.8 in 2018. With respect to occupational health, the reported number of new cases of occupational illnesses remained similar to 2017 at 27 cases.

Community Relations

Maintaining the trust and ongoing support of the local communities where we operate is critical to the viability and success of our business. Without this support we run the risk of operational disruptions, delays to permitting and approval processes and of being prevented access to the land and geological resources that we need to operate. Our social license to operate is intrinsically linked to the way we engage with our communities and to our ability to control environmental and social impacts that may be generated from our operations.

We actively engage with the local communities that have an interest in or that may be impacted by our operations. The understanding of community expectations gained from these engagement activities are incorporated in everyday decision making and operational activities. Additionally, all Nyrstar operations have established processes for recording community feedback, whether positive or negative. In 2018, a total of 76 community complaints were received which compares to the 71 complaints recorded in 2017. A significant portion of the complaints related to ground-level emissions of sulphur dioxide from an again acid plant at Port Pirie. The operation of this plant was phased out during the year in favour of a new acid plant installed as part of the Redevelopment Project. While the new acid plant is still being fine tuned following commissioning we expect community impacts from sulphur emissions to significantly improve in 2019.

One operational delay as a result of non-technical factors occurred in 2018 related to permitting for the re-start of the Myra Falls mine in British Columbia, Canada. While also suffering from technical delays, in particular concerning the repair of the shaft and hoist system for the main underground mine, permitting of the restart activities required approximately three months longer than originally planned which had a direct impact on the restart project schedule. The permitting delays were primarily associated with extensive government reviews and engagement with local indigenous communities and other stakeholders.

No community disputes were experienced in 2018 and there was no resettlement of communities at Nyrstar sites in 2018.

Security and Human Rights

Nyrstar's operations are strategically focused on stable jurisdictions with low risk for armed conflicts and security-related human rights abuses. Notwithstanding the operating contexts of our operations and the low political risk that they imply, protection of human rights is a core consideration for Nyrstar and we are committed to respecting fundamental human rights wherever we operate.

Our approach to human rights is founded in The Nyrstar Values and our Code of Business Conduct. The Framework for Ethical Decision Making included in the Code of Business Conduct helps to ensure that human rights are considered in key business processes such as risk assessments, procurement and contractor management and in our dealings with employees, communities and other stakeholders. Respecting human rights also requires us to work with contractors and suppliers to ensure that they hold themselves to the same human rights standards that we hold ourselves accountable to. We recognise that further efforts are necessary in order to more systematically assess and manage human rights conditions in our supply chain and plan to start tackling this in 2019 (refer to the Responsible Sourcing section above).

Nyrstar's Canadian mines, Myra Falls and Langlois, are located within areas claimed by indigenous peoples as traditional territories. Whilst these claims have not been defined in treaties, we recognize and respect the rights, cultures and interests of indigenous peoples and seek opportunities to engage with them in regards to our use of the land. Our engagement with indigenous peoples is led by the General Manager at each of the operations.

No breaches of human rights were reported in 2018.

Sustainability Scorecard

Table 1. Summary of Non-financial Key Performance Indicators (KPIs)

Topic	Metric	2016	2017	2018
Environmental Compliance	Regulatory Notifiable non-compliance incidents	35	50	43
	Number of environmental fines	10	2	1
	Value of environmental fines (US\$)	\$896,092	\$23,088	\$2,000
Air Quality	Incidents of non-compliance related to air emission permits or legislation	8	13	7
	Compliance with licence limit for lead in air at Port Pirie	✓	✓	✓
Water Quality	Incidents of non-compliance related to water quality permits or legislation	22	30	26
Land Use and Biodiversity	Footprint of disturbed land (ha)	1,476	1,475	1,475
Labour Relations	Portion of workforce covered under collective bargaining agreements (%)	60%	57%	57%
	Number of strikes and lockouts	0	2	0
	Duration of strikes and lockouts (days)	0	2	0
Workforce Health and Safety	Work-related fatalities	1	0	0
	Lost time injury frequency rate (LTIFR)	1.8	2.0	1.4
	Recordable injury frequency rate (RIFR)	7.2	6.4	6.8
	Number of days lost, under restricted duty and with job transfer (DARTs)	265	259	209
	Days away, restricted duty and job transfer frequency rate (DARTFR)	5.2	3.9	3.7
	Number of cases of occupational illness	N/A	24	27
	Value of safety fines (US\$)	\$134,000	\$71,934	\$92,000
Community Relations	Number of non-technical delays	0	0	1
	Duration of non-technical delays (days)	0	0	90
	Community complaints	55	71	76

8. 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.

9. 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 114,134,760.97 and is fully paid-up. It is represented by 109,873,001 shares, each representing a fractional value of EUR 1.04 or one 109,873,001th 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, other than the Lock-up Agreement pursuant to which Trafigura Pte Ltd has agreed not to transfer, and has procured that Orion Holding (Malta) Ltd will not transfer, its shares in the Company for the term of the Lock-up Agreement.
- (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:
 - the Limited Recourse Loan Facility with NN2 NewCo Limited entered into on 23 July 2019
- (x) The agreement with the chief executive officer provides that upon a change of control, his agreement with Nyrstar will be terminated. In that event, the chief executive officer is entitled to a severance payment equivalent to twelve months of Annual Base Salary (inclusive of any contractual notice period) 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.

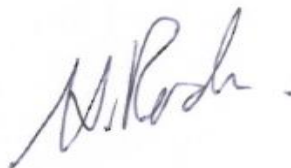
* * *

Done at Brussels on 27 September 2019.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to be 'MK', written above a horizontal line.

Martyn Konig
Director

A handwritten signature in black ink, appearing to be 'H. Rode', written above a horizontal line.

Hilmar Rode
Director

STATEMENT OF RESPONSIBILITY

The undersigned, Hilmar Rode, Chief Executive Officer and Martyn Konig, Director, 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, 27 September 2019

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 "M. Konig".

Martyn Konig
Director

Nyrstar Consolidated Financial Statements

31 December 2018

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2018	2017
Continuing operations			
Revenue from contracts with customers	8	3,812.3	3,530.5
Raw materials used		(2,644.7)	(2,405.9)
Freight expense		(50.0)	(50.3)
Gross profit		1,117.6	1,074.3
Other income		10.1	13.3
Employee benefits expense	12	(336.4)	(318.2)
Energy expenses		(280.1)	(249.9)
Stores and consumables used		(157.4)	(126.7)
Contracting and consulting expense		(173.8)	(146.1)
Other expense	15	(107.2)	(35.5)
Depreciation, depletion and amortisation	16	(162.5)	(155.8)
M&A related transaction expense	11	(1.4)	(0.2)
Restructuring expense	29	(22.0)	(4.1)
Impairment loss	17	(130.3)	-
Impairment reversal	17	-	126.1
Gain on the disposal of subsidiaries		-	2.6
Result from operating activities		(243.4)	179.8
Finance income	13	12.3	4.2
Finance expense	13	(170.1)	(151.4)
Net foreign exchange gain / (loss)	13	6.5	(59.9)
Net finance expense		(151.3)	(207.1)
Loss before income tax		(394.7)	(27.3)
Income tax (expense) / benefit	14	(250.4)	36.9
(Loss) / profit for the year from continuing operations		(645.1)	9.6
Discontinued operations			
(Loss) / profit from discontinued operations, net of income taxes	10	(4.4)	36.9
(Loss) / profit for the year		(649.5)	46.5
Attributable to:			
Equity holders of the parent		(649.5)	46.5
Non-controlling interest		-	-
(Loss) / earnings per share for (loss) / profit from continuing operations during the period (expressed in EUR per share)			
basic	34	(5.88)	0.10
diluted	34	(5.88)	0.10

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

EUR million	Note	2018	2017
(Loss) / profit for the year		(649.5)	46.5
Continuing operations			
Other comprehensive income			
Items that may be reclassified to profit:			
Foreign currency translation differences	27	(22.7)	(18.2)
Transfers to the income statement		-	0.8
Gains / (losses) on cash flow hedges	27	37.3	(5.6)
Transfers to the income statement	27	(18.9)	(14.7)
Income tax (expense) / benefit	14,27	(6.6)	1.0
Transfers to the income statement		-	-
Items that will not be reclassified to profit:			
Remeasurement gain / (loss) of defined benefit plans	30	7.0	(5.2)
Income tax expense	14	(1.8)	(0.8)
Change in fair value of investments in equity securities	19,27	0.6	(0.2)
Other comprehensive loss for the year, from continuing operations net of tax		(5.1)	(42.9)
Discontinued operations			
Items that may be reclassified to profit:			
Foreign currency translation differences		-	(2.5)
Transfers to the income statement	9	-	(28.2)
Other comprehensive loss for the year, from discontinued operations net of tax		-	(30.7)
Other comprehensive loss for the year, net of tax		(5.1)	(73.6)
Total comprehensive loss for the year		(654.6)	(27.1)
Attributable to:			
Equity holders of the parent		(654.6)	(27.1)
Non-controlling interest		-	-
Total comprehensive loss for the year		(654.6)	(27.1)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	as at 31 Dec 2018	as at 31 Dec 2017*
Property, plant and equipment	16	1,590.0	1,690.3
Intangible assets		5.3	3.3
Investments in equity accounted investees	18	1.9	3.4
Investments in equity securities	19	19.8	19.8
Deferred income tax assets	14	93.7	332.1
Other financial assets	20	131.8	163.8
Other assets	22	0.6	0.7
Total non-current assets		1,843.1	2,213.4
Inventories	21	768.5	965.1
Trade and other receivables	23	196.7	223.5
Prepayments and deferred expenses		17.1	32.3
Current income tax assets		11.7	6.4
Other financial assets	20	60.8	42.0
Other assets	22	2.1	0.7
Cash and cash equivalents	24	239.0	68.4
Total current assets		1,295.9	1,338.4
Total assets		3,139.0	3,551.8
Share capital and share premium	25	2,255.3	2,250.7
Perpetual securities	26	-	186.3
Reserves	27	(171.6)	(161.3)
Accumulated losses		(2,265.8)	(1,615.9)
Total equity attributable to equity holders of the parent		(182.1)	659.8
Total equity		(182.1)	659.8
Loans and borrowings	28	780.5	948.4
Deferred income tax liabilities	14	68.4	67.7
Provisions	29	158.2	156.8
Employee benefits	30	66.0	73.5
Other financial liabilities	20	117.1	15.6
Deferred income	32	17.5	79.1
Total non-current liabilities		1,207.7	1,341.1
Trade and other payables	31	457.3	654.0
Current income tax liabilities		0.9	0.4
Loans and borrowings	28	1,101.9	221.6
Provisions	29	34.5	19.1
Employee benefits	30	28.9	36.6
Other financial liabilities	20	84.5	151.5
Deferred income	32	404.3	465.6
Other liabilities	22	1.1	2.1
Total current liabilities		2,113.4	1,550.9
Total liabilities		3,321.1	2,892.0
Total equity and liabilities		3,139.0	3,551.8

* Prior year amounts have been re-classified for the consistent presentation with the current year (note 2, 21)

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
As at 1 Jan 2018		1,040.2	1,210.5	186.3	(161.3)	(1,615.9)	659.8	659.8
Adjustment on initial application of IFRS 9		-	-	-	-	(0.2)	(0.2)	(0.2)
Loss for the year		-	-	-	-	(649.5)	(649.5)	(649.5)
Other comprehensive loss		-	-	-	(10.3)	5.2	(5.1)	(5.1)
Total comprehensive loss		-	-	-	(10.3)	(644.3)	(654.6)	(654.6)
Capital increase	25	0.9	3.7	-	-	-	4.6	4.6
Reclassification of perpetual securities to loans and borrowings		-	-	(186.3)	-	-	(186.3)	(186.3)
Distribution on perpetual securities	26	-	-	-	-	(11.4)	(11.4)	(11.4)
Share-based payments		-	-	-	-	6.0	6.0	6.0
As at 31 Dec 2018		1,041.1	1,214.2	-	(171.6)	(2,265.8)	(182.1)	(182.1)

EUR million	Note	Share capital	Share premium	Perpetual securities	Reserves	Accumulated losses	Total amount attributable to share holders	Total equity
As at 1 Jan 2017		1,024.1	1,129.0	131.6	(93.7)	(1,647.1)	543.9	543.9
Profit for the year		-	-	-	-	46.5	46.5	46.5
Other comprehensive income / (loss)		-	-	-	(67.6)	(6.0)	(73.6)	(73.6)
Total comprehensive loss		-	-	-	(67.6)	40.5	(27.1)	(27.1)
Capital increase		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)
As at 31 Dec 2017		1,040.2	1,210.5	186.3	(161.3)	(1,615.9)	659.8	659.8

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

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2018	2017
(Loss) / profit for the year		(649.5)	46.5
Adjustment for:			
Depreciation, depletion and amortisation	15,16	162.5	156.6
Income tax expense / (benefit)	14	250.4	(38.5)
Net finance expense	13	151.3	209.4
Impairment loss / (reversal) (net)	17	130.3	(142.2)
Equity settled share based payment transactions		6.1	2.5
Non-cash repayment of zinc prepayment	20 (g)	(24.7)	(79.4)
Other non-monetary items		18.6	(21.7)
Gain on disposal of subsidiary	9	-	(31.8)
Gain on sale of property, plant and equipment	16	(2.2)	(1.0)
Income tax paid		(11.0)	(12.6)
Cash flow from operating activities before working capital changes		31.8	87.8
Change in inventories		228.4	(346.8)
Change in trade and other receivables		23.4	31.4
Change in prepayments and deferred expenses		(6.9)	(1.7)
Change in deferred income		(147.4)	179.1
Change in trade and other payables		(165.4)	79.6
Change in other assets and liabilities		18.6	18.2
Change in provisions and employee benefits		(0.8)	(9.2)
Cash flow from / (used in) operating activities		(18.3)	38.4
Acquisition of property, plant and equipment	16	(243.9)	(368.0)
Acquisition of intangible assets		(0.9)	(1.9)
Proceeds from sale of property, plant and equipment		2.8	2.7
Proceeds from sale of intangible assets		-	0.9
Proceeds from sale of subsidiary	9	6.7	32.1
Interest received		2.7	2.3
Cash flow used in investing activities		(232.6)	(331.9)
Capital increase	25	-	97.6
Issue of perpetual securities	26	-	54.7
Distribution on perpetual securities	26	(11.4)	(7.4)
Proceeds from borrowings		166.5	552.7
Repayment of borrowings		(41.3)	(224.0)
Change in SCTF credit facility	28	380.2	(115.1)
Proceeds from zinc prepayment	20 (g)	70.7	-
Interest paid		(148.3)	(115.7)
Cash flow from financing activities		416.4	242.8
Net (decrease) / increase in cash held		165.5	(50.7)
Cash at the beginning of the year	10,24	68.4	129.4
Exchange fluctuations		5.1	(10.3)
Cash at the end of the year	10,24	239.0	68.4

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 and in the United States. 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.be.

The consolidated financial statements of the Company as at and for the year ended 31 December 2018 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 27 September 2019.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of Nyrstar NV (“Company”) and its subsidiaries (“Group”) 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 basis other than that of a going concern.

The conclusion of the directors that the Group’s consolidated financial statements for the year ended 31 December 2018 are prepared on a basis other than that of a going concern has not altered the accounting policies as described in note 3 “Significant accounting policies” but has resulted in significant judgements made by management in their application, including:

- The recoverable amount of assets and cash-generating units described in note 3 (h) “Impairment of non-financial assets” corresponds to their fair value less costs of disposal
- The operating entities of the Group are not presented as discontinued operation or as disposal groups held for sale as on 31 December 2018. Management was not committed to a plan to sell the operating entities and such a sale was not highly probable at closing 2018. It is only after balance sheet date that the Restructuring (involving sale to Trafigura) developed and became the (highly) probable scenario. Under IFRS 5.12, the operating entities were thus not classified as HFS / discontinued operation at closing 2018 (note 4)
- The measurement basis of financial liabilities at amortised cost remains unchanged despite the fair values being lower at 31 December 2018 (note 3(c)(ii))
- The loans and borrowings (note 28) as well as the zinc prepayments (note 20) recognised as other financial liabilities have been presented based on the contractual due dates at 31 December 2018, even though the expected outcome of the Restructuring will result in a full or partial extinguishment of these liabilities of the Group.

(We refer to note 4 for details on the underlying rationale)

(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 investments in equity securities (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

New and amended standards and interpretations

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

At 1 January 2018 the Group has adopted IFRS 15 Revenue from Contracts with Customers (IFRS 15). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue (IAS 18), IAS 11 Construction Contracts (IAS 11) and related interpretations. The Group has adopted IFRS 15 using the modified retrospective method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued income' and 'deferred income', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has chosen not to adopt the terminology used in IFRS 15 but instead to keep the terms of 'accrued income' and 'deferred income'. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. 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 not materially affected for the majority of sales.

For the Incoterms Cost, Insurance and Freight ("CIF") and other similar Incoterms, the seller must contract for and pay the costs of freight necessary to bring the goods to the agreed location. 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 recognised over time as this obligation is fulfilled, along with the associated costs.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the Group's activity. The fair value of the estimated consideration is allocated to all performance obligation based on the stand-alone selling prices and either recognised at a point in time or over time.

IFRS 15 had no significant impact to the 2018 financial results.

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

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

(a) Classification and measurement

Under IFRS 9, financial assets are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding. The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial date when the assets were recognised.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continues measuring at fair value all financial assets that were previously held at fair value under IAS 39.

The following are the changes in the classification of the Group's financial assets:

- Trade and other receivables classified as Loans and receivables as at 31 December 2017 (EUR 200.6 million) are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.
- Listed equity investments classified as Available for sale ("AFS") financial assets as at 31 December 2017 (EUR 19.8 million) are classified and measured as Financial assets since the Group has elected to value them at fair value through other comprehensive income beginning 1 January 2018.
- Cash and cash equivalents previously classified as Loans and Receivables ("LAR") as at 31 December 2017 (EUR 68.4 million) are now classified and accounted for at amortized cost beginning 1 January 2018.
- Restricted Cash previously classified as Loans and Receivables ("LAR") as at 31 December 2017 (EUR 113.0 million) are now classified and accounted for at amortized cost beginning 1 January 2018.
- The Government Bond (Note 20d) previously classified as Held to Maturity ("HTM") as at 31 December 2017 (EUR 5.1 million) is now classified and accounted for at amortized cost beginning 1 January 2018.
- Trade receivables containing provisional pricing features, previously accounted for as Loans and Receivables ("LAR") are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. They are classified as Fair Value through Profit and loss beginning 1 January 2018. (Note 8b and Note 35).

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement of the Group's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses of financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information about past events that is available at the reporting date, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historically observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The impact of the implementation of the ECL model to the Group is EUR 0.2 million.

(c) Hedge accounting

The Group applied hedge accounting requirements of IFRS 9 prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedge relationships. Before the adoption of IFRS 9, the Group designated the change in fair value of the entire forward contracts in its cash flow hedge relationships.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Standards issued but not yet effective

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

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance

leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and will distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group will apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on short term lease contracts and lease contracts for which the underlying asset is of low value, less than EUR 5,000 or equivalent. The Group will also apply the practical expedient that offers not to separate lease and non-lease components and instead accounts for both as if they were one lease component.

The adoption of IFRS 16 as of 1 January 2019 is expected to lead to the recognition of a right-of-use asset and lease liability between EUR 90 and EUR 100 million.

Due to the adoption of IFRS 16, the Group's operating profit will improve, while the interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

IFRIC 23 "Uncertainty over Income Tax Treatments" – effective for year ends beginning on or after 1 January 2019

In 2017, the International Accounting Standards Board (IASB) has published IFRIC 23 "Uncertainty over Income Tax Treatments" developed by the IFRS Interpretations Committee to clarify the accounting treatment of uncertainties in income taxes. The interpretation is applicable to annual reporting periods beginning on or after 1 January 2019. Refer to note 14(f) for further details.

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.

Correction of prior year misstatements

During the preparation of its transition to IFRS 16, the Group conducted a detailed review of its leasing contracts and discovered that the terms and conditions of two lease contracts with the total value of EUR 40 million had not been included in the operating lease commitments as of 31 December 2017 (note 37).

In 2017, the Group had reported EUR 22.1 million of advances paid to suppliers for goods or services not yet received as Trade Payables instead of Advances paid to suppliers (note 31).

The Group also adjusted its 2017 related party transaction disclosures since the EUR 14.6 million Other financial liabilities were reported as Loans from related parties (notes 35 and 39). Additionally, EUR 59.3 million of deferred income disclosed in note 32 Deferred income were not included as Amounts owed to related parties as of 31 December 2017. Therefore the balance of “Amounts owed to Subsidiaries & associates of Trafigura Beheer BV” as of 31 December 2017 has been adjusted from EUR 71.9 million to EUR 145.8 million and the loans from related parties have been reduced from EUR 14.6 million to nil. (note 39).

The above listed misstatements have been corrected in the 2018 Annual financial statements by restatement of the abovementioned balance. None of the adjustment would have impacted the reported Loss for the year ended 31 December 2017.

(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 APMs can be found on www.nyrstar.com. They are consistently used over time and when a change is needed, the comparable is disclosed and reconciled with the IFRS measures (note 7).

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 years ended 31 December 2018 and 2017.

(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 but can also exist based on other facts and circumstances.

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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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 (note 35)

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give on specified dates rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade & other receivables, cash & cash equivalents, restricted cash, and Government Bonds classified as such.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Upon initial application the Group elected to irrevocably classify its equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as Fair value through profit or loss if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss except where the instrument is designated as part of an effective cash flow hedge relationship.

This category includes derivative instruments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and trade and other payables at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables at amortised cost, net of directly attributable transaction costs.

The loan and borrowings include 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 net of income tax. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The Group's financial liabilities include trade and other payables, loans and borrowings at amortised cost including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as fair value through profit or loss if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings at amortised cost

This is the category most relevant to the Group included in financial liabilities at amortized cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised or modified, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings and also to certain commodity prepayment agreements that are classified as financial liabilities because the future delivery of the prepaid commodities does not meet Nyrstar's normal purchase, sale or usage requirements.

Regarding the convertible bonds, the equity component of a compound financial instrument is not re-measured subsequent to initial recognition, while the liability component of a compound financial instrument is measured at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

On conversion of the convertible bonds at maturity, the Group will derecognise the liability component and recognise it as equity. There is no gain or loss on conversion at maturity. On conversion of the convertible bonds before maturity, the Group will transfer to equity the carrying value of the liability at the date of the conversion as calculated after accrual of finance costs on a continuous basis.

(iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedge accounting

Hedging 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 purchase of contained metal in concentrates and other raw materials and sale of metal.

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and forward commodity contracts, to hedge its foreign currency risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning on 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item (primarily inventories) and is also recognised in the statement of profit or loss as other expense.

If the hedged item is derecognised, the remaining fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. When the firm commitment is settled, the fair value adjustments will be recognised as part of the recognised liability.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while generally any ineffective portion is recognised immediately in the statement of profit or loss, however the cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

Derivatives that do not qualify for hedge accounting

Should the host contract not be a financial asset within the scope of IFRS 9, the embedded derivative is separated from the host contract and accounted for as a standalone derivative. Where the embedded derivative is separated, the host contract is accounted for in accordance with its relevant accounting policy, unless the entire instrument is designated at FVTPL in accordance with IFRS 9.

(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: up to 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

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

The Group has the following categories of inventories:

- Raw materials: concentrates and oxides

- Work in progress: material in processing and intermediate inventories. There are two types of intermediate inventories: i) work in progress intermediates which are produced and consumed as feed within the same smelter conversion process; and ii) residues and other intermediate products which are produced at one smelter and consumed or further processed as feed at another smelter.
- Finished goods: inventories sold directly to the market (primary metal and by-products)
- Stores and consumables

Inventories of raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Cost is determined on a FIFO basis, based on the physically consumed volumes of concentrates in the production process and comprises direct purchase costs, transportation, costs of conversion and an appropriate allocation of the fixed and variable overhead expense (including depreciation and amortisation). Conversion costs allocated to metal in processing and finished goods are based on the actual costs incurred at each stage of the conversion process. Conversion costs and overheads are not allocated to intermediate inventories of residues or by-products.

The Group produces five primary metals being zinc, lead, copper, gold and silver. By-products which primarily consist of cadmium, germanium, gypsum, indium and sulphuric acid, are those products produced during the smelting conversion process, which are not the principal focus of the conversion process. By-products are recognised as finished goods inventory when, there exists a market for the product, the value can be reasonably estimated and the product does not require any additional processing. By-products are valued at the lower of cost and Net realizable value.

Stores and consumables are valued at cost with an allowance for obsolescence.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of conversion to finished goods and selling expense. The estimated costs of conversion are based on expected operating volumes processed in the ordinary course of operations.

As the Group applies hedge accounting, refer 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 largely offset by the hedge derivatives, which are also adjusted for fair value changes.

(h) Impairment of 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) Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for the group's activity. The fair value of the estimated consideration is allocated to all performance obligation based on the stand-alone selling prices and either recognised at a point in time or over time.

(i) Outright sale of commodities

Revenue from the sale of commodities is recognised when the 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. The majority of the sales contracts are 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 estimated 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. The group revises the estimates of variable consideration at each reporting date throughout the contract period. Any subsequent changes in the transaction price are recognised in revenue from contracts with customers.

(ii) Commodity swaps

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.

(iii) Freight and storage services

Revenue from freight and storage services is recognised over time based on the fulfillment of the performance obligation.

(l) 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 transaction 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.
- Effective interest rate expense on metal prepayment agreements

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.

Interest income is recognised as it accrues using the effective interest method.

(m) 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.

(n) 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 which are recognised at their principal amounts.

(o) 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 where the Group has ability and intension to extinguish its obligation by physically delivery. 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.

(p) 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).

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Ability of the Group to continue operate on a going concern basis (refer to note 2(a) Statement of Compliance)

In October 2018 the Group initiated a review of its capital structure in response to the challenging financial and operating conditions being faced by the Group. As at 31 December 2018, the Company was the ultimate holding entity of the Group. However, upon completion of the restructuring of the Nyrstar Group ("Restructuring") on 31 July 2019, the Company ceased its control over the operating entities that it controlled as at 31 December 2018 and the Group ceased trading in the form it traded in as at 31 December 2018 (refer to note 42: "Subsequent events" for a detailed description of the Restructuring). While the Company has ceased trading as a controlling holding company of the Operating Group (as defined below in note 42), it is continuing to trade as an investment company, holding 2% of the equity in the Operating Group for the benefit of Nyrstar NV shareholders. The liquidity of the Company is supported by funding and other ongoing support arrangements with NewCo (as defined below in note 42) which is the present controlling holding company of the Operating Group. These arrangements provide the Company with, among other things, a EUR 8.5 million committed limited recourse loan facility ("the Limited Recourse Loan Facility") that the Company can use on its terms to finance its ongoing operating activities. The original arrangements obliging Trafigura and NewCo to provide certain funding and support were entered into on 19 June 2019. The Limited Recourse Loan Facility between the Company and NewCo was subsequently entered into on 23 July 2019. Certain of these agreements only became fully effective on completion of the Restructuring on 31 July 2019. As a consequence of the Restructuring, the consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared on a basis that the Group has ceased to trade in the form it existed as at 31 December 2018 and is therefore other than that of a going concern.

Following the completion of the Restructuring on 31 July 2019, the Operating Group has liquidity provided by the post-restructuring facilities and by Trafigura. The liquidity of the Company is supported by the EUR 8.5 million committed Limited Recourse Loan Facility for the Company's ongoing ordinary course operating activities (such facility has an additional separate EUR 5 million tranche for litigation defence costs (if any)).

The conclusion of the directors that the Group's consolidated financial statements for the year ended 31 December 2018 are prepared on a basis other than that of a going concern has not altered the accounting policies as described in note 3 "Significant accounting policies" but has resulted in significant judgements being made by management in their application, including:

- The recoverable amount of assets and cash-generating units described in note 3 (h) "Impairment of non-financial assets" corresponds to their fair value less costs of disposal

- The operating entities of the Group are not presented as discontinued operation or as disposal groups held for sale as the conditions for such a classification were not met on 31 December 2018;
- The measurement basis of financial liabilities at amortised cost remains unchanged despite the fair values being lower at 31 December 2018 (note 3(c)(ii)); and
- The loans and borrowings (note 28) as well as the zinc prepayments (note 20) recognised as other financial liabilities have been presented based on the contractual due dates at 31 December 2018, even though the Restructuring has resulted in a full or partial extinguishment of these liabilities of the Group.

Ability of the Group to process intermediate inventories (note 21)

The Group's work in progress includes intermediate inventories (as defined in the accounting policy on inventories). These inventories include materials that are produced at one Nyrstar operation and are further processed by the same operation or by another Nyrstar operation. The product flows are principally between the Australian smelters and from the European smelters to the lead smelter in Port Pirie as well as between the European smelters. Within the Australian operations, the movement of intermediate inventories form a closed loop where the outputs of the Hobart operation are further processed at the Port Pirie operation and vice-versa. The Group has stockpiled significant quantities of intermediate inventories in the expectation that the redeveloped Port Pirie smelter, which was commissioned and ramping up over 2018, will process this material.

A key judgement is whether the intermediate inventories recognised on the Group's balance sheet will be recovered through further processing or sale. The Group recognises in inventories those materials that it expects to process in the foreseeable future, generally within the next three to five years. Changes in estimates are adjusted for on a prospective basis. The estimated carrying value of the contained metal in work in progress relating to the Group's most significant volumes of intermediate inventories (residues and internal recycling inventories stockpiled at Port Pirie) is EUR 197.1 million (2017: EUR 120.5 million). During 2018, the Group processed 163.3 DMT (2017: 87.7 DMT) of these residue materials.

Revenue from contracts with customers (note 8)

The Company's operations and main revenue streams are consistent with those described in the last annual financial statements. The Company's revenue is derived primarily from contracts with customers, except for immaterial accounts related to hedge accounting. The nature and effect of initially applying IFRS 15 as at 1 January 2018 are explained in the basis of preparation and significant accounting policies (note 2).

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 2018 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. As stated above, the operating entities of the Group are not presented as discontinued operation or as disposal groups held for sale as the conditions as the conditions for such a classification were not met on 31 December 2018.

Classification and measurement of the Perpetual Securities (note 26)

For year ended 31 December 2018, significant judgement was required to classify the perpetual securities (the Securities) as financial liabilities or entirely equity.

In December 2018 Nyrstar entered into the Trade Finance Framework Agreement (“TFFA”) with Trafigura (note 39). Under the terms of the TFFA, Nyrstar agreed to grant securities over the shares of various group entities including Nyrstar Port Pirie Pty Ltd (“NPP”).

At 31 December 2018, Nyrstar Hobart Pty Ltd, the owner of NPP, granted securities over 19.9% shares in NPP. While at 31 December 2018 Nyrstar NV owned legally and beneficially 100% of NPP, it was not in Group’s sole control to avoid Nyrstar NV ceasing the legal and beneficial ownership (directly or indirectly) of 100% of the issued voting shares of NPP, which is one of the Early Redemption Event (“ERE”) of the Securities. As such, the Securities have been accounted for as financial liabilities at 31 December 2018 (note 28).

For year ended 31 December 2017, 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.

The Group has provided additional disclosure about the terms of the Securities in note 26.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Inventory valuation - estimating the cost value of work in progress (note 21)

Accounting for inventory involves the use of estimates, particularly related to the measurement and valuation of work in progress inventory within the production process. Key estimates include determining: i) the physical volumes of intermediate inventories stockpiled by the Group, ii) quantities of contained metals included in the work in progress inventories; and iii) the allocation of cost to inventories. The quantity of concentrates and intermediate materials (included in work in progress – refer below) are estimated through the use of surveys and metal assays. The estimated metal recoveries are based on the results of assays of contained metals and historical production results. Qualified technical staff in certified laboratories undertake the metal assays. Assay results are periodically tested by further technical analysis and comparison to historical recovery rates from the conversion process.

Inventory valuation - estimating the net realizable value of work in progress (note 21)

In determining the net realisable value of work in progress a key estimate is the expected rate of recovery of the contained metal. The Group has estimated the following recoveries of the primary metals: zinc (93.7%), lead (95.1%), copper (86.7%), gold (99.6%) and silver (95.2%). The recoveries in the Group’s zinc smelters are relatively stable. At Port Pirie the slag fuming processing constraint negatively impacts mainly the zinc recoveries into zinc fume. The Port Pirie smelter is currently recovering 70.5% of zinc into fume and 95.1% of lead into market metal. A reduction of 5% zinc recovery into fume would decrease the headroom between the carrying value and net realisable value by EUR 4.2 million and a reduction of 5% lead recovery into market metal would decrease the headroom between the carrying value and net realisable value by EUR 4.6 million.

Inventory valuation - change in estimate relating to the application of FIFO costing (note 21)

The Group's inventories of raw materials, work in progress and finished goods are centralised in Nyrstar Sales & Marketing AG, the Swiss commercial hub of the Group. With the re-development of the Port Pirie smelter, commissioned in January 2018, the Group operates its smelters as a truly integrated smelting network.

During 2018, Nyrstar migrated to a new metal accounting system to enhance its capabilities to track the recoverable metals (both paid and unpaid metal) in inventory. Nyrstar allocates costs to the work in progress and finished goods inventory on a global FIFO basis as all of its raw material, work in progress and finished goods inventory are of a similar nature and use, regardless of their location. Prior to 2018, the Group allocated costs to work in progress and finished goods inventory on a FIFO basis at a smelter level. In addition to the change to a global FIFO basis the unit of account was changed to contained metal rather than a specific type of product, meaning that costs are allocated and tracked through the inventory system based on the metal inputs into the conversion process as compared to different products at each stage of the conversion process. The global approach allows the recoverable metals to be more effectively monitored through the conversion phases and allocated the appropriate conversion costs, particularly where materials are transferred between Nyrstar sites. The overall costs allocated to inventory by the Group remains unaltered by the change to a global FIFO basis and the change in the unit of account to contained metal.

The estimated quantity of contained metal in the concentrate feed consumed is determined based on the available weights and assays of the purchased raw material. The purchase contracts will specify the percentage of the contained metal in the materials that Nyrstar is required to pay for (the "Payable Metal"). Metal recoverable in excess ("Unpaid Metal") of the Payable Metal are not required to be paid for by Nyrstar.

With the commissioning and ramp-up of the redeveloped Port Pirie multi-metals facility in Australia in 2018, Nyrstar's Metals Processing operations are now a more integrated business capable of recovering increased percentages of Unpaid Metals. This increases the importance of precise tracking of the metal recoveries and losses in Nyrstar's Metal Processing operations for both Paid and Unpaid Metals. Unpaid Metals are included in the inventory system at no cost.

As part of this process, Nyrstar performed a detailed analysis of the contained metals included in inventory and its ability to recover the metals. As a result of this analysis, the Group increased its estimated recoverable volume of contained metal in its work in progress inventory. Additional estimated quantities of Unpaid Metal (relating to zinc, lead, silver and gold) were processed and sold within the year ended 31 December 2018. These Unpaid Metals displaced other raw material inputs with higher portions of payable metal resulting in an increase in the free metal and by-product gross profit for the period of EUR 18.8 million.

Management has estimated the impact of the introduction of the global inventory cost allocation on the 31 December 2018 income statement. The inventory values at 31 December 2018 are EUR 22.5 million 4% higher than they would have been prior to the change. The change to a Global FIFO and contained metal unit of account results in different timing in the allocation of cost of sales.

Impairment of non - financial assets (note 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. Given the impacts of the capital restructuring, the Group has used fair value less costs to sell to determine the recoverable amount of its non-financial assets at 31 December 2018. 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 14)

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.
- iii) Expected changes to the tolling fee rate paid by the Swiss subsidiary to the smelter network as of 2019.
- iv) Impact of the Restructuring on the ability of the Group to utilise the tax losses subsequent to the completion of the restructuring

The Group applied sensitivity testing by assuming a further conservative scenario (note 14).

Fair value

The Group has applied estimates and judgments related to the fair value estimates in accounting for discontinued operations (note 10), 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 16), 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.

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 note(23)

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 and expected 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 2018, no guarantees were outstanding to external customers except for an uncapped guarantee related to electricity purchases in France (31 December 2017 : nil).

(c) Liquidity risk

Under the normal operating conditions, liquidity risk arises from the possibility that Nyrstar will not be able to meet its financial obligations as they fall due. The Group aims to manage liquidity risk 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) (note 35), perpetual securities (note 26) and commodity prepayment agreements (including those agreements classified as financial liabilities in note 35 and as deferred income in note 32).

Nyrstar uses different means of funding 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. As the liquidity and the financial situation of the Company deteriorated in 2018, the Company did not comply with its financial covenants at 31 December 2018 (note 4). The non-compliance with the financial covenants did not impact the classification of the financial liabilities as the financial liabilities subject to the financial covenants have already been classified as current at 31 December 2018 (note 28).

Subsequent to the 31 December 2018, the financial liabilities subject to the financial covenants have been restructured as a part of the Group's capital restructuring process (Note 42).

(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 (note 35(a)). Any gains or losses realised from the commodity price risk hedging arrangements are ultimately recorded within the operating result. Any gains or losses realised from strategic hedges are recorded in OCI.

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 9) 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 (note 35).

(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 and systems to perform the necessary analysis. Interest rate risk is measured by maintaining a schedule of all financial assets, financial liabilities and interest rate hedging instruments. During 2018 Nyrstar was exposed to interest rate movements on the SCTF Credit Facility, the loans from related parties (note 35(f)) and the Trade Finance Agreement (note 39). 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

Under the normal operating conditions, 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.

In October 2018 the Group initiated a review of its capital structure in response to the challenging financial and operating conditions being faced by the Group. These conditions subsequently led to the substantial working capital and liquidity outflows experienced by the Group during the fourth quarter of 2018 and first quarter of 2019 necessitating the raising of urgent funding to enable the Company and the Group to continue its operations. Combined with the Group's materially reduced Underlying EBITDA performance in 2018 and the maturing of certain liabilities during 2019, these factors resulted in the need to reconsider the Group's capital structure (Note 42).

6. Exchange rates

The principal exchange rates used in the preparation of 2018 financial statements are (in EUR):

	Annual average		Year end	
	2018	2017	2018	2017
United States dollar	1.1809	1.1299	1.1456	1.1995
Australian dollar	1.5797	1.4731	1.6226	1.5348
Canadian dollar	1.5293	1.4648	1.5603	1.5050
Swiss franc	1.1550	1.1119	1.1272	1.1701

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 IFRS 9 "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 2018, EUR million	Metals Processing	Mining	Other and eliminations	Total
Revenue from external customers	3,807.7	4.6	-	3,812.3
Inter-segment revenue	0.2	266.4	(266.6)	-
Total segment revenue	3,807.9	271.0	(266.6)	3,812.3
Payable metal / free metal contribution	380.8	282.0	-	662.8
Treatment charges	231.6	(27.7)	-	203.9
Premiums	149.7	0.1	-	149.8
By-products	222.2	15.9	-	238.1
Other	(120.9)	(13.7)	(2.4)	(137.0)
Gross Profit	863.4	256.6	(2.4)	1,117.6
Employee expenses	(217.6)	(91.9)	(26.9)	(336.4)
Energy expenses	(259.0)*	(22.8)	(0.1)	(281.9)
Other expenses / income	(250.3)**	(122.2)	(23.2)	(395.7)
Direct operating costs	(726.9)	(236.9)	(50.2)	(1,014.0)
Non-operating and other	(1.8)	(0.3)	(3.0)	(5.1)
Underlying EBITDA	134.7	19.4	(55.6)	98.5
Depreciation, depletion and amortisation				(162.5)
M&A related transaction expense				(1.4)
Restructuring expense				(22.0)
Impairment loss				(130.3)
Other income				2.7
Other expenses				(30.2)
Embedded derivatives				1.8
Net finance expense				(151.3)
Income tax expense				(250.4)
Loss from discontinued operations, net of taxes				(4.4)
Loss for the period				(649.5)
Capital expenditure	(126.3)	(100.9)	(1.5)	(228.7)

* Net of EUR 25.2 million recharge of energy costs to external parties

** Net of EUR 4.4 million recharge of other costs to external parties

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)	-
Total segment revenue	3,524.5	257.4	(251.4)	3,530.5
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)
Gross Profit	855.6	218.0	0.7	1,074.3
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)
Direct operating costs	(649.1)	(177.2)	(48.9)	(875.2)
Non-operating and other	(0.7)	6.3	0.6	6.2
Underlying EBITDA	205.8	47.1	(47.6)	205.3
Depreciation, amortisation and depletion				(155.8)
M&A related transaction expense				(0.2)
Restructuring expense				(4.1)
Impairment reversal				126.1
Other income				8.5
Other expenses				-
Embedded derivatives				(2.6)
Net finance expense				(207.1)
Income tax benefit				36.9
Gain from discontinued operations, net of taxes				36.9
Profit for the period				46.5
Capital expenditure	(302.8)	(58.4)	(3.0)	(364.2)

* 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	2018	2017
Belgium	746.2	672.4
Rest of Europe	1,297.9	1,121.8
Americas	512.5	431.2
Australia	787.8	905.7
Asia	429.2	362.1
Other	38.7	37.3
Total	3,812.3	3,530.5

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 25.7% and 11.4%

respectively, of the total Group's sales, reported in the Metals Processing segment. (2017: Glencore International plc: 28.1%, Trafigura Group Pte. Ltd: 14.2%).

(b) Non-current assets

EUR million	31 Dec 2018	31 Dec 2017
Belgium	223.3	227.4
Rest of Europe	265.3	270.2
North America	351.1	394.8
South America	1.0	0.9
Australia	754.5	800.3
Total	1,595.2	1,693.6

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

8. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The Group derives the majority of its revenue from the transfer of goods at a point in time. For the Incoterms Cost, Insurance and Freight ("CIF") and other similar Incoterms, the seller must contract for and pay the costs of freight necessary to bring the goods to the agreed location. For some contracts with the Incoterms Ex Works, Nyrstar is providing storage services after control of the goods have been transferred to the customer.

Recharges for freight expenses in the amount of EUR 50.0 million (2017: EUR 50.3 million) are included in total revenues from contracts with customers for the year ended 31 December 2018.

The group's revenue from contracts with customers is disaggregated along the following major lines of products (a disaggregation along geographic areas is provided in Note 7 Segment reporting):

EUR million	2018	2017
Commodities		
Zinc	3,000.9	2,705.1
Lead	354.8	380.1
Copper	65.1	57.1
Gold	112.9	103.0
Silver	243.4	264.1
Others	35.2	21.1
Total revenue from contracts with customers	3,812.3	3,530.5

(b) Provisional pricing revaluations

Accrued sales relate to sales made before the end of the year that have not been invoiced at the balance sheet date. Reasons for such delays include the need to determine final pricing, quantity delivered and quality analysis. All are typical of the industry in which the Group operates. The nature of the products sold by the Group is such that adjustments may be made to prices in the situation where the specification of the commodities delivered deviate from the terms agreed in a contract with a customer.

The Group has considered whether revenue arising from the sales of such products should be constrained under the IFRS 15 rules as a variable consideration. Based on the initial assessment, the Group concluded that the potential impact is immaterial.

Gains and losses in revenue from contracts with customers in relation to the subsequent re-measurement of commodity sales with prices determined provisionally at the date of sale and final price determined within a mutually agreed quotation period and the quoted market price at that time are disclosed in Note 35 Financial Instruments.

(c) Trade receivables factoring program

At 31 December 2018 the group had in place a trade receivable factoring program to monetise (on a non-recourse basis) a certain portion of its trade receivables. As the factoring arrangement is on a non-recourse basis, the trade receivables subject to the factoring have been derecognised from the group's balance sheet when they were sold. As at 31 December 2018, the group derecognised EUR 100.9 million of the sold receivables (31 December 2017: EUR 74.7 million).

9. Acquisition and disposal of business

Acquisitions

No acquisitions for the twelve months ended 31 December 2018 and 2017.

Disposals

No disposals for the twelve months ended 31 December 2018.

In 2017, Nyrstar disposed of its controlling interest in the Campo Morado mine, Coricancha mine and Contonga mines (note 10).

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
Total non-current assets		1.6	26.1	22.6	50.3
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
Total current assets		3.8	1.5	8.4	13.7
Provisions		9.8	6.9	8.7	25.4
Total non-current liabilities		9.8	6.9	8.7	25.4
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
Total current liabilities		3.1	2.9	4.6	10.6
					-
Carrying value of net (assets) / liabilities disposed		7.4	(17.8)	(17.7)	(28.1)
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)
Net gain / (loss) on disposal		1.1	28.4	1.3	29.2
					-
Cash and cash equivalents received		0.1	3.1	17.7	20.9
Less: cash and cash equivalents disposed		0.1	-	2.2	2.3
Cash received from disposals in 2016		-	-	-	9.4
Net cash received from disposal		-	3.1	15.5	28.0

10. Discontinued operations

Campo Morado mine

In April 2017 Nyrstar entered into a Share Purchase Agreements to sell its Campo Morado mine in Mexico to Telson Resources Inc. ("Telson") and Reynas Minas S.A. de C.V. ("Reynas Minas") with Telson owning 99.9% and Reynas Minas owning 0.1% pursuant to the agreement. Total cash consideration was USD 20 million, plus the potential for additional future proceeds through the creation of a new royalty on the Campo Morado mine.

Of the remaining payable to Nyrstar amounting to USD 16.5 million (EUR 14.2 million), as agreed in 2017, USD 8.0 million (EUR 6.9 million) was paid to Nyrstar in June 2018 and the parties agreed the remaining USD 8.5 million (EUR 7.3 million) of the Consideration to be repaid by Telson based on a repayment schedule with final payment to be made until 31 October 2019. The outstanding balance as at 31 December 2018 amounted to USD 5.5 million. As the Group considers the recoverability of this amount due from Telson as doubtful, the whole outstanding amount of EUR 4.8 million (USD 5.5 million) (note 15) was written off as at 31 December 2018. The write-off was included in the line "Other expense" included in the Income Statement in the loss from continued operations.

El Toqui mine

In November 2016 the Company finalised the sale of the El Toqui mine in Chile to Laguna Gold Limited ("Laguna"). In 2018 the sale has been completed and a final settlement payment of USD 1.7 million (EUR 1.5 million) has been made settling any liability owing in respect of the environmental prosecutions indemnity of up to USD 3.0 million (EUR 2.6 million) that was provided by Nyrstar at the sale of the El Toqui mine. In December 2018 the directors of Laguna appointed an administrator in accordance with the Australian Corporations Act as the directors considered that the company is insolvent or will likely become insolvent. Full outstanding balance of EUR 25.4 million (note 15) due from Laguna was written-off at 31 December 2018, as the Group does not expect to be able to recover it. The write-off was included in the line "Other expense" included in the Income Statement in the loss from continued operations.

El Mochito mine

In December 2016 the Company finalised the sale of the El Mochito mine in Honduras to Ascendant Resources Inc. During 2018 the Company agreed with the purchaser a final settlement payment of USD 1.5 million (EUR 1.3 million) that has been fully paid, and has agreed to a loan forgiveness of USD 1.5 million (EUR 1.3 million). Upon this settlement, the Company was released from all previously provided indemnities provided to the purchaser of the El Mochito mine.

Contonga mine

On 14 December 2016 Nyrstar announced to sell its Contonga mine in Peru to subsidiaries of Glencore plc for a total cash consideration of USD 21.0 million (EUR 19.9 million). Closing of the Transaction was subject to customary closing conditions, which were finalised on 1 September 2017. At that date the sale has been recognized.

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 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).

A revised closure plan for the old tailing storage facility was developed in 2017 and approved by the Ministry of Energy and Mines in March 2018. Based on the cost estimate included, the reclamation works described in the plan is expected to be immaterial.

There have been no developments related to the disposal of the Contonga mine in 2018.

Quebec mineral claims

At the same time as the Contonga sale 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 a cash consideration of USD 5 million (EUR 4.7 million). The transaction closed in April 2017 and the Group recognised the sale of the Quebec mineral claims, which had a carrying value of Nil at that time.

Coricancha mine

In December 2016 Nyrstar announced to sell its Coricancha mine in Peru to Great Panther Silver Limited 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). 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, Nyrstar provided a guarantee for a value of USD 9.7 million (EUR 8.5 million) as security in favour of the Ministerio de Energia y Minas of Peru for closure obligations of the Coricancha mine (the Mine Closure BondTM). This Mine Closure Bond is secured by a cash-backed account for the full exposure in favour of the issuing bank guarantor, the balance of which is included in the Company's restricted cash. Upon closing, Nyrstar will recognise a financial liability to account for this matter. 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 favour 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 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 again.

Additionally, the Company has agreed to fund certain reclamation works of the Coricancha mine of up to USD 20.0 million (EUR 19.0 million). The best estimate of this liability amounting to USD 10.6 million (EUR 9.3 million) has been included as a part of the sales consideration of the mine. The transaction closed on 30 June 2017 at which point the Group recognised the sale of the Coricancha mine.

There have been no developments related to the disposal of the Coricancha mine in 2018.

11. 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 2018 income statement amounts to EUR 1.4 million (2017: EUR 0.2 million). The costs incurred in 2018 and 2017 relate to the disposal of the mining assets of the Group.

12. Employee benefits expense

EUR million	2018	2017
Wages and salaries	(297.7)	(279.9)
Compulsory social security contributions	(23.1)	(24.3)
Contributions to defined contribution plans	(4.1)	(4.6)
Expenses related to defined benefit plans	(6.0)	(6.7)
Equity and cash settled share based payment transactions, incl. social security	(5.5)	(2.7)
Total employee benefits expense	(336.4)	(318.2)

13. Finance income and expense

EUR million	2018	2017
Interest income	3.8	4.2
Time value of options	8.5	-
Total finance income	12.3	4.2
Interest expense	(128.3)	(104.4)
Unwind of discount in provisions	(9.1)	(8.5)
Other finance charges	(32.7)	(29.2)
Time value of options	-	(9.3)
Total finance expense	(170.1)	(151.4)
Net foreign exchange gain / (loss)	6.5	(59.9)
Net finance expense	(151.3)	(207.1)

The time value of options was recognised as a finance expense in 2017 and was recognised in finance income in 2018 as the time value of the options decreased, in line with the maturities of the options.

14. Income tax

(a) Income tax recognised in the income statement

EUR million	2018	2017
Current income tax expense	(6.0)	(3.1)
Deferred income tax (expense) / benefit	(244.4)	41.6
Total income tax (expense) / benefit	(250.4)	38.5
of which:		
Income tax (expense) / benefit from continuing operations	(250.4)	36.9
Income tax benefit from discontinued operations	-	1.6

(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	2018	2017
Profit / (loss) before income tax	(394.7)	8.0
Tax at aggregated weighted average tax rate	96.2	(7.2)
Aggregated weighted average income tax rate	24.4%	90.0%
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-taxable amounts	(9.5)	(2.4)
Non-recognition of tax losses and temporary differences	(344.2)	(11.1)
Recognition of previously unrecognised tax losses and temporary differences	1.3	50.0
Overprovision for previous years	(2.0)	7.0
Unrecoverable withholding tax	(0.2)	(0.6)
Net adjustment to deferred tax balances due to tax rate change in foreign jurisdiction	2.6	(2.7)
Tax rate impact from discontinued operations	(1.2)	7.7
Foreign exchange differences	0.6	(4.2)
Other	6.0	2.0
Total income tax benefit / (expense)	(250.4)	38.5
Effective income tax rate	-63.4%	-481.3%

The change in the aggregated weighted average income tax rate compared to year ended 31 December 2017 is due to the variation in the relative weight of subsidiaries' profits and the change in the Group's result from a profit before tax into a loss before tax.

Nyrstar recognised an income tax expense for the year ended 31 December 2018 of EUR 250.4 million (2017: income tax benefit of EUR 38.5 million) representing an effective income tax rate of -63.4% (for the year ended 31 December 2017: -481.3%). The tax rate is impacted by non-recognition of current year losses, and by the de-recognition of previously recognised losses relating mainly to Nyrstar Sales & Marketing AG and the Nyrstar Canadian Group given it is not probable that these tax losses will be used in the future considering forecast profit projections. The tax rate is further impacted by the non-recognition of previously recognised losses in the Nyrstar US Group as technical analyses of change of control loss limitations are ongoing.

The Group has in 2018 assessed the material impacts of the tax reforms enacted in countries where it operates based on the available information on the legislative changes. To the extent new information on application of these and other legislative changes around the world relating to the specific circumstances of the Group become available, adjustments to tax assets and liabilities may be required in subsequent periods.

(c) Income tax recognised in other comprehensive income

EUR million	2018	2017
Income tax (expense) / benefit recognised on cash flow hedges	(6.6)	1.0
Income tax expense recognised on defined benefits pension schemes	(1.8)	(0.8)
Total income tax recognised directly in other comprehensive income	(8.4)	0.2

(d) Recognised deferred income tax assets and liabilities

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

EUR million	31 Dec 2018	31 Dec 2017
Assets:		
Employee benefits	16.5	12.6
Provisions	33.8	29.6
Property, plant and equipment	7.1	7.6
Payables / receivables	1.1	2.4
Tax losses carried forward	100.0	338.7
Other	1.4	2.0
Total	159.9	392.9
Set off of tax	(66.2)	(60.8)
Deferred tax assets	93.7	332.1
Liabilities:		
Embedded derivatives	(33.4)	(19.4)
Property, plant and equipment	(83.3)	(94.5)
Payables / receivables	(15.9)	(12.5)
Other	(2.0)	(2.1)
Total	(134.6)	(128.5)
Set off of tax	66.2	60.8
Deferred tax liabilities	(68.4)	(67.7)
Deferred tax - net	25.3	264.4
Income statement:		
Employee benefits	3.8	(14.6)
Provisions	4.1	13.5
Property, plant and equipment	10.8	22.3
Payables / receivables	(7.4)	(6.9)
Tax losses carried forward	(248.0)	23.6
Embedded derivatives	(7.4)	(2.6)
Change in consolidation scope	-	1.8
Other	(0.3)	4.5
Total	(244.4)	41.6
Reconciliation of deferred tax - net:		
As at 1 Jan	264.4	255.2
Deferred income tax (expense) / benefit	(244.4)	41.6
Recognised in OCI	(8.4)	0.2
Deferred tax from disposed operations	-	(1.8)
Provision for unrealized foreign exchange result	2.6	2.5
Currency translation effects	11.1	(33.3)
As at 31 Dec	25.3	264.4

EUR 84.0 million (31 December 2017: EUR 329.7 million) of the net deferred tax assets arise in entities that were loss making in either 2018 or 2017.

In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered including analysis of historical operating results and assessment of the approved budgets, forecasts and the five-year business plan. The forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Our assessment of the impact of a change of control on our deferred tax attributes is that it is

largely isolated to the US Group and does not impact our Swiss subsidiary's losses on the premise that it continues to operate as a fully functioning principal for the metals processing business segment.

The most significant net deferred tax assets arise in the Company's subsidiaries in Switzerland and in Canada, where the Company has recognised a net deferred tax asset of EUR 75.1 million (2017: EUR 242.6 million) for NSM AG and EUR 8.9 million (2017: EUR 27.2 million) for Myra Falls, respectively. The deferred tax asset in the USA was Nil (2017: EUR 59.9 million). The overall derecognition of the deferred tax assets recognised in the 31 December financial statement amounted to EUR 335.9 million.

Switzerland

Swiss tax law allows for a seven year carry-forward period for tax losses. The Group's Swiss subsidiary is the principal entity for the Metals Processing segment, and as such is responsible for raw material purchases and sales of the Group's products including but not limited to inventory management and supply chain operations. 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. 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 losses recurring in the future, nature and predictability of future taxable income in the Swiss subsidiary, and the impact of the time limit for the utilisation of tax losses in Switzerland. The Group has not assumed any future changes to the financial structure or interest expense in the Swiss subsidiary following the completion of the Restructuring in the assessment of the recoverability of the deferred tax assets. Based on the evaluation of updated forecasts of the Swiss subsidiary it was determined that it is probable that a lower level of taxable profit will be generated in the future against which fewer tax losses can be utilised before they expire over the next five years. The Group has partially derecognised previously recognised losses to align with the forecast taxable profits over the five year period.

The key assumptions included in the assessment of the recoverability of the tax losses previously incurred by the Swiss entity are both those linked to its breadth of functions performed and assets and risks managed enabling it to act as the principal trading entity and those that drive the profitability of the Metals Processing Segment. The key assumptions include:

- i) Commodity prices, treatment charges, exchange rates and production volumes 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;

The Group applied a combined sensitivity test by modelling a further conservative scenario assuming a 20% reduction in the forecasted profitability of the Port Pirie Redevelopment and a 10% reduction in the forecasted profitability of the legacy zinc smelters. Under this scenario, the Group does not have any headroom but would expect to fully utilise the recognised tax losses within seven years.

US tax group

The US tax group consists of all of the Group's US subsidiaries, including Nyrstar Holdings Inc and Nyrstar Clarksville Inc, that operate and own the assets of the East and Middle Tennessee Mines and the Clarksville smelter respectively.

The Group assessed the recoverability of the deferred tax asset as at 31 December 2018. The Group concluded that it was probable there would be a change in control under the Restructuring and as at 31 December 2018 did not have sufficient certainty to determine the tax losses available subsequent to change of control. Therefore, the Group fully derecognised the deferred tax assets in the US tax Group. The Group will continue to assess the level of recognition of the tax losses subsequent to the completion of the Restructuring.

Canada

The Group has fully derecognised the deferred tax assets related to losses incurred by the Langlois mine in Canada. This is on the basis the mine has been impaired (note 17).

The Group has recognised a portion of the deferred tax assets related to losses incurred by the Myra Falls mine. Canadian tax law allows for a twenty-year carry-forward period for tax losses. The brought forward tax losses were largely incurred during years 2015 to 2017 when the mine was under care and maintenance (starting 1 July 2015). In 2017 the mine was subject to a detailed review and has been ramping up during 2018.

Management conducted an assessment of the recoverability of the deferred tax assets in Myra Falls. Management tested the recoverability by limiting the profitability of the mine to the next five years on the basis that this is the period that reflects the detailed mine plan and the reserves that have the highest geological confidence of extraction. Based on this assessment, the Group has concluded the deferred tax asset of EUR 8.9 million is recoverable.

(e) Unrecognised deductible temporary differences and tax losses

EUR million	Net deductible temporary differences	Tax loss carry forward	Total Dec 31, 2018	Net deductible temporary differences	Tax loss carry forward	Total Dec 31, 2017
No expiration date	88.5	350.2	438.7	123.6	335.0	458.6
Expiration date within 4 years	-	882.3	882.3	-	107.3	107.3
Expiration date 4 to 7 years	-	55.1	55.1	-	50.6	50.6
Expiration date over 7 years	-	870.4	870.4	-	531.0	531.0
Total	88.5	2,158.0	2,246.5	123.6	1,023.9	1,147.5

(f) Future Changes to Requirements on Determination of Uncertain Tax Positions

In 2017, the International Accounting Standards Board (IASB) has published IFRIC 23 “Uncertainty over Income Tax Treatments” developed by the IFRS Interpretations Committee to clarify the accounting treatment of uncertainties in income taxes. The interpretation is applicable to annual reporting periods beginning on or after 1 January 2019.

This interpretation will be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, where there is uncertainty over income tax treatments under IAS 12. IFRIC 23 sets out additional requirements to those in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

In accordance with IFRIC 23, the Company has conducted a review to identify any uncertain tax positions at 31 December 2018, including an evaluation of any such positions to assess whether it is probable that the relevant tax authority will accept each tax treatment that has been used or that the Company plans to use in its income tax filing. The Company has concluded that no additional provisions are required at this time, but continues to monitor and assess the situation.

(g) Unremitted earnings

As at 31 December 2018, positive unremitted earnings of EUR 720.0 million (31 December 2017: EUR 668.7 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.

(h) 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 2018, 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 2018 is between nil and EUR 54 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 assessments issued for the years ended 31 December 2011, 31 December 2013 and 31 December 2014.

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 2018 court decision which imparted perceived facts not in dispute between the parties and outside the scope of the appeal. Nyrstar continues to defend itself having filed an appeal to the Supreme Court in February 2019 and remains confident that it has a strong position, which will prevail. Nyrstar has not recorded a provision in respect of these matters.

15. Other expense

EUR million	2018	2017
Stock movement - conversion costs	(1.6)	6.9
Other tax expense	(10.8)	(11.0)
Travel expense	(5.2)	(4.4)
Operating lease	(24.4)	(14.8)
Insurance expense	(6.0)	(5.8)
Royalties	(4.7)	(2.5)
Communication expenses	(2.4)	(2.8)
IT costs	(2.4)	(2.2)
Memberships/subscriptions	(1.6)	(1.9)
Training	(3.0)	(1.6)
Write off of outstanding assets related to the disposal of the El Toqui and the Campo Morado mines	(30.2)	-
Bad debt (expenses) / reversal	(2.9)	2.4
Short term rental	(4.0)	(2.9)
Other	(8.0)	5.1
Total other expenses	(107.2)	(35.5)

Other expenses of EUR -8.0 million (2017: EUR 5.1 million) comprise a number of individually immaterial items that cannot be allocated to any other category.

16. 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		192.0	2,107.2	465.9	87.0	154.9	3,007.0
Accumulated depreciation and impairment		(60.2)	(968.6)	(303.4)	-	(84.8)	(1,417.0)
Carrying amounts		131.8	1,138.6	162.5	87.0	70.1	1,590.0
As at 1 Jan 2018		131.7	641.3	233.6	632.2	51.6	1,690.4
Additions		2.6	70.2	11.7	137.8	5.6	227.9
Restoration provision adjustments	29	-	-	2.4	-	-	2.4
Transfers		12.1	597.1	27.8	(679.6)	40.8	(1.8)
Disposals		(0.4)	(0.2)	-	-	-	(0.6)
Depreciation expense		(6.5)	(114.9)	(18.1)	-	(20.1)	(159.6)
Impairment	17	(7.4)	(17.3)	(95.2)	(1.9)	(6.8)	(128.6)
Currency translation effects		(0.3)	(37.6)	0.3	(1.5)	(1.0)	(40.1)
As at 31 Dec 2018		131.8	1,138.6	162.5	87.0	70.1	1,590.0

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

* 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

The carrying amount of property, plant and equipment accounted for as finance lease assets at 31 December 2018 is EUR 0.2 million and is classified as plant and equipment (2017: EUR 0.3 million). The carrying amount of exploration and evaluation expenditure at 31 December 2018 is EUR 5.8 million and is included in mining properties and development (2017: EUR 10.3 million). The additions (including transfers from under construction) to the carrying amount of the exploration and evaluation expenditure during 2018 were EUR 8.1 million (2017: EUR 6.7 million).

The total gains on sales of property, plant and equipment in the 2018 income statement amount to EUR 2.2 million (2017: EUR 1.0 million).

17. Impairment

2018

In the year ended 31 December 2018, Nyrstar recognised pre-tax net impairment loss of EUR 117.2 million related to the mining segment and EUR 11.4 million related to the metal processing segment. 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)	whereof		
		PP&E	Investments	Other
Continuing operations				-
Langlois	(62.6)	(62.6)	-	-
Myra Falls	(54.6)	(54.6)	-	-
Mining	(117.2)	(117.2)	-	-
Port Pirie	(11.4)	(11.4)	-	-
Metals processing	(11.4)	(11.4)	-	-
Total continuing operations	(128.6)	(128.6)	-	-

(note 16)

2017

In the year ended 31 December 2017, Nyrstar recognised pre-tax net impairment reversal of EUR 142.2 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
Continuing operations				
Myra Falls	89.5	89.5	-	-
Middle Tennessee Mines	36.6	36.6	-	-
Mining	126.1	126.1	-	-
Total continuing operations	126.1	126.1	-	-
(note 15,16)				
Discontinued operations (note 9)				
Campo Morado	19.5	19.5	-	-
Contonga	(4.2)	(4.2)	-	-
Coricancha	0.8	0.8	-	-
Total discontinued operations	16.1	16.1	-	-
Total	142.2	142.2	-	-

Impairment testing

Recoverable value was determined in its functional currency on the basis of fair value less cost of disposal (FVLCD) for each cash generating unit ("CGU"). The FVLCD for Langlois and Myra Falls 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 mine), 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 mine, 2 years for Langlois and 10 years for Myra Falls.

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 rate 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 2024. The ranges of prices used are outlined in the table below showing the high and low prices over the period of assumed cash flows:

2018

	Low	High	Long term
Commodity prices (USD)			
Zinc (per tonne)	2,344	3,097	2,344
Lead (per tonne)	1,954	2,317	1,954
Copper (per tonne)	6,531	7,518	6,585
Gold (per ounce)	1,248	1,355	1,248
Silver (per ounce)	16	19	18
Foreign exchange rates (versus USD)			
Canadian Dollar	1.30	1.33	1.33

2017

	Low	High	Long term
Commodity prices (USD)			
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
Foreign exchange rates (versus USD)			
Canadian Dollar	1.14	1.40	1.26

The treatment charges ("TC") assumptions are based on the benchmark TC as a reference point. The benchmark TC are adjusted for individual operations to reflect the specific characteristics of the concentrates. These adjustments are based on a combination of existing contractual terms and inputs from the Company's raw commercial forecasts.

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 on property, plant and equipment are outlined in the table below:

	Discount rates 2018	Discount rates 2017
Langlois	8.30%	7.70%
Myra Falls	8.21%	7.70%

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 Langlois 25% and for Myra Falls 12% of total reserves and resources included in the Company's impairment models are inferred resources.

The Langlois CGU includes the mine and its processing plant and belongs to the Mining reporting segment. The recoverable amount of the Langlois CGU at 31 December 2018 of negative EUR 9.9 million has been determined based on a FVLCD calculation. As a result of this analysis, management has recognised an impairment charge of EUR 62.6 million in the current year against fixed assets with a carrying amount of EUR 62.6 million prior to impairment recognition. The impairment charge is recorded within Impairment loss in the income statement. The decision to fully impair the non-current assets of the Langlois mine was a result of further analysis performed in 2018 on the economically extractable resources. Based on this analysis, it was determined that the life of mine had shortened making the mine no longer economically viable.

The Myra Falls CGU includes the mine and its processing plant and belongs to the Mining reporting segment. The recoverable amount of the Myra Falls CGU at 31 December 2018 of EUR 114.0 million has been determined based on a FVLCD calculation. It was concluded that the value in use did not exceed the FVLCD. As a result of this analysis, management has recognised an impairment charge of EUR 54.6 million in the current year against fixed assets with a carrying amount of EUR 187.0 million prior to impairment recognition. The impairment charge is recorded within Impairment loss in the income statement. The impairment is mainly driven by the higher ramp-up capital expenditure than initially expected and by the delayed ramp-up compared with the previous plans.

The carrying values (after impairment) of net assets of each mining CGU that was tested for impairment as at 31 December 2018 are outlined in the table below:

EUR million				
Cash generating unit		Total assets	Total liabilities	Net assets
Myra Falls	FVLCD	194.3*	(86.2)	108.1
Langlois	FVLCD	33.0**	(35.7)	(2.7)

* Includes deferred tax assets of EUR 24.6 million relating to tax losses carried forward which have been assessed for recoverability under IAS 12 (note 14)

** Includes deferred tax assets of EUR 6.5 million relating to tax losses carried forward which have been assessed for recoverability under IAS 12 (note 14)

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

EUR million		Total assets	Total liabilities	Net assets
Cash generating unit				
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 14)

In the year ended 31 December 2018, the Group recognised an impairment of EUR 11.4 million related to a specific processing asset at the Port Pirie smelter that is currently not used. The future use of the asset depends on the outcomes of the technical assessment that will be performed by the Company in the future. As it is not probable that future economic benefits will transfer to the Group related to this equipment, the full carrying value has been impaired.

18. Investments in equity accounted investees

EUR million	Ownership 2018/ 2017	31 Dec 2018	31 Dec 2017
Ironbark Zinc Ltd	13.8% / 18.1%	1.8	3.3
Other	49% / 49%	0.1	0.1
Total		1.9	3.4

The Group continues to treat its share of the investment in Ironbark Zinc Ltd as an associate, despite its ownership share decreasing to 13.8% at 31 December 2018 as the Group maintains its representation at the board of directors of Ironbark Zinc Ltd.

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 2018	0.3	4.7	0.1	-	-	-
As at 31 Dec 2017	0.4	5.4	0.1	-	-	-

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 2018 is EUR 1.8 million (2017: 4.5 million).

19. Investments in equity securities

EUR million	31 Dec 2018	31 Dec 2017
Herencia Resources Ltd	0.1	0.2
Qualified Environmental Trust	17.4	17.4
Exeltium SAS	1.5	1.5
Other	0.8	0.7
Total	19.8	19.8

All investments in equity securities are measured at level 1 according the fair value hierarchy 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 amortized cost.

20. Other financial assets and liabilities

EUR million	31 Dec 2018	31 Dec 2017
Embedded derivatives ^(b)	13.9	35.2
Restricted cash ^(c)	112.8	113.0
Government bond at amortised cost ^(d)	5.1	5.2
Other non-current financial assets ^(h)	-	10.4
Total non-current financial assets	131.8	163.8
Commodity contracts - fair value hedges ^(a)	9.4	2.5
Commodity contracts - cash flow hedges ^(e)	6.5	4.1
Foreign exchange contracts - held for trading ^(a)	14.1	3.1
Other current financial assets ^(h)	1.2	4.4
Embedded derivatives ^(b)	29.6	27.9
Total current financial assets	60.8	42.0
Zinc prepayment ^(g)	88.2	-
Other non-current financial liabilities ⁽ⁱ⁾	16.9	15.6
Embedded derivatives ^(b)	12.0	-
Total non-current financial liabilities	117.1	15.6
Commodity contracts - fair value hedges ^(a)	20.5	29.2
Commodity contracts - cash flow hedges ^(e)	14.4	35.0
Zinc prepayment ^(g)	39.6	74.8
Foreign exchange contracts - held for trading ^(a)	10.0	11.2
Other current financial liabilities ⁽ⁱ⁾	-	1.3
Total current financial liabilities	84.5	151.5

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

The fair value of derivatives (commodity contracts) hedging inventory values and fixed forward sales contracts resulted in a net liability of EUR 11.1 million (31 December 2017: net liability of EUR 26.7 million) being recognised in 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 asset of EUR 4.1 million (31 December 2017 net liability: EUR 8.1 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 2018 with a pre-tax negative impact of EUR 31.3 million (31 December 2017: positive impact of EUR 9.9 million) was recognised in the cash flow hedge reserve. Changes in fair value in the ineffective portion and the amortisation of the swap's fair value at inception of EUR 1.8 million gain (31 December 2017: EUR 2.6 million loss) were recognised in the income statement within energy expense.

(c) Restricted cash

The restricted cash balance of EUR 112.8 million as at 31 December 2018 (31 December 2017: EUR 113.0 million) mainly represents amounts placed on deposit to cover certain reclamation costs for the mining operations.

The balance also includes an amount of AUD 30.0 million (EUR 18.4 million) (2017: AUD 30.0 million or EUR 19.5 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 8.5 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") (note 20(i)) .

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) Government bond at amortised cost

The government bond at amortised cost 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 7.9 million represents a remaining balance of the commodity contracts – cash flow hedges that were not settled at 31 December 2018. The fair value of the effective portion of commodity contracts - cash flow hedges at 31 December 2018 is a pre-tax gain of EUR 49.7 million (31 December 2017: pre-tax loss of EUR 28.8 million). The gain of EUR 49.7 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 zinc prepayment was refinanced during the first half of 2018 with a new zinc prepayment for USD 125 million. As per the previous zinc prepayment agreement, the new zinc prepayment was arranged by Deutsche Bank and is linked to the physical delivery of refined zinc metal to Trafigura under the terms of a 3-year offtake agreement. The zinc prepayment has an amortising structure with a 3-year tenure and a 12 month grace period following which the zinc prepayment will be repaid in equal monthly instalments over a period of two years concluding in May 2021. The interest cost for the zinc prepayment is LIBOR plus 425 basis points versus the previous agreement that was at LIBOR plus 450 basis points.

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 4.25%.

In the year ended 31 December 2018 the Company settled an equivalent of EUR 24.7 million (2017: EUR 79.4 million) through a physical delivery of zinc metal.

(h) Other financial assets

In November 2016 the Company finalised the sale of the El Toqui mine in Chile to Laguna Gold Limited ("Laguna") (Note 10). As Laguna entered into the administration process in December 2018 and as the Group does not consider the recoverability

of the outstanding assets from Laguna as probable, all amounts outstanding from Laguna have been written off at 31 December 2018.

(i) Other financial liabilities

As outlined in Note 10 Discontinued operations, in December 2016 Nyrstar announced sale of its Coricancha mine in Peru to Great Panther Silver Limited. In connection with this sale the Company agreed to fund certain reclamation works of the Coricancha mine of up to USD 20.0 million (EUR 19.0 million). The best estimate of this liability as of 31 December 2018 amounting to USD 10.6 million (EUR 9.3 million) and is recorded as other financial liability.

Additionally Nyrstar provided a guarantee for a value of USD 9.7 million (EUR 8.5 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[™]). This Mine Closure Bond is secured by a cash-backed account for the full exposure in favour of the issuing bank guarantor, the balance of which is included in the Company's restricted cash. Upon closing, Nyrstar will recognise a financial liability to account for this matter. Should Great Panther:

- c. 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 favour of the Ministerio de Energia y Minas of Peru; or
- d. 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 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 again.

21. Inventories

EUR million	31 Dec 2018	31 Dec 2017
Raw materials	178.2	387.7
Work in progress*	434.5	373.4
Finished goods*	82.2	119.9
Stores and consumables	76.0	61.5
Fair value adjustment**	(2.4)	22.6
Total inventories	768.5	965.1

* EUR 42.4 million of inventories as at 31 December 2017 have been reclassified from finished goods to work in progress. Work in progress inventories are non-saleable materials that require further processing by the Group. Finished Goods are materials that are sold by the Group to customers. In the past, the Group used to sell some of the work in progress inventories to the customers. The Group's current strategy is to recover the value of these inventories through additional processing resulting in the reclassification of these materials to work in progress that is more reflective of their intended use. The Work in progress balance includes inventories of EUR 83.5 million (2017: EUR 51.9 million) that are expected to be processed in more than 12 months. The increase primarily relates to additional materials being stockpiled during the TSL furnace ramp-up (note 4).

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

The decrease of raw materials and finished goods inventories is primarily due to the decrease in volumes of inventories at 31 December 2018 compared with 31 December 2017. This decrease was driven by the Group's efforts to minimise the working capital levels relating to the current liquidity constraints. The volume of raw material stocks of concentrates reduced by ca. 48% to 117.6 kdm (2017: 224 kdm) as at 31 December 2018. The finished goods inventories of zinc and lead metals reduced to 20.8kt (2017: 21.3kt) at 31 December 2018. In addition, the reduction in inventory value is also due to lower zinc, lead and silver prices.

The work in progress balance increased primarily due to higher volumes of the intermediate inventories at Port Pirie of 574.9 kdmmt as at 31 December 2018 (2017: 481 kdmmt) and due to the reclassification of EUR 42.4 million of inventories from finished goods to work in progress, as referred above. The volumes of the intermediate inventories in Port Pirie have increased primarily as a result of the ongoing site ramp-up, and as a result of the intermediate inventories at Port Pirie having longer processing cycle. Additionally, the cost per MT allocated to the intermediate products at Port Pirie has also increased as a result of the global cost allocation to the inventories (note 4).

As of 31 December 2018, work in progress inventories of EUR 12.4 million have been written off to Nil as the Group does not have the current capacity to process these inventories due to unanticipated zinc fuming processing constraints at Port Pirie following the redevelopment. Additionally, the Group has written down raw material inventories of EUR 8.4 million at the mining operations that have been produced at higher costs than their recoverable value. There were no write downs as of 31 December 2017.

As at 31 December 2018, EUR 674.8 million (2017: EUR 633.4 million) of total inventories were pledged for the SCTF credit facility.

22. Other assets and liabilities

EUR million	31 Dec 2018	31 Dec 2017
Other - non-current	0.6	0.7
Total other non-current assets	0.6	0.7
Fair value of underlying hedged risk - current ^(a)	2.1	0.7
Total other current assets	2.1	0.7
Fair value of underlying hedged risk - current ^(a)	1.1	2.1
Total other current liabilities	1.1	2.1

(a) Fair value of underlying hedged risk

The fair value of fixed forward sales contracts (the underlying hedged items) resulted in a net asset of EUR 1.0 million (2017: net liability of EUR 1.4 million), being offset by an amount of EUR 0.9 million (2017: EUR 1.4 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 2018	31 Dec 2017
Trade receivables	126.5	174.0
Less provision for receivables	(0.8)	(1.2)
Net trade receivables	125.7	172.8
Other receivables	71.0	50.7
Total trade and other receivables	196.7	223.5

As at 31 December 2018, EUR 60.1 million (2017: EUR 59.3 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	2018	2017
As at 1 Jan	1.2	1.3
Disposal of subsidiaries	-	(0.1)
Payments received	(0.5)	-
Additions	0.2	-
Currency translation effects	(0.1)	-
As at 31 Dec	0.8	1.2

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

24. Cash and cash equivalents

EUR million	31 Dec 2018	31 Dec 2017
Cash at bank and on hand	239.0	68.4
Total cash and cash equivalents	239.0	68.4

Cash at bank and on hand earned a combined weighted average interest rate of 1.7% for calendar year 2018 (2017: 0.8% 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 March 2018 the Company issued 839,456 new ordinary shares as a settlement of the 2017 annual incentive plan of EUR 4.8 million (consisting of capital and issue premium) within the framework of the authorised capital. The new shares were subscribed for by certain existing employees of the Company and its subsidiaries.

As at 31 December 2018, the number of issued ordinary shares is 109,873,001 (31 December 2017: 109,033,545) with a par value of EUR 1.038 (2017: 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 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.

In addition to the issued share capital, Nyrstar has the following outstanding convertible bond issued in 2016 (note 28):

- 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 any distribution to shareholders for the financial year 2018 and 2017.

Issued shares	2018	2017
Shares outstanding	109,873,001	109,033,545
As at 31 Dec	109,873,001	109,033,545
Movement in shares outstanding	2018	2017
As at 1 Jan	109,033,545	93,563,960
Capital increase	839,456	15,469,585
As at 31 Dec	109,873,001	109,033,545

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 2018 were:

Shareholder's name	Shareholder's address	Date of notification	Number of voting rights	in %
Urion Holdings (Malta) Ltd	Leicester Court, Suite 2, Edgar Bernard Str., Gzira, Malta	1 Sep 2015	26,830,662.0	24.42%
Total			26,830,662.0	24.42%

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 2017 were:

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

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.

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 month's lookahead mechanism. No further tranches can be issued. At 31 December 2018, an aggregate total of EUR 174.9 million (2017: EUR 186.3 million) of Securities had been issued.

Whilst the Securities are outstanding, NPP is subject to forms of economic compulsion which compel the Company to pay distribution amounts on the Securities and to otherwise redeem the Securities. During the year ended 31 December 2018 Nyrstar paid the relevant distribution amount but did not redeem any of the targeted number of Securities, a "trigger event" under the Liquidity Facility. Nyrstar remains in full compliance with its contractual obligations (note 26(ii)).

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) redemptions every six months commencing on 27 May 2018 according to an agreed targeted amortisation schedule (the Amortisation Schedule). The Amortisation Schedule contemplates ten redemptions (via payment) of AUD 29.125 million (EUR 27.7 million) with the first targeted redemption in May 2018 and subsequent targeted redemptions every six months with the final redemption targeted in November 2022. The distributions on Perpetual Securities in the year ended 31 December 2018 amounted to AUD 17.9 million (EUR 11.4 million) (31 December 2017: EUR 7.4 million). No redemption of Securities was made in the years ended 31 December 2018 and 2017. The Distribution Amount on the Securities accrues 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 the year ended 31 December 2018 was 3.31% (31 December 2017: 3.24%). The fee component amount varies based on certain matters, including the time and amount of the Securities outstanding. The fees were adjusted in 2017. The fee component amount for the year ended 31 December 2018 varied between 2.2% and 3.5% (31 December 2017: 1.7% to 2.2%). Distribution amounts and redemptions on Securities until 31 December 2018 have been recognised directly in equity.

Nyrstar, at its sole discretion, has 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 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 47.5 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 proceeds. 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. At 31 December 2018 the balance of the Liquidity Facility was AUD 75 million (EUR 47.5 million) (2017: AUD 75 million (EUR 48.9 million)).

(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 holder of the Securities. 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 19.0 million) which is on deposit 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.

Early Redemption Events

There are only limited circumstances, all of which have been within the control of Nyrstar until December 2018, where there might be a mandatory redemption of the Securities, as set out below ("Early Redemption Events").

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 holder of the Securities 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 making misrepresentations;
- (ii) not providing Securities' holders with a no default certificate;
- (iii) restrictions on negative pledges;
- (iv) restrictions on the disposal of its assets;
- (v) restrictions on the entry 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) restrictions on changing its business;
- (vii) restrictions on entry into any derivative transactions (other than in accordance with the hedging policy);
- (viii) restrictions on joining a tax consolidated group;
- (ix) restrictions on the commingling of property;
- (x) restrictions on the provision of financial accommodation or guarantees or incurrence of 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 Redemption 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).

In December 2018 Nyrstar entered into the Trade Finance Framework Agreement ("TFFA") with Trafigura (note 39). Under the terms of the TFFA, Nyrstar agreed to grant securities over the shares of various group entities including Nyrstar Port Pirie Pty Ltd ("NPP").

At 31 December 2018, Nyrstar Hobart Pty Ltd, the owner of NPP, granted securities over 19.9% shares in NPP. While at 31 December 2018 Nyrstar NV owned legally and beneficially 100% of NPP, it was not in Group's sole control to avoid Nyrstar NV ceasing the legal and beneficial ownership (directly or indirectly) of 100% of the issued voting shares of NPP, which is one of the Early Redemption Event ("ERE") of the Securities. As such, the Securities have been accounted for as financial liabilities at 31 December 2018.

27. Reserves

Reconciliation of movement in reserves

EUR million	Translation reserves	Reverse acquisition reserve	Cash flow hedge reserve	Convertible bond	Investments reserve	Total
As at 1 Jan 2018	35.8	(265.4)	26.2	39.2	2.9	(161.3)
Gains on cash flow hedges	-	-	11.8	-	-	11.8
Foreign currency translation differences	(22.7)	-	-	-	-	(22.7)
Change in fair value of investments in equity securities	-	-	-	-	0.6	0.6
As at 31 Dec 2018	13.1	(265.4)	38.0	39.2	3.5	(171.6)

EUR million	Translation reserves	Reverse acquisition reserve	Cash flow hedge reserve	Convertible bond	Investments reserve	Total
As at 1 Jan 2017	83.9	(265.4)	45.5	39.2	3.1	(93.7)
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)	-
As at 31 Dec 2017	35.8	(265.4)	26.2	39.2	2.9	(161.3)

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 2018	as at 31 Dec 2017
Convertible bonds	103.5	100.8
Fixed rate bonds	493.9	837.0
Unsecured bank loans	8.0	10.2
Perpetual securities (note 26)	174.9	-
Finance lease liabilities	0.2	0.4
Total non-current loans and borrowings	780.5	948.4
Convertible bonds	-	27.2
Fixed rate bonds	337.1	-
Unsecured bank loans	185.3	17.2
SCTF Credit Facility	579.2	176.9
Finance lease liabilities	0.3	0.3
Total current loans and borrowings	1,101.9	221.6
Total loans and borrowings	1,882.4	1,170.0

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 2018 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 2018 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 September 2018, Nyrstar repaid the outstanding EUR 29.0 million of its 4.25% convertible bonds with an original face value of EUR 120.0 million, due September 2018.

In 2018 and 2017 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 4.8 million (31 December 2017: EUR 6.5 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 September 2018, Nyrstar bought back part of its own 8.5% fixed rate bonds (due in 2019) with a face value of EUR 10.0 million for a total cash consideration of EUR 9.8 million.

At 31 December 2018, 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.

Unsecured bank loans

Included in the balance of the unsecured bank loans at 31 December 2018 is an amount of EUR 82.5 million (2017: Nil) of prepayments for deliveries of silver metal that have been reclassified from deferred income (note 32) to loans and borrowings at 31 December 2018. The Group has reclassified the prepayments for the deliveries of silver metal to loans and borrowings, as at 31 December 2018 the Group had no ability to settle these liabilities by physical delivery of silver metal from its own production.

During 2018, Nyrstar did not enter into any new Silver Prepay agreements. At 31 December 2018 Nyrstar had the following outstanding delivery obligations:

- The silver prepay of USD 50 million (EUR 43.8 million) was extended with a new delivery period of November 2018 to April 2019. This agreement has equal instalments and total delivery of 4.2 million oz. As of 31 December 2018, 1.4 million toz has been delivered. The remaining 2.8 million toz will be delivered between January and April 2019. The outstanding amount at 31 December 2018 was EUR 25.8 million.
- A silver prepay of USD 60 million (EUR 52.6 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 2018,

1.3 million toz silver has been delivered. The remaining approximately 2.9 million oz will be delivered between January and July 2019. The outstanding amount at 31 December 2018 was EUR 36.7 million.

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. The outstanding amount at 31 December 2018 was EUR 20.0 million.

Included in the balance of the unsecured bank loans at 31 December 2018 is also an amount of EUR 50.7 million (2017: Nil) of prepayments for deliveries of zinc metal that the Group had no ability to settle by physical delivery of zinc metal from its own production, given the challenges related to the capital restructuring of the Group.

EUR 60.1 million (2017: EUR 27.4 million) relates to other bank facilities.

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. In December 2018 the working capital facility with Trafigura was replaced by the new USD 650 million Trade Finance Framework Agreement ("TFFA"). The working capital facility with Trafigura was cancelled when the TFFA became effective (Note 39).

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 2018		31 Dec 2017	
				Face value	Carrying amount	Face value	Carrying amount
Convertible bonds*	EUR	4.25%	2018	-	-	29.0	27.2
Fixed rate bonds	EUR	8.50%	2019	340.0	337.1	350.0	343.9
Convertible bonds**	EUR	5.00%	2022	115.0	103.5	115.0	100.8
SCTF credit facility	USD	EURIBOR+2.25%	2021	584.0	579.2	183.4	176.9
Fixed rate bonds	EUR	6.88%	2024	500.0	493.9	500.0	493.0
Perpetual securities	AUD	BBR+1.275%	n/a	179.5	174.9	-	-
Total interest bearing liabilities				1,718.5	1,688.6	1,177.4	1,141.8

* 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.

Refer to note 42: Subsequent events that explains the impact of the Restructuring on the loans and borrowings of the Group.

Finance leases

EUR million	31 Dec 2018	31 Dec 2017
Within 1 year	0.2	0.3
Between 2 and 5 years	0.4	0.5
Total undiscounted minimum lease payments	0.6	0.8
Less: amounts representing finance lease charges	0.1	0.1
Present value of minimum lease payments	0.5	0.7

29. Provisions

EUR million	Note	Restoration, rehabilitation and decommissioning	Restructuring	Other	Total
As at 1 Jan 2018		159.1	2.9	13.9	175.9
Payments		(5.2)	(5.6)	(3.5)	(14.3)
Additions		7.6	17.1	6.9	31.6
Reversals		(7.3)	(0.9)	(1.1)	(9.3)
PPE asset adjustment	16	2.4	-	-	2.4
Unwind of discount		8.7	-	0.2	8.9
Currency translation effects		(2.5)	-	-	(2.5)
As at 31 Dec 2018		162.8	13.5	16.4	192.7
Whereof current		12.9	13.5	8.1	34.5
Whereof non-current		149.9	-	8.3	158.2

EUR million	Note	Restoration, rehabilitation and decommissioning	Restructuring	Other	Total
As at 1 Jan 2017		158.9	7.3	22.4	188.6
Reclassified to held for sale		19.8	-	2.4	22.2
Disposal of subsidiaries		(24.6)	-	(3.8)	(28.4)
Payments		(8.4)	(5.2)	(3.3)	(16.9)
Additions		3.4	5.4	8.4	17.2
Reversals		(4.8)	(4.4)	(10.8)	(20.0)
PPE asset adjustment	16	17.3	-	-	17.3
Transfers		(0.2)	-	-	(0.2)
Unwind of discount		10.0	-	0.2	10.2
Currency translation effects		(12.3)	(0.2)	(1.6)	(14.1)
As at 31 Dec 2017		159.1	2.9	13.9	175.9
Whereof current		9.4	2.9	6.8	19.1
Whereof non-current		149.7	-	7.1	156.8

Restoration, rehabilitation and decommissioning

96% (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:

	2018		2017	
	Metals Processing	Mining	Metals Processing	Mining
Country specific risk free rate (nominal)	1.48% - 3.13%	3.13% - 4.5%	1.47% - 2.84%	2.63% - 4.17%
Market credit spread	5.0%	5.0%	5.0%	5.0%
Discount rate (nominal)	6.48% - 8.13%	8.13% - 9.5%	6.47% - 7.84%	7.63% - 9.17%
Discount rate (real)	4.54% - 5.9%	5.9% - 7.27%	3.97% - 5.35%	5.27% - 6.81%

The following table sets out the estimated impact on the environmental provisions for the financial year ended 31 December 2018 and 2017 due to a change in the discount rates (in EUR million):

EUR million	Parameter	Variable	2018		2017	
			Metals Processing	Mining	Metals Processing	Mining
	Discount rate	+ 100 bps	(2.9)	(7.5)	(2.9)	(8.5)
	Discount rate	- 100 bps	3.5	8.9	3.5	10.0

Environmental Guarantees

At 31 December 2018 the Group had in place restricted cash and other restricted securities of EUR 99.7 million (2017: EUR 103.6 million) required by the local authorities as security deposits against the Group's environmental liabilities.

Restructuring

At 31 December 2018, the Group recognised restructuring provision of EUR 13.5 million (31 December 2017: EUR 2.9 million) The provision relates mainly to the restructuring program undertaken in 2018 at the smelting operations of the Group, targeting the productivity improvements. The main outstanding balances at 31 December 2018 relate to the Group's Belgium and French smelters. These balances are expected to be settled during the period ending 31 December 2019.

Other

Other provisions relate primarily 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 (2017: 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 2018	31 Dec 2017
Long service leave	2.2	2.5
Retirement plans	60.2	66.8
Other	3.6	4.2
Total non-current employee provisions	66.0	73.5
Annual leave and long service leave	22.5	22.6
Other	6.4	14.0
Total current employee provisions	28.9	36.6
Total employee provisions	94.9	110.1

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 2018, the total expense for defined contribution plans recognised in the consolidated income statement is EUR 4.1 million (2017: EUR 4.6 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

2018. 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 13% of the total defined benefit obligation value as at 31 December 2018 (2017: 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 net retirement benefit obligations as at 31 December 2018 can be split as follows:

EUR million	31 Dec 2018	Average duration
<u>Euro zone:</u>	(19.9)	10.8 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)		
<u>USA:</u>	(25.8)	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)		
<u>Canada:</u>	(9.9)	12.2 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)		
<u>Switzerland:</u>	(4.5)	18.0 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		
Total	(60.1)	12.9 years

In 2018, the total value of the medical benefit plans, included in the retirement benefit obligations is EUR 30.3 million (2017: EUR 35.4 million).

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

EUR million	31 Dec 2018	31 Dec 2017
Present value of funded obligations	158.9	163.1
Present value of unfunded obligations	36.7	44.5
Total present value of obligations	195.6	207.6
Fair value of plan assets	(135.8)	(141.4)
Total deficit	59.8	66.2
Limitation on recognition of surplus due to asset ceiling	0.4	0.6
Total recognised retirement benefit obligations	60.2	66.8

Plan assets comprise:

EUR million	31 Dec 2018	31 Dec 2017
Cash	1.4	1.5
Equity instruments	43.7	47.5
Debt instruments	33.3	35.9
Other assets	57.4	56.5
Total plan assets	135.8	141.4

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 2018	31 Dec 2017
Defined benefit obligations at start of period	207.6	211.4
Current service cost	7.4	6.7
Interest cost	4.9	5.3
Remeasurement (gains)/losses:		
Actuarial (gains)/losses arising from changes in demographic assumptions	(1.9)	(1.1)
Actuarial (gains)/losses arising from changes in financial assumptions	(6.7)	10.1
Actuarial (gains)/losses arising from changes in experience	(5.3)	0.5
Actuarial (gains)/losses due to exchange rate movements	1.3	(12.3)
Contributions paid into the plans by participants	1.2	1.3
Benefits paid by the plans	(10.6)	(13.2)
Past service cost (including plan amendment or curtailment)	(1.6)	(0.3)
Admin expenses, taxes and social securities	(0.7)	(0.8)
Defined benefit obligations at end of period	195.6	207.6

During 2018 and 2017 there were no curtailments nor settlements.

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

EUR million	31 Dec 2018	31 Dec 2017
Fair value of plan assets at start of period	141.4	144.6
Interest Income	3.2	3.6
Remeasurement gains/(losses):		
Return on plan assets excluding interest income recognised in net interest expense	(7.1)	4.8
Actuarial gains/(losses) due to exchange rate movements	0.2	(7.3)
Contribution paid into the plans by employer	6.8	6.8
Contribution paid into the plans by participants	1.2	1.3
Benefits paid by the plans	(9.3)	(11.6)
Admin expenses, taxes and social securities	(0.7)	(0.8)
Fair value of plan assets at end of period	135.7	141.4

The expense recognised in the income statement is as follows:

EUR million	31 Dec 2018	31 Dec 2017
Service cost:		
Current service cost, including admin fees, taxes and social securities	(7.4)	(6.8)
Past service cost	1.6	0.3
Net interest expense	(1.7)	(1.7)
Components of defined benefit costs included in income statement	(7.5)	(8.2)
Remeasurement on the net defined benefit liability:		
The return on plan assets (excluding amounts included in net interest expense)	(7.1)	4.8
Actuarial gains and (losses) arising from changes in demographic assumptions	1.9	1.1
Actuarial gains and (losses) arising from changes in financial assumptions	6.7	(10.1)
Actuarial gains and (losses) arising from experience adjustments	5.3	0.5
Adjustments for restrictions on the defined benefit asset	0.4	(0.2)
Actuarial gains/(losses) due to exchange rate movements	(0.2)	(1.3)
Components of defined benefit costs recorded in OCI	7.0	(5.2)
Total of components of defined benefit cost	(0.5)	(13.4)

Principal actuarial assumptions

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

EUR million	31 Dec 2018	31 Dec 2017
Discount rate (range; weighted average in %)	0.0 - 4.1; 2.66	0.0 - 3.65; 2.43
Expected future salary increases (range; weighted average in %)	1.0 - 2.0; 1.4	0.0 - 1.8; 1.4
Expected inflation rate (range; weighted average in %)	1.9; 1.9	1.8; 1.8
Initial trend rate (range; weighted average in %)	1.8 - 7.7; 5.6	1.8 - 8.0; 5.9
Ultimate trend rate (range; weighted average in %)	1.8 - 6.0; 4.2	1.8 - 6.0; 3.7
Years until ultimate is reached	0 - 9; 5.7	0 - 10; 6.4

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 2018, a single inflation rate assumption of 1.9% (2017: 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 2018 of 20 to 24 for males (2017: 19 to 24) and 23 to 27 (2017: 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 2018
Discount rate -0.5%	13.5
Discount rate +0.5%	(11.8)
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%	(4.9)
Medical cost trend rate +1.0%	6.5
Life expectancy - 1 year	(5.4)
Life expectancy + 1 year	5.4

Expected contributions 2019

The Group expects to make EUR 7.5 million contributions to post-employment defined benefit plans for the year ending 31 December 2019 (2018: EUR 7.6 million).

31. Trade and other payables

EUR million	31 Dec 2018	31 Dec 2017 Restated
Trade payables	387.0	612.3
Other payables	70.3	41.7
Total trade and other payables	457.3	654.0

The Group classifies advances paid to suppliers for goods or services not yet received as deferred expenses. The 2017 balance of trade and other payables has been reclassified to reflect such advance payments previously classified as trade payables, resulting in an increase of trade payables of EUR 22.1 million.

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 2018	as at 31 Dec 2017
Prepayments for deliveries of silver metal	-	54.1
Prepayments for deliveries of copper metal	17.5	25.0
Total non-current deferred income	17.5	79.1
Prepayments for deliveries of silver metal	-	158.3
Prepayments for deliveries of zinc and lead metal	395.6	307.3
Prepayments for deliveries of copper metal	8.7	-
Total current deferred income	404.3	465.6
Total deferred income	421.8	544.7

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. Where the maturity of prepayments is greater than one year and contain a significant financing component, the amount of the deferred revenue is adjusted for the effects of the time value of money. Nyrstar applies the practical expedient to not adjust the promised amount of consideration for the effects of time value of money if the period between delivery and the respective payment is within 12 months.

As at 31 December 2018, the Group has reclassified the prepayments for the deliveries of silver metal to loans and borrowings (note 28), as at 31 December 2018 the Group had no ability to settle these liabilities by physical delivery of silver metal from its own production. For the prepayments of zinc, lead and copper metals the Group intends to fulfil the future physical deliveries of these metals.

During 2018, the Group has utilised EUR 464.4 million (2017: EUR 267.3 million) of the current prepayments accounted for as of the beginning of the period, while new prepayments in the amount of EUR 341.6 million (2017: EUR 446.3 million) have been received during 2018. A balance of EUR 8.7 million (2017: nil) related to the copper prepayment as described below has been reclassified from non-current to current in 2018.

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 26.2 million as of 31 December 2018). The prepay has a 12 months grace period with a three years delivery period until December 2021. Deliveries are expected to start in 2019 in the equivalent of USD 10 million per year for the period of three years.

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 zinc and lead metal under existing offtake agreements that will be delivered in 2019. At 31 December 2018 an amount of EUR 50.7 million (2017: Nil) of prepayments for deliveries of zinc metal was classified as loans and borrowing (note 28) as the Group had no ability to settle by physical delivery of zinc metal from its own production, given the challenges related to the capital restructuring of the Group.

Additionally, Nyrstar has entered a prepayment agreement ("TFFA") with Trafigura, that is a part of TFFA, for future physical deliveries of zinc and lead (Note 40). Under this agreement, Nyrstar is expected to deliver zinc and lead metals in an aggregate amount of USD 450 million from June to December 2019. Prepayments of USD 450 million were made prior to 31 December 2018.

33. Share-based payments

EUR million	2018	2017
Share based payment expenses, including social security	(5.5)	(2.7)

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 7 to 11 were granted between 2014 and 2018 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 7	Grant 8	Grant 9	Grant 10	Grant 11
Number of instruments granted at the grant date	5,121,113	3,803,515	871,000	1,155,536	1,565,826
Effective grant date	5 Sep 2014	30 Jun 2015	2 Nov 2016	30 Apr 2017	8 June 2018
Performance period	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	1 Jan 2018 to 31 Dec 2020
Vesting date	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020
Settlement ^(b)	Share	Share	Share	Share	Share
Fair value at grant date (EUR per share) *	0.44	2.78	1.13	4.57	3.9

* 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, Grant 10 and Grant 11 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 2018 and 2017 are:

	2018	2017
Dividend yield	0.0%	0.0%
Expected volatility - Nyrstar share price	45.0%	60.0%
Expected volatility - zinc price	n/a	n/a
Expected volatility - MSCI metals and mining index	20.0%	25.0%
Risk free interest rate	0.6%	0.7%
Share price at grant date (in EUR)	4.82	5.20
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 8	Grant 9	Grant 10	Grant 11	Total
As at 1 Jan 2018	303,018	900,994	1,376,091	-	2,580,103
Initial allocation 8 June 2018	-	-	-	1,565,826	1,565,826
Dilutive impact / adjustment	-	7,451	11,814	-	19,265
Forfeitures	(303,018)	(66,621)	(144,961)	(39,293)	(553,893)
Additions	-	84,277	195,590	-	279,867
Expired	-	-	-	-	-
Settlements	-	-	-	-	-
As at 31 Dec 2018	-	926,101	1,438,534	1,526,533	3,891,168

	Grant 8	Grant 9	Grant 10	Total
As at 1 Jan 2017	475,223	871,000	-	1,346,223
Initial allocation 2 Nov 2018	-	-	1,155,536	1,155,536
Dilutive impact / adjustment	42,754	127,135	194,166	364,055
Reverse stock split	-	-	-	-
Forfeitures	(231,807)	(415,703)	(89,545)	(737,055)
Additions	16,848	318,562	115,934	451,344
Expired	-	-	-	-
Settlements	-	-	-	-
As at 31 Dec 2017	303,018	900,994	1,376,091	2,580,103

In 2017 LTIP Grant 7 was settled in cash.

During 2018, the Company issued awards under the Grant 11 of the Long Term Incentive Plan (LTIP) (LTIP 11). The effective accounting date of LTIP 11 was 8 June 2018. It has a performance period of 3 years, commencing at 1 January 2018. For LTIP 11 awards to vest, the two following performance conditions must be met at the end of 2020

- Nyrstar achieving a target underlying EBITDA by the end of 2020 (70% weighting); and

- The Nyrstar average share price for the 3 year performance period must outperform the MSCI world mining and metals index by 2% based on the volume weighted average annual performance (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 for the twelve months period to 31 December 2018, in return for the Grant 11 award issued was EUR 2.0 million.

In order to align rewards with the overall Group performance, the Board of Directors (“Board”) approved the 2018 Annual Incentive Plan (“2018 AIP”) for the employees of Nyrstar as a share settled plan with certain share deferral for the Nyrstar Management Committee and other senior managers of the Company. The performance criteria of the 2018 AIP are related to the Company’s financial performance and the individual personal targets. The plan did not vest therefore the fair value of the services received for the twelve months ended 31 December 2018 amounted to Nil.

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 2018 was EUR 3.5 million (31 December 2017: EUR 2.3 million).

In 2018 and 2017, certain employees who joined Nyrstar during the year received LTIP awards under Grants 8, 9 and 10. The fair value of these rights amounted to EUR 0.5 million for 2018 (2017: EUR 0.6 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:

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:

	2018	2017
As at 1 Jan	-	217,505
Dilutive impact / adjustment	-	-
Reverse stock split (1 to 10)	-	-
Settlements	-	(217,505)
As at 31 Dec	-	-

34. Earnings per share

(a) Basic earnings / (loss) per share

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

EUR million	2018	2017
Shareholders of Nyrstar		
(Loss) / profit attributable to ordinary shareholders (basic)	(649.5)	46.5
Weighted average number of ordinary shares (basic, in million) ⁽¹⁾	109.7	96.3
(Loss) / earnings per share (basic, in EUR)	(5.92)	0.48
Continuing operations		
(Loss) / profit attributable to continuing operations (basic)	(645.1)	9.6
Weighted average number of ordinary shares (basic, in million) ⁽¹⁾	109.7	96.3
(Loss) / earnings per share continuing operations (basic, in EUR)	(5.88)	0.10
Discontinued operations		
(Loss) / profit attributable to discontinued operations (basic)	(4.4)	36.9
Weighted average number of ordinary shares (basic, in million) ⁽¹⁾	109.7	96.3
(Loss) / earnings per share discontinued operations (basic, in EUR)	(0.04)	0.38

1)) In relation to the March 2018 shares issue, the comparative earnings per share for 31 December 2017 have been restated to retroactively reflect the impact of the March 2018 shares issue. The weighted average number of shares outstanding for 31 December 2018 and 31 December 2017 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 2018 and 2017 of approximately 0.8 %. Further details of the shares issue are disclosed in Note 25 Share capital and share premium.

(b) Diluted earnings / (loss) per share

As the Group incurred a loss for the twelve months ended 31 December 2018, the diluted loss per share EUR 5.92 equals the basic 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 98.0 million. The convertible bonds have been anti-dilutive for 2018 and 2017.

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 in 2017.

The diluted weighted average number of shares is calculated as follows:

	2018	2017
Weighted average number of ordinary shares (basic, in million) ⁽¹⁾	109.7	96.3
Effect of long term incentive plan (in million)	-	1.7
Effect of conversion of convertible bond (in million)	-	-
Weighted average number of ordinary shares (diluted, in million)⁽¹⁾	109.7	98.0

The diluted EPS is calculated as follows:

EUR million	2018	2017
Sharholders of Nyrstar		
(Loss) / profit attributable to ordinary shareholders (diluted)	(649.5)	46.5
Weighted average number of ordinary shares (diluted, in million)(1)	109.7	98.0
(Loss) / earnings per share (diluted, in EUR)	(5.92)	0.47
Continuing operations		
(Loss) / profit attributable to continuing operations (diluted)	(645.1)	9.6
Weighted average number of ordinary shares (diluted, in million)(1)	109.7	98.0
(Loss) / earnings per share continuing operations (diluted, in EUR)	(5.88)	0.10
Discontinued operations		
(Loss) / profit attributable to discontinued operations (diluted)	(4.4)	36.9
Weighted average number of ordinary shares (diluted, in million)(1)	109.7	98.0
(Loss) / earnings per share discontinued operations (diluted, in EUR)	(0.04)	0.38

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 2018	31 Dec 2017
Trade and other receivables	196.7	223.5
Cash and cash equivalents	239.0	68.4
Other financial assets	1.2	14.8
Commodity contracts used for hedging: assets	15.9	6.6
Electricity derivative (embedded derivatives)	43.5	63.1
Foreign exchange contracts used for trading: assets	14.1	3.1
Restricted cash	112.8	113.0
Government bond	5.1	5.2
Total	628.3	497.7

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

EUR million	31 Dec 2018	31 Dec 2017
Euro-zone countries	125.5	101.5
Asia	33.3	40.4
United States	7.8	10.2
Other European countries	7.6	14.2
Other regions	22.5	57.2
Total	196.7	223.5

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

EUR million	31 Dec 2018	31 Dec 2017
Wholesale customers	180.2	189.0
End-user customers	16.5	34.5
Total	196.7	223.5

(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 2018	31 Dec 2017
Not past due	159.9	172.8
Past due 0-30 days	27.0	35.5
Past due 31-120 days	4.6	11.0
Past due 121 days – one year	4.2	3.9
More than one year	1.0	0.3
Total	196.7	223.5

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.
- 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	(0.5)	(0.5)	(0.1)	(0.2)	-	-	(0.2)
Loans and borrowings	(1,881.9)	(2,246.3)	(144.9)	(1,060.7)	(58.7)	(285.3)	(696.7)
Trade and other payables	(457.3)	(457.3)	(445.2)	(2.2)	(2.0)	(2.5)	(5.4)
Zinc prepayment *	(127.8)	(132.4)	-	(39.6)	(65.5)	(27.3)	-
Other financial liability	(16.9)	(16.9)	-	-	(9.2)	(7.7)	-
Commodity contracts – fair value hedges	(20.5)	(20.5)	(20.5)	-	-	-	-
Commodity contracts – cash flow hedges	(14.4)	(14.4)	(14.4)	-	-	-	-
Foreign exchange contracts	(10.0)	(10.0)	(10.0)	-	-	-	-
Electricity contracts (embedded derivatives)	(12.0)	(12.0)	-	-	(5.7)	(12.9)	6.6
Total, 31 Dec 2018**	(2,541.3)	(2,910.3)	(635.1)	(1,102.7)	(141.1)	(335.7)	(695.7)

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

** the USD 450 million TFFA (note 32 and note 39) outstanding at 31 December 2018 is not included in the liquidity tables above as it does not constitute a financial instrument.

In addition to the contractual maturities of financial liabilities disclosed above, the Company may redeem the Perpetual Securities presented loans and borrowings (note 28)) (2017: presented in equity (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)	(0.2)	(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	(654.0)	(654.0)	(643.2)	(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	(11.2)	(11.2)	(11.2)	-	-	-	-
Total, 31 Dec 2017	(1,991.1)	(2,348.7)	(809.0)	(293.1)	(434.5)	(136.4)	(675.7)

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

(c) Currency risk

Strategic foreign exchange hedges (cash flow hedges)

In 2016 and 2017, Nyrstar has entered into a series of 12 month rolling foreign exchange options to hedge the Company's monthly exposure related to the direct operating costs denominated in Australian dollars (AUD) for exposures in 2017 and 2018) and in Euro (EUR) for exposures in 2017 utilising put and call collar structures. Thus, all these hedges expired during 2017 and 2018 with no hedge relationship left for the year ending on 31 December 2018.

For the CAD/USD transactional exposure on Langlois, various put and call collar structures were executed in 2016 and 2017 to hedge the revenue from expected sales in 2017 and 2018. Thus, all these hedges expired during 2017 and 2018 with no hedge relationship left for the year ending on 31 December 2018.

In 2016 and 2017, Nyrstar has entered into a series of rolling CAD/USD forward contracts to hedge revenue from expected sales in 2018 and 2019. During H2 2018, Nyrstar has entered into a series of rolling EUR/USD forward contracts to hedge direct operating cost from expected expenses in 2018 and 2019 and for AUD/USD forward contracts to hedge direct operating cost from expected expenses in 2019. The average hedged rates for these hedges as of 31 December 2018 are as follows:

- CAD/USD: 0.75
- EUR/USD: 1.14
- AUD/USD: 0.73

As a result of the rolling strategy all of these forward contracts have a maturity of 1 to 2 months.

In January and February 2019, Nyrstar unwound all of these forward contracts due to the loss of credit lines from the hedge counterparties and is thus again fully exposed to the related foreign exchange risk (Note 42).

The Group has accounted for the strategic foreign exchange hedges as cash flow hedges and determined the hedge relationships to be effective. The currency pairs as well as the notional amounts of the hedging instruments match the underlying hedged items (hedge ratio of 1:1), thus, an economic relationship exists. There are no sources of ineffectiveness, consequently no ineffectiveness was recognised in the income statement.

The below table shows the effect of the hedging instruments on the financial position and performance:

Strategic foreign currency hedges as at 31 Dec 2018 (in EUR million)	Notional Amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Forward contracts (assets)	328.4	1.4	Other financial assets	(10.3)
Forward contracts (liabilities)	310.6	(9.9)	Other financial liabilities	(13.4)
Forward contracts (expired)	-	-	n/a	(6.7)
Option contracts (expired)	-	-	n/a	(2.0)

Strategic foreign currency hedges as at 31 Dec 2017 (in EUR million)	Notional Amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Forward contracts (assets)	26.6	3.3	Other financial assets	3.3
Forward contracts (liabilities)	-	-	Other financial liabilities	-
Forward contracts (expired)	-	-	n/a	-
Option contracts (expired)	-	-	n/a	12.3

The following table shows the related change in the fair value on the hedged items used for measuring ineffectiveness and the related balance of the cash flow hedge reserve:

Strategic foreign currency hedges (in EUR million)	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve
As at 31 December 2018	(32.4)	(24.9)
As at 31 December 2017	15.6	3.3

The balance of the cash flow hedge reserve as of 31 December 2018 refers to hedges using forward contracts only.

The following tables shows the impact of the strategic foreign exchange hedges on OCI and profit or loss:

Strategic foreign currency hedges (in EUR million) 2018	Total hedging gain / loss recognised in OCI	Ineffectiveness recognised in profit or loss	Amount reclassified from OCI to profit or loss	Line item in the P&L
Forward contracts	(10.3)	-	-	Revenue from contracts with customers
Forward contracts	(13.4)	-	-	Direct operating cost
Option contracts	(1.6)	-	(5.1)	Revenue from contracts with customers
Option contracts	(3.1)	-	-	Direct operating cost

Strategic foreign currency hedges (in EUR million) 2017	Total hedging gain / loss recognised in OCI	Ineffectiveness recognised in profit or loss	Amount reclassified from OCI to profit or loss	Line item in the P&L
Forward contracts	3.3	-	-	Revenue from contracts with customers
Forward contracts	-	-	-	Direct operating cost
Option contracts	-	-	-	Revenue from contracts with customers
Option contracts	-	-	-	Direct operating cost

Foreign exchange hedges of the Nyrstar Port Pirie capital expenditures (cash flow hedges)

The Group entered into foreign exchange forward contracts 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 2018 is Nil (2017: 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 in 2017. The amount that was transferred from equity during the period and into the carrying amount of the capital expenditure was Nil in 2018 (2017: EUR 0.2 million).

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 2018 annual average rate	Full year 2017 annual average rate	Variable	Income statement		Equity	
				2018	2017	2018	2017
EUR / USD	1.180	1.130	+ / - 10%	(86) / 106	(87) / 106	(86) / 106	(87) / 106
EUR / AUD	1.580	1.473	+ / - 10%	28 / (34)	25 / (31)	28 / (34)	24 / (4)
EUR / CHF	1.155	1.112	+ / - 10%	2 / (3)	5 / (6)	2 / (3)	5 / (6)

The above sensitivities were calculated by modelling Nyrstar's 2018 and 2017 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 (fair value hedges)

The Group is exposed to commodity price volatility on commodity sales and raw materials purchased in its metal in processing. The Group enters into zinc, lead and silver futures and swap contracts to hedge the purchases already priced-in (but not yet sold) and the sales already priced-out (but not yet purchased). The hedging instruments are designated in a fair value hedge of the inventory in metal processing with respect to its zinc, lead and silver price movements. The Group also enters into zinc, lead and silver futures to hedge firm sales commitments to customers. The hedging instruments are designated in a fair value hedge of the firm commitments. These instruments are referred to as 'metal at risk' hedges and the terms of these contracts are normally between one and three months. The hedging strategy aims to bridge fixed price-in (from purchases) to fixed price-out (from sales). Hence, there is no average hedge rate applicable to such strategy.

In March 2019, Nyrstar unwound the majority of its metal at risk hedges to improve the liquidity of the Company. The improved liquidity was due to the fact that the metal at risk hedges were being cash collateralised due to the loss of credit lines from hedge counterparties. As a result, the Group is now again exposed to the related metal at risk (Note 42).

The hedging instruments match the hedged item with respect to the underlying commodities and the notional amounts (hedge ratio 1:1). The variable price paid on concentrate purchased is contractually linked to the metal prices physically contained therein. Consequently, the Group considers the hedged risk component to be contractually specified. Ineffectiveness arises (mainly) as a result of the forward element on the futures (whereas the hedged risk is a spot risk).

Metal at risk hedges as at 31 Dec 2018 (in EUR million)	Notional Amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Future contracts (assets)	353.2	8.1	Other financial assets	24.7
Future contracts (liabilities)	102.1	(21.6)	Other financial liabilities	(18.2)

Metal at risk hedges as at 31 Dec 2017 (in EUR million)	Notional Amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Future contracts (assets)	(39.7)	2.5	Other financial assets	0.9
Future contracts (liabilities)	619.4	(21.6)	Other financial liabilities	(33.8)

For the carrying amount of the hedged item and the fair value hedge adjustment refer to Note 21. The change in value of the hedged item used as the basis for recognising hedge ineffectiveness in 2018 was a loss of EUR 170.3 million (2017: gain of EUR 60.2 million). Hedge ineffectiveness of EUR (39.4) million (2017: EUR 14.0 million) was recognised in revenues from contracts with customers.

Strategic metal price hedges (cash flow hedges)

In the past, the Group entered into future contracts to hedge sales of silver under a prepayment facility. The future contracts were designated in a cash flow hedge to hedge against the variability of highly probably forecast silver revenues. The hedging instruments expired in 2014 with the corresponding sales transactions being realised in the years 2014 to 2019. An amount of EUR 13.9 million was reclassified from OCI to revenues from contracts with customers in 2018 (2017: EUR 13.3 million). The remaining balance in the hedge reserve as of 31 December 2018 is EUR (5.7) million (31 December 2017: EUR 17.8 million).

In 2016 the Group also entered into future contracts to hedge sales of zinc. The future contracts were designated in a cash flow hedge to hedge against the variability of highly probable forecast zinc revenues. The hedging instruments expired in 2017 with the corresponding sales transactions being realised in 2017. An amount of EUR 12.3 million was reclassified from OCI to revenues from contracts with customers in 2017.

During 2018, Nyrstar continued with its rolling hedging programme and had hedged the majority of its zinc free metal exposure (150kt) for the Mining segment at c. USD 3,000/t. The related future contracts were designated in a cash flow hedge of highly probable sales transactions in 2019. There is an economic relationship between the hedging instrument and the hedged item as both the underlying commodity and the notional amounts match (hedge ratio 1:1). There are no sources of ineffectiveness, consequently no ineffectiveness was recognised in the income statement. In December 2018, Nyrstar terminated all of these hedges to provide additional liquidity to the business (Note 42), thus, hedge accounting discontinued. The change in fair value used as a basis for recognising ineffectiveness in 2018 was EUR 62.3 million (2017: nil). The original hedged items (sales of zinc in 2019) are still expected to occur. The remaining balance in the hedge reserve as of 31 December 2018 is EUR (62.3) million.

In 2016 and 2017 the Group transacted zero cost collar option strategies on zinc to hedge part of the expected free metal produced at the zinc smelters and North American mines in 2017 and 2018. The options were designated in a cash flow hedge of highly probable sales transactions. There is an economic relationship between the hedging instrument and the hedged item as both the underlying commodity and the notional amounts match (hedge ratio 1:1). There are no sources of ineffectiveness, consequently no ineffectiveness was recognised in the income statement. The change in fair value used as a basis for recognising ineffectiveness in 2018 was EUR 3.6 million (2017: EUR (50.0) million). An amount of EUR (11.6) million was reclassified from OCI to revenues from contracts with customers in 2018 (2017: EUR (42.0) million).

In 2017 Nyrstar entered into future contracts on zinc, silver, gold and copper to hedge forecast sales of the Myra Falls mine in 2018 and 2019. The related future contracts were designated in a cash flow hedge of highly probable sales transactions

in 2018 and 2019. There is an economic relationship between the hedging instrument and the hedged item as both the underlying commodity and the notional amounts match (hedge ratio 1:1). There are no sources of ineffectiveness, consequently no ineffectiveness was recognised in the income statement. However, different to the original expectation, Myra Falls mine was not in production in 2018. Consequently, all sales in 2018 were no longer considered highly probable and hedge accounting discontinued on all originally expected sales for 2018. An amount of EUR (1.5) million was reclassified from OCI to revenue from contracts with customers in 2018 in that respect. In December 2018, Nyrstar terminated all of these hedges (Note 42), thus, hedge accounting discontinued. As Myra Falls mine is expected to produce in 2019, the forecast sales for 2019 are still considered highly probable. For hedges of 2019 sales, the change in fair value used as a basis for recognising ineffectiveness in 2018 was EUR 14.2 million (2017: EUR (11.7) million). The remaining balance in the hedge reserve as of 31 December 2018 is EUR (3.5) million (31 December 2017: EUR 11.7 million).

Hobart embedded derivatives

The Group's Hobart smelter is exposed to changes in electricity wholesale prices on its future electricity purchases. To hedge against this exposure the Group has entered into two electricity swap contracts (pay fixed price, receive floating price) to hedge a bottom layer of highly probable forecast electricity purchases up to 31 December 2029. The electricity contracts are designated as cash flow hedges. There is an economic relationship between the hedging instrument and the hedged item as the variable leg of the swap refers to the same price region as the one Nyrstar is actually purchasing from. The hedge ratio is 1:1. In 2017, one of the swaps was redesignated resulting in the then new instrument having a non-zero fair value, which since then leads to ineffectiveness.

The below table shows the effect of the hedging instruments on the financial position and performance:

in EUR million	Notional Amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
As at 31 December 2018	140MW	30.7	Other financial assets Other financial liabilities	(29.8)
As at 31 December 2017	140MW	60.5	Other financial assets	0.7

The following table shows the related change in the fair value on the hedged items used for measuring ineffectiveness and the related balance of the cash flow hedge reserve:

in EUR million	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve
As at 31 December 2018	28.6	18.6
As at 31 December 2017	(1.3)	51.3

The following tables shows the impact of the electricity hedges on OCI and profit or loss:

in EUR million	Total hedging gain / loss recognised in OCI	Ineffectiveness recognised in profit or loss	Amount reclassified from OCI to profit or loss	Line item in the P&L
in 2018	(32.7)	1.2	2.9	Energy expenses
in 2017	7.0	0.5	(6.3)	Energy expenses

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 2018 annual average price	Full year 2017 annual average price	Variable	Income statement		Equity	
				2018	2017	2018	2017
Zinc price	\$2,907	\$2,896	+ / - 30%	192 / (192)	198 / (175)	192 / (192)	78 / (126)
Lead price	\$2,242	\$2,317	+ / - 10%	1 / (1)	1 / (1)	1 / (1)	1 / (1)
Silver price	\$15.7	\$17.1	+ / - 10%	4 / (4)	5 / (5)	2 / (2)	0 / 0
Zinc TC	\$147	\$172	+ / - 10%	17 / (17)	20 / (20)	17 / (17)	20 / (20)
Lead TC	\$83	\$120	+ / - 10%	2 / (2)	3 / (3)	2 / (2)	3 / (3)

The above sensitivities were calculated by modelling Nyrstar's 2018 and 2017 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	Fair value through profit and loss	Fair value through OCI	Hedging instruments	At amortised costs	Total
Derivative financial instruments	23.5	-	50.0	-	73.5
Other financial assets	1.2	-	-	-	1.2
Trade and other receivables excl prepayments	-	-	-	196.7	196.7
Cash and cash equivalents	-	-	-	239.0	239.0
Restricted cash	-	-	-	112.8	112.8
Government bond	-	-	-	5.1	5.1
Investments in equity securities	-	19.8	-	-	19.8
Borrowings excl finance lease liabilities	-	-	-	(1,881.9)	(1,881.9)
Finance lease liabilities	-	-	-	(0.5)	(0.5)
Derivative financial instruments	(30.5)	-	(26.4)	-	(56.9)
Zinc prepayment	-	-	-	(127.8)	(127.8)
Other financial liabilities	-	-	-	(16.9)	(16.9)
Trade and other payables	-	-	-	(457.3)	(457.3)
Net position, 31 Dec 2018	(5.8)	19.8	23.6	(1,930.8)	(1,893.2)

The table below shows the Financial instruments as published in 2017 applying IAS 39.

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	-	72.8
Other financial assets	-	14.8	-	-	-	-	14.8
Trade and other receivables excl prepayments	223.5	-	-	-	-	-	223.5
Cash and cash equivalents	68.4	-	-	-	-	-	68.4
Restricted cash	113.0	-	-	-	-	-	113.0
Held to maturity	-	-	5.2	-	-	-	5.2
Investments in equity securities	-	-	-	19.8	-	-	19.8
Borrowings excl finance lease liabilities	-	-	-	-	-	(1,169.3)	(1,169.3)
Finance lease liabilities	-	-	-	-	-	(0.7)	(0.7)
Derivative financial instruments	-	(40.4)	-	-	(35.0)	-	(75.4)
Zinc prepayment	-	-	-	-	-	(74.8)	(74.8)
Other financial liabilities	-	-	-	-	-	(16.9)	(16.9)
Trade and other payables	-	-	-	-	-	(654.0)	(654.0)
Net position, 31 Dec 2017	404.9	(20.0)	5.2	19.8	32.2	(1,915.7)	(1,473.6)

(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 2018 Interest rate			Sensitivity analysis, in 100 bp			
	Floating	Fixed	Total	Income statement		Equity	
				increase	decrease	increase	decrease
Financial assets:							
Cash and cash equivalents	239.0	-	239.0	0.4	(0.4)	0.4	(0.4)
Restricted cash	-	112.8	112.8	-	-	-	-
Government bond	-	5.1	5.1	-	-	-	-
Financial liabilities:							
Loan facility	-	(193.3)	(193.3)	-	-	-	-
Borrowings - fixed rate bonds	-	(831.0)	(831.0)	-	-	-	-
Borrowings - convertible bonds	-	(103.5)	(103.5)	-	-	-	-
Borrowings - SCTF Credit Facility	(579.2)	-	(579.2)	(5.8)	5.8	(5.8)	5.8
Borrowings - Perpetual securities	(174.9)	-	(174.9)	(1.8)	1.8	(1.8)	1.8
Zinc prepayment	(127.8)	-	(127.8)	(1.3)	1.3	(1.3)	1.3
Finance lease liabilities	-	(0.5)	(0.5)	-	-	-	-
Net interest bearing financial assets / (liabilities)	(642.9)	(1,010.4)	(1,653.3)	(8.5)	8.5	(8.5)	8.5

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	-	68.4	0.7	(0.5)	0.7	(0.5)
Restricted cash	-	113.0	113.0	-	-	-	-
Held to maturity	-	5.2	5.2	-	-	-	-
Financial liabilities:							
Loan facility	-	(27.4)	(27.4)	-	-	-	-
Borrowings - fixed rate bonds	-	(837.0)	(837.0)	-	-	-	-
Borrowings - SCTF Credit Facility	(176.9)	-	(176.9)	(1.8)	1.8	(1.8)	1.8
Zinc prepayment	(74.8)	-	(74.8)	(0.7)	0.7	(0.7)	0.7
Finance lease liabilities	-	(0.7)	(0.7)	-	-	-	-
Net interest bearing financial assets / (liabilities)	(183.3)	(874.9)	(1,058.2)	(1.8)	2.0	(1.8)	2.0

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 presented loans and borrowings (note 28)) (2017: presented in equity (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 831.0 million (2017: EUR 837.0 million) and the convertible bonds of EUR 103.5 million (2017: EUR 128.0 million), with fair values based on quoted prices in active markets (Level 1 measurement including equity and debt component), of EUR 341.6 million (2017: EUR 917.4 million), and EUR 49.7 million (2017: EUR 157.6 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 2018
Commodity contracts – fair value hedges	a	9.4	-	-	9.4
Commodity contracts – cash flow hedges	a	6.5	-	-	6.5
Foreign exchange contracts	b	-	14.1	-	14.1
Electricity contracts (embedded derivative)	c	-	-	43.5	43.5
Total		15.9	14.1	43.5	73.5
Commodity contracts – fair value hedges	a	(20.5)	-	-	(20.5)
Commodity contracts – cash flow hedges	a	(14.4)	-	-	(14.4)
Foreign exchange contracts	b	-	(10.0)	-	(10.0)
Electricity contracts (embedded derivative)	c	-	-	(12.0)	(12.0)
Total		(34.9)	(10.0)	(12.0)	(56.9)

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	-	-	2.5
Commodity contracts – cash flow hedges	a	4.1	-	-	4.1
Foreign exchange contracts	b	-	3.1	-	3.1
Electricity contracts (embedded derivative)	c	-	-	63.1	63.1
Total		6.6	3.1	63.1	72.8
Commodity contracts – fair value hedges	a	(29.2)	-	-	(29.2)
Commodity contracts – cash flow hedges	a	(35.0)	-	-	(35.0)
Foreign exchange contracts	b	-	(11.2)	-	(11.2)
Total		(64.2)	(11.2)	-	(75.4)

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.

2018:

EUR million	1 Jan 2018	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 - reclassification from balance sheet	Other changes - foreign exchange changes	31 Dec 2018
Convertible bonds	128.0	(29.0)	4.5	-	-	-	103.5
Fixed rate bonds	837.0	(9.9)	3.9	-	-	-	831.0
Unsecured bank loans	27.4	164.3	-	-	-	1.6	193.3
Finance lease liabilities	0.7	(0.2)	-	-	-	-	0.5
SCTF credit facility	176.9	380.2	1.9	-	-	20.2	579.2
Perpetual securities	-	-	-	-	174.9	-	174.9
Zinc prepayment	74.8	70.7	-	(24.7)	-	7.0	127.8
Total	1,244.8	576.1	10.3	(24.7)	174.9	28.8	2,010.2

2017:

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 - reclassification from balance sheet	Other changes - foreign exchange changes	31 Dec 2017
Convertible bonds	211.5	(88.8)	5.3	-	-	-	128.0
Fixed rate bonds	340.8	492.2	4.0	-	-	-	837.0
Unsecured bank loans	14.3	13.7	-	-	-	(0.6)	27.4
Finance lease liabilities	0.7	-	-	-	-	-	0.7
SCTF credit facility	329.9	(115.1)	(4.1)	-	-	(33.8)	176.9
Loans from related parties	94.8	(88.4)	-	-	-	(6.4)	-
Zinc prepayment	170.4	-	-	(79.4)	-	(16.2)	74.8
Total	1,162.4	213.6	5.2	(79.4)	-	(57.0)	1,244.8

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 2018	31 Dec 2017
Within one year	15.6	22.9
Total	15.6	22.9

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 2018	31 Dec 2017 Restated
Within one year	32.8	24.1
Between one and five years	62.8	50.7
More than five years	5.1	11.6
Total	100.7	86.4

The increase in the operating lease commitments from 2017 to 2018 is mainly due to the new leases of mobile equipment contracted in 2018 following the completion of Myra Falls and Langlois ramp ups.

The Group adjusted the 2017 operating leases disclosures as it identified additional lease commitments related to 31 December 2017 during its transition to the IFRS 16 at 1 January 2019.

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 2018 which may have or has had significant effects on the financial position or profitability of the Company and its subsidiaries, taken as a whole, other than those disclosed in these consolidated financial statements.

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% ⁽¹⁾
2 October 2014	34,651,369	10.19% ⁽¹⁾
12 November 2014	52,035,694	15.30% ⁽¹⁾
1 September 2015	68,090,869	20.02% ⁽¹⁾

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 2018 Urion held 26,830,662 (31 December 2017: 26,830,622) shares representing 24.42% (31 December 2017: 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. Mr. Jesús Fernandez resigned from the Board of Directors in February 2019.

As a result of the restructuring of the Nyrstar Group, the Trafigura group is expected to gain control over the operating entities of the Group (refer to note 42: “Subsequent events”).

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. As part of the implementation of the Restructuring as explained in note 42 "Subsequent events", the Relationship Agreement was terminated at the completion of the Restructuring. Refer to note 42: "Subsequent events" for the changes of the relationship between the Group and Trafigura subsequent to the completion of the restructuring of the Group.

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 came into force on 1 January 2016 for a fixed term of five years until 31 December 2020, 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 only 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 Purchase Agreements provide for market-linked prices, with biannual agreement of treatment charges (for zinc concentrate and lead concentrate) and premiums (for aluminium), which are subject to certain fallback or cancellation mechanisms, in case no agreement can be reached between the parties. Certain commercial terms, such as the selection of the quotational period or penalties are not renegotiated biannually.

Subject to annual agreement, the Purchase Agreements will relate to approximately 500,000t of zinc concentrate per annum representing approximately 25-30% of Nyrstar's zinc concentrate feedbook requirements. The treatment charge for the 2018 deliveries has been agreed in two tranches in October 2017 and in August 2018. The weighted average treatment charge agreed for 2018 under the Purchase Agreements was USD 37.20/DMT (2017: 74.0/DMT). 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 were secured by the shares of Nyrstar Budel BV, a subsidiary of the Company. These deferred payments terms have been replaced in December 2018 by the TFFA (see below).

The Sales Agreements provide for market-linked prices plus (i) market-linked premiums less specific annually agreed discounts for zinc metal, (ii) annually agreed premiums for lead metal and (iii) market-based premiums subject to annually agreed discounts for copper cathodes all of which are subject to certain fallback mechanisms in case no agreement can be reached between the parties. Certain commercial terms, such as the selection of the quotational period or penalties are not renegotiated biannually. The Sales Agreements pertain the sale of substantially all of Nyrstar's production of commodity grade metal. In conjunction with the zinc metal Sales Agreement, Nyrstar provides storage and handling services to Trafigura on purchased volumes at no additional cost.

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.

The commercial terms of the Trafigura Commercial Agreements which have not been specifically detailed above in relation to the agreed zinc treatment charges were entered into at arm's length commercial terms based on the prevailing market conditions at the relevant time.

In accordance with the terms of the Purchase Agreements, Nyrstar and Trafigura agreed for Trafigura to partially prepay, on a three-month rolling basis, the annual purchase of 230,000 metal tonnes of zinc to be delivered for calendar year 2017 and onwards. In addition, Nyrstar and Trafigura agreed to use reasonable endeavours to agree by 15 August 2018 the financing terms for prepayment of an additional 175,000 metal tonnes of zinc to be delivered annually from the calendar year 2019 and onwards. These agreements were concluded as part of the TFFA finalised on 6 December 2018 (refer below).

Trafigura Off-take Agreement under the zinc prepayment agreement

In December 2015, Trafigura also became 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. The agreement was subsequently amended and extended. The outstanding balance of the zinc prepayment at 31 December 2018 was EUR 127.8 million (2017: 74.8 million). Principal amortisation is to commence in June 2019. Trafigura's direct interest in the prepayment is USD 30 million and the Group incurs an interest of 4.25% on the outstanding balance of the zinc prepayment.

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 became committed, was extended until 31 December 2017 and was upsized to USD 250 million. The amended working facility was secured by a share pledge over the shares of Nyrstar France SAS and Nyrstar Budel BV, subsidiaries of the Company. In November 2017, the facility of USD 250 million was extended until the end of 2019. The Trafigura Working Capital Facility remained undrawn and available on its terms prior to it being replaced by the new USD 650 million Trade Finance Framework Agreement dated 6 December 2018 ("TFFA"). These terms included, for each new loan under the Trafigura Working Capital Facility, confirmation that the conditions precedent were satisfied including various repeating representations and a statement of no default relating to, amongst other matters, no cross default, no insolvency, no insolvency proceedings and no material adverse change. The Company made a drawdown request dated 31 October 2018 under the Trafigura Working Capital Facility in which, in accordance with the terms of the Trafigura Working Capital Facility, the Company confirmed that the relevant conditions precedent were satisfied on the date of the request. By subsequent agreement, the Company cancelled the drawdown request and sent to Trafigura a loan cancellation request dated 6 November 2018 and the amount requested in the drawdown request was funded by Trafigura by a prepayment agreement dated 8 November 2018. In the period up to 6 December 2018, there were additional drawn interim Advance Payments provided by Trafigura totaling USD 220 million for future zinc and/or lead deliveries ("Interim Prepayments") and these became part of the prepayments under the TFFA. Under the USD 220 million interim prepayment agreement dated 21 November 2018, if Nyrstar delivered a request for a loan under the Working Capital Facility, then the termination date for the USD 220 million interim prepayment agreement automatically occurred and the aggregate amount of any outstanding prepayments and interest would be immediately due and payable. The USD 220 million interim prepayment was fully drawn at 21 November 2018. A condition precedent to the first TFFA utilisation was that a letter deed was provided which cancelled the Working Capital Facility and released the related security, which was satisfied by a letter deed dated 6 December 2018. Subsequent to the drawdown request under the Trafigura Working Capital Facility dated 31 October 2018, the Company did not make any further drawdown requests under the Trafigura Working Capital Facility as the necessary liquidity was provided by the prepayment agreements and then the Trade Finance Framework Agreement. Accordingly, the Company was not required to give and further confirmations regarding the conditions precedent in respect of the Trafigura Working Capital Facility.

Trafigura Trade Finance Framework Agreement

On 21 November 2018, the Group announced that it had agreed a binding term sheet with Trafigura Pte Ltd ("Trafigura") under which Trafigura would extend USD 650 million of committed liquidity in favour of Nyrstar Sales & Marketing AG ("NSM"). This was finalised into a USD 650 million Trade Finance Framework Agreement dated 6 December 2018 (the "TFFA").

The TFFA comprises of a USD 450 million committed revolving prepayment tranche with interest of LIBOR plus 5%, a revolving open account tranche with interest of 6% p.a. and a revolving letter of credit guarantee tranche with interest of 6% p.a. at USD 100 million each, totaling to another USD 200 million. The TFFA matures on 30 June 2020. The Agreement also provided for payment by NSM of an upfront fee of an amount equal to 1% of the total commitments (i.e. USD 6.5 million) on the date that the Agreement was entered into and of approximately USD 3.0 million of costs and expenses incurred by Trafigura in connection with the TFFA.

The TFFA benefits from a comprehensive guarantee and security package comprising financial guarantees from 12 Group companies that are, together with NSM, also the guarantors under the Group's Notes. In addition, the TFFA benefits from pledges over shares of Nyrstar Budel BV, Nyrstar France SAS, Nyrstar Hobart Pty Ltd, Nyrstar Port Pirie Pty Ltd, Nyrstar Belgium NV, Nyrstar Clarksville Inc., Nyrstar Tennessee Mines – Gordonsville LLC and Nyrstar Tennessee Mines – Strawberry Plains LLC; and pledges over the main operating assets of these Group companies (being the smelters and mining properties), and certain inventories and receivables within NSM. Under the Recapitalisation Terms, all security and guarantors supporting the TFFA was released. Its term was extended to a new 5 year maturity (note 42). It contains financial covenants equal to those of the other existing loan agreements of the Company, customary events of default, information undertakings, including but not limited to weekly cash flow and capital structure updates and other undertakings, like limitations on Port Pirie incurring further indebtedness or guarantees, making any disposal of fixed assets or making any distributions, in order to protect the equity value of Port Pirie.

Under the terms of the TFFA, the prepayment tranche is to be settled through monthly deliveries of zinc to Trafigura starting from June 2019. Nyrstar will make deliveries in metal based on a predefined shipment schedule in the amount of agreed instalments until 31 December 2019 with further drawdowns on a revolving nature up to June 2020 capped at USD 450 million.

The Board of Directors has decided to voluntarily apply the procedure provided for in article 524 of the Belgian Companies Code to: TFFA (this article 524 procedure was completed on 3 December 2018).

As of 31 December 2018, Nyrstar has received the full prepayments from the prepayment facility in the amount of USD 450 million and has recognized them as deferred income.

The revolving open account and the revolving letter of credit tranches, USD 100 million each, have not been drawn as of 31 December 2018.

Transactions with related parties

EUR million	2018	2017*
-Transactions with related parties:		
Sale of goods and services		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	636.8	650.8
Other related parties	-	-
Purchase of goods and services		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	621.2	674.9
Other related parties	18.3	33.1
Commissions and finance expense paid to related parties		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	2.0	0.9
Other related parties	-	-
-Balances with related parties:		
Amounts owed by		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.*	21.1	25.8
Other related parties	-	-
Amounts owed to		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.*	450.2	145.9
Other related parties	0.3	0.6

* Prior year comparatives have been aligned with current year presentation and disclosure.

Except for the balance related to the TFFA (refer below), the amounts outstanding are unsecured and no guarantees have been given or received in relation to these amounts. The balance related to the TFFA has been secured and guaranteed as described above, and is expected to be settled through the delivery of zinc metal. 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 2018 of EUR 450.2 million (2017: EUR 145.9 million) includes Trafigura's direct participation of USD 30 million (EUR 26.2 million) in the Zinc prepayment (2017: USD 17.5 million (EUR 14.6 million)) (Note 20), the prepayments related to the TFFA of USD 450.0 million (EUR 392.8 million) (2017: the USD 250 million working capital facility (USD 71.1 million, EUR 59.3 million)) and the balance of accounts payable of EUR 31.2 million (2017: EUR 72.0 million).

EUR million	Balances at the end of 31 December	
	2018	2017
-Transactions with related parties:		
Interest, expenses and fees paid to related parties		
Trafigura Beheer B.V.	-	-
Subsidiaries & associates of Trafigura Beheer B.V.	20.5	7.5

(b) Key management compensation

Board of directors

EUR million	2018	2017
Salaries and other compensation	0.5	0.5

Nyrstar Management Committee

EUR million	2018	2017
Salaries and other compensation	5.4	5.8
Pension benefits	0.5	0.6
Share based payments	0.0	1.0

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	2018	2017
Audit services	204.1	194.1
Audit related services	1,333.3	5.4
Tax services	-	66.6
Other services	18.8	263.5
Total Deloitte Bedrijfsrevisoren	1,556.2	529.6
Audit services	674.0	974.2
Audit related services	2,715.0	79.1
Tax services	-	2.7
Other services	128.0	45.0
Total other offices in the Deloitte network	3,517.0	1,101.0

Audit related services are related to fees with respect to legal missions entrusted to the statutory auditor per the Belgian Code of Companies and additional fees for audit services as a result of the unforeseen circumstances that impacted the audit of the standalone and consolidated financial statements per 31 December 2018.

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 2018	Ownership 31 Dec 2017
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 Belgium NV	RPR 0865.131.221	Belgium	100%	100%
Breakwater Resources Ltd		Canada	100%	100%
Canzinco 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%
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 Ancash S.A.		Peru	100%	100%
Nyrstar Peru S.A.		Peru	100%	100%
Nytrade 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 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

Introduction

The Group initiated a review of its capital structure (the “Capital Structure Review”) in October 2018 in response to the challenging financial and operating conditions being faced by the Group. In November 2018, the Group experienced increased working capital requirements as its liquidity position suddenly and unexpectedly deteriorated following the third quarter 2018 results announcement, negative press coverage and credit rating downgrade. In particular, a significant portion of the Group’s trade financing arrangements were suspended or terminated, or required to be cash collateralised, either partly or fully. These substantial working capital and liquidity outflows experienced by the Group during the fourth quarter of 2018 and first quarter of 2019 necessitating the raising of urgent funding to enable the Company and the Group to continue its operations. Combined with the Group’s materially reduced Underlying EBITDA performance in 2018 and the maturing of certain liabilities during 2019, these factors resulted in the need to reconsider the Group’s capital structure.

The Capital Structure Review identified a very substantial additional funding requirement that the Group was unable to meet without a material reduction of the Group’s indebtedness. As a consequence, the Capital Structure Review necessitated negotiations between the Group’s financial creditors in order to develop a deleveraging and funding plan as part of a comprehensive balance sheet recapitalisation. Alternatives to such a recapitalisation were carefully considered but no alternative to address the financial issues was viable and failure to address these financial issues would have placed the future of the Company, its subsidiaries and its stakeholders at severe risk. Accordingly, on 15 April 2019, Nyrstar announced that it had entered into a lock-up agreement dated 14 April 2019 (the “Lock-Up Agreement”) with representatives of its key financial creditor groups. The Lock-Up Agreement set out the terms for the recapitalisation of the Group (the “Recapitalisation Terms”). Subsequently, on 29 April 2019, Nyrstar announced that formal consents to the Lock-Up Agreement had been received from, inter alia, over 79% of the aggregate outstanding principal amount under the senior notes due in 2019 and due in 2024, and over 87% of the aggregate outstanding principal amount under the convertible bonds. Under the Lock-Up Agreement, implementation of the Recapitalisation Terms was subject to various conditions precedent which included various third party regulatory approvals which were all successfully obtained.

The Recapitalisation Terms included, amongst a number of other steps, a sale of all of the subsidiaries of Nyrstar NV (excluding a newly incorporated English holding company of NewCo (as defined below) (“Operating Group”) at a nominal amount of USD 1 taking into account the fair market value of the assets (as adjusted by liabilities within the Operating Group) at the time of the sale (i.e. pre-restructuring) to a newly incorporated English subsidiary of the Company (“NewCo”) and one or more schemes of arrangement under the UK Companies Act 2006. Upon implementation of the Recapitalisation Terms, Trafigura Group Pte. Ltd. (together with its affiliates, “Trafigura”) was issued 98% of the outstanding share capital of NewCo and as a result has become the owner of 98% of the equity of the Operating Group with Nyrstar NV owning the balance of 2%. As a result of the recapitalisation, Trafigura Group Pte. Ltd. has become the ultimate parent of the Operating Group.

On 14 June 2019, NewCo was incorporated in England under the name of NN2 Newco Limited. On 20 June 2019, the Company announced that various steps to implement the Restructuring had been and were being undertaken, including that NewCo had acceded to the Notes (as defined below) and that NewCo had published a practice statement letter in relation to a scheme of arrangement to be proposed by NewCo in respect of the Notes. The English court held the convening hearing on 4 July and ordered the NewCo scheme meetings to be held on 22 July (or such later time or date as NewCo may have decided). The NewCo scheme meetings were held on 22 July. There were two creditor classes for the NewCo scheme – the convertible bonds in one class, and the senior notes due in 2024 and the senior notes due in 2019 combined into a single second creditor class. For the first scheme creditor class (the convertible bonds), 98.87% by value voted and 100% by value and 100% by number of those voting supported the scheme. For the second scheme creditor class (the senior notes due in 2024 and the senior notes due in 2019), 95.57% by value voted and 99.96% by value and 98.93% by number of

those voting supported the scheme. Accordingly, the NewCo scheme was supported by an overwhelming majority of the scheme creditors and well in excess of the requisite majorities (being 75% by value and a majority by number of those creditors voting in each scheme class).

The English court sanction hearing for the NewCo scheme of arrangement was held on 26 July 2019 when the sanction order was granted. The scheme of arrangement became effective on the same day. On 29 July, a meeting of holders of the convertible bonds was held and a resolution was passed to approve the NewCo scheme (98% by value of those entitled to vote did so and 100% of those voting approved the resolution scheme). On 30 July, the United States Bankruptcy Court Southern District of New York entered an order under Chapter 15 of title 11 of the United States Bankruptcy Code granting recognition of main proceedings and related relief giving full force to the UK scheme of arrangement of NewCo in the United States.

The Restructuring subsequently took full effect on 31 July 2019.

Implementation of the Recapitalisation Terms has ensured the continuing operations of the Operating Group for the benefit of all stakeholders; failure to implement the Recapitalisation Terms would have highly likely lead to the insolvency of the Group as well as the Company, which was anticipated to have resulted in material harm to the Group's customers, suppliers and approximately 4,100 employees of the Group, as well as very substantial loss of value to the financial stakeholders, and a total loss to shareholders.

Support for the Lock-Up Agreement

The Lock-Up Agreement was initially entered into by the Group (and relevant subsidiaries) with representative lenders across each of its key financial creditor groups, who were closely involved in the discussions on the proposed terms of the recapitalisation. Subsequently, many other creditors acceded to the Lock-Up Agreement.

By late July 2019, the Lock-Up Agreement had been signed by noteholders representing slightly over 94% in aggregate by value of the Group's EUR 500 million 6.875% senior notes due in 2024, EUR 340 million 8.5% senior notes due in 2019 and EUR 115 million convertible bonds due in 2022 (together "the Notes" and holders of the Notes being "the Noteholders").

The Lock-Up Agreement was negotiated and agreed in full cooperation with the coordinating committee of the Group's bank lenders (the "Bank Coordinating Committee") representing the following Group facilities entered into by the Company's affiliate, Nyrstar Sales & Marketing AG ("NSM") (the "Bank Facilities"):

- The EUR 600m revolving structured commodity trade finance facility agreement originally dated as of 28 January 2010 between, among others, NSM and Deutsche Bank AG, Amsterdam Branch as Facility Agent and Security Agent (the "SCTF");
- Certain unsecured bank facilities (together the "Unsecured Facilities"), with an aggregate principal amount outstanding at the relevant time of around EUR 238m comprising:
 - the Prepayment Agreement dated 24 April 2018 with Politus B.V. as buyer (the "Politus Prepayment");
 - the Common Terms Agreement dated 5 September 2014 with Hydra Limited (the "Hydra Prepayment"); and
 - certain unsecured bilateral prepayment and working capital facilities (together the "Bilateral Facilities").

The Bank Coordinating Committee provided their formal approvals by entering into the Lock-Up Agreement in parallel with the Noteholder approval process.

The Lock-Up Agreement was also fully supported by Trafigura including in its capacity as lender under the USD 650 million Trade Finance Facility Agreement dated 6 December 2018 (as amended) (the "TFFA") provided to NSM, as well as in its capacity as bridge finance provider to NSM (see below) and as future majority owner of the Operating Group in accordance with the Recapitalisation Terms.

Operation of the Lock-Up Agreement, Standstill and Implementation of the Recapitalisation Terms

The Lock-Up Agreement obliged, subject to its terms and certain conditions, each of the parties to it to take such action and/or provide such approvals as were required to implement the Recapitalisation Terms.

The Lock-Up Agreement provided that obligations of the parties under the Lock-Up Agreement would automatically terminate on, inter alia, the earliest of:

- Implementation of the Recapitalisation Terms; and
- The Restructuring Long Stop Date of 30 August 2019, which could be extended to 30 September 2019 with the consent of Nyrstar, Trafigura, the Bank Coordinating Committee and a representative group of Noteholders.

The Lock-Up Agreement required the parties to proceed expeditiously with the steps required to implement the Recapitalisation Terms. During the period in which the Lock-Up Agreement was in effect, from the time of entry into it the parties agreed to the suspension and deferral of certain amounts otherwise falling due under the Group's debt facilities. These amounts included any principal or interest payment under the Notes and the Unsecured Facilities, including any accrued coupons or interest.

The Recapitalisation Terms are summarised below.

USD250 million Bridge Finance Facility in conjunction with the Lock-Up Agreement

In conjunction with entering into the Lock-Up Agreement, Trafigura provided up to USD 250 million through a committed term loan facility to NSM (the "Bridge Finance Facility") to strengthen the Group's liquidity position and provide for its interim funding requirements prior to completion of the implementation of the Recapitalisation Terms. Under the Lock-Up Agreement, entry into the Bridge Finance Facility and subsequent funding were subject to certain conditions.

The Bridge Finance Facility benefitted from certain asset and share security and had a final maturity date of 30 August 2019 (unless extended by the agreement of all the parties to the Bridge Finance Facility) and an interest rate of LIBOR plus a margin of 5% per annum. The Bridge Finance Facility's asset and share security included guarantees from Nyrstar NV, NSM and the Group's US, Canadian and Belgian principal operating companies, a pledge of the shares of NewCo and share pledges of and asset security over the Group's US, Canadian and Belgian principal operating companies.

The necessary Noteholder consents were sought from, and committed to by, consenting Noteholders under the Lock-Up Agreement in order to permit the incurrence of, and security interests attaching to, the Bridge Finance Facility. All these consents were successfully obtained from the Noteholders, as announced on 18 April 2019, and all the conditions precedent in the Bridge Finance Facility were satisfied.

Principal Recapitalisation Terms – Trafigura

The principal Recapitalisation Terms relating to Trafigura's ownership of the Operating Group, its obligations under existing arrangements with the Group and under new arrangements with the Group's stakeholders, were as follows:

- Trafigura to become the owner of 98% of the shares of the Operating Group by a share issuance by NewCo;
- The provision by Trafigura of a guarantee in respect of the reinstated Bank Facilities on the terms and in the amounts described below;
- Issuance by Trafigura of the securities in the amounts described below (see "Principal Recapitalisation Terms – Notes") to Noteholders in consideration for the discharge of the Notes;
- Funding by Trafigura of the USD 250 million Bridge Finance Facility (with all security and guarantees released on completion of the Restructuring);

- Reinstatement by Trafigura of the USD 650 million TFFA (with all security and guarantees released on completion of the Restructuring);
- Providing by Trafigura of the ongoing funding requirements for the Operating Group; and
- 2% equity participation in the Operating Group to be retained by the Company.

Principal Recapitalisation Terms – Bank Facilities

SCTF (as defined above)

- The SCTF was reinstated in the amounts set out as follows (the “Reinstated SCTF”):
 - 100% of the principal amount outstanding at the time of reinstatement for those lenders participating in their pro rata share of up to EUR 100 million of the New Revolving Facility (see below);
 - 85% of the principal amount outstanding at the time of reinstatement for those lenders not participating in their pro rata share of the New Revolving Facility; and
 - All the SCTF lenders committed to participate in the EUR 100 million of the New Revolving Facility, so the Reinstated SCTF was 100% of the principal amount outstanding at the time of reinstatement,
- The Reinstated SCTF is divided equally between a revolving borrowing base facility and a term loan facility with a bullet maturity and benefitting from comprehensive asset security over the European subsidiaries of the Operating Group and a corporate guarantee by Trafigura, in addition to the existing borrowing base security over certain inventories and receivables of the Operating Group; and
- The Reinstated SCTF has a 5 year maturity and an interest margin of LIBOR/EURIBOR + 1% per annum.

Unsecured Facilities

- The Politus Prepayment, the Hydra Prepayment and the Bilateral Facilities have been amended and reinstated in the aggregate amounts set out as follows (the “Reinstated Unsecured Facilities”) (the exact allocation per facility varies according to the agreement which was reached in relation to those facilities as detailed in the Lock-up Agreement):
 - 47.5% on a blended basis of the principal amount outstanding for those lenders participating in their pro rata share of up to EUR 60 million of the New Revolving Facility;
 - 35% on a blended basis of the principal amount outstanding for those lenders not participating in their pro rata share of the New Revolving Facility; and
 - Lenders under the Unsecured Facilities committed to take up all of the above EUR 60 million of the New Revolving Facility and, therefore, the Reinstated Unsecured Facilities were reinstated to EUR 100 million in aggregate,
- The Reinstated Unsecured Facilities have a 5 year maturity and an interest margin of LIBOR + 1.5% per annum; and
- The Reinstated Unsecured Facilities benefit from a corporate guarantee by Trafigura.

New Revolving Facility following the completion of the Restructuring

- EUR 160 million new revolving credit facility (the “New Revolving Facility”) provided by lenders under the SCTF and Unsecured Facilities in the proportions described above;
- The New Revolving Facility has a 4 year maturity and an interest margin of LIBOR/EURIBOR + 1.25% per annum; and
- The New Revolving Facility shares the same security and guarantee package as the Reinstated SCTF except for having second ranking security over the inventory and receivables securing the borrowing base which, following the discharge of the borrowing base tranche of the Reinstated SCTF, ranks pari passu with the security for the term loan tranche of the Reinstated SCTF.

Principal Recapitalisation Terms – Notes

The Notes issued by Trafigura to the Noteholders were treated equally with one another, with each Noteholder having been issued its pro-rata share of the consideration set out below:

- EUR 262.5 million Perpetual Resettable Step-up Subordinated Securities issued by Trafigura Group Pte Ltd:
 - Maturity: no fixed maturity date;
 - Interest: 7.5% per annum with step up margin of 3% applied after 5 years; and
 - Other terms and conditions based on Trafigura's perpetual securities issued under an offering memorandum dated 15 March 2017,
- EUR 80.6 million (USD equivalent) Guaranteed Senior Notes issued by Trafigura Funding S.A. under the EUR 3 billion Euro Medium Term Note Programme (and consolidated with the USD400 million notes issued on 19 March 2018):
 - Maturity: 19 March 2023;
 - Interest: 5.250% per annum; and
 - Guaranteed by Trafigura Group Pte. Ltd., Trafigura Trading LLC and Trafigura Pte Ltd,
- EUR 225 million (USD equivalent) Guaranteed Zero Coupon Commodity Price Linked instrument issued by a new subsidiary of Trafigura:
 - Maturity: 7 years following the Issue Date;
 - Early Repayment: quarterly calculated by reference to 5% of 250,000 tonnes multiplied by the excess of the average zinc price during that quarter over USD2,500/t up to a cap of USD2,900/t plus 10% of 250,000 tonnes multiplied by the excess of the average zinc price during the quarter over USD2,900/t; and
 - All payments guaranteed by Trafigura Group Pte. Ltd., Trafigura Trading LLC and Trafigura Pte Ltd,
- In addition, any Noteholder who had acceded to the Lock-Up Agreement on or before 11.59pm (London time) on 7 May 2019 (and subject to certain other requirements) received a cash settled fee of 150bps of the principal amount of its Notes on implementation of the Recapitalisation Terms. Ultimately the holders of slightly over 93% of the Notes were paid this fee.

Principal Recapitalisation Terms – TFFA

Under the Recapitalisation Terms, all security and guarantors supporting the TFFA was released. Its term was extended to a new 5 year maturity.

Principal Recapitalisation Terms – Bridge Finance Facility

Under the Recapitalisation Terms, all security and guarantees supporting the Bridge Finance Facility were released. The Bridge Finance Facility was then replaced with an unsecured on-demand intercompany debt with no fixed maturity, and which, at Trafigura's option, was to be equitised or subordinated.

Principal Recapitalisation Terms – Unaffected Facilities

Existing debt and working capital facilities not specifically referenced above were unaffected by the Recapitalisation Terms. This includes the AUD291 million (as at 31 December 2018) perpetual securities issued by Nyrstar Port Pirie Pty Ltd which was unaffected by the Lock-Up Agreement.

Principal Recapitalisation Terms – Equity

The Recapitalisation Terms provided for a sale by Nyrstar NV of the Operating Group to NewCo; following that, on 31 July 2019, a subsidiary of Trafigura incorporated in Malta (Nyrstar Holdings PLC) was issued 98% of the outstanding share capital of NewCo. Nyrstar NV continues to be a holding company, holding 2% of the equity in the Operating Group for the benefit of Nyrstar NV shareholders. Nyrstar NV and Trafigura also agreed on certain minority protection rights for Nyrstar NV and Nyrstar NV benefits from certain information rights, including in respect of distributions. Further, if Trafigura (at any time)

proposes a transfer of any right or interest to a third party purchaser (on arms' length terms, for cash or non-cash consideration) that would result in a member of the Trafigura group holding 50% or less of the shares in NewCo, then Trafigura has the right to oblige Nyrstar NV to transfer (drag right), and Nyrstar NV has an equivalent right to participate in such transfer to the third party purchaser (tag right) in relation to, its entire 2% equity stake in NewCo on the same terms and for the same consideration per share as the transfer by Trafigura. Finally, Nyrstar NV can put all (but not part only) of its 2% holding onto Trafigura at a price equal to EUR 20 million in aggregate payable to Nyrstar NV. This put option can be exercised by Nyrstar NV between 6 months and 3 years of the implementation of the Recapitalisation Terms, subject to limited triggers allowing earlier exercise of the put option before 6 months or earlier termination of the put option before 3 years.

Further, Nyrstar NV has been released of liabilities for existing financial indebtedness and obligations owed under parent company guarantees of commercial or other obligations of the current members of the Operating Group (or indemnified by NewCo to the extent such guarantee liabilities are not released). Nyrstar NV is indemnified in respect of certain other historic liabilities relating to the Operating Group. NewCo also provides certain funding towards the continued operating costs of Nyrstar NV under the Limited Recourse Loan Facility. This includes EUR 8.5 million committed funding in respect of day-to-day ordinary course operating costs subject to various draw down requirements (the relevant facility has an additional separate EUR 5 million tranche for litigation defence costs (if any)).

In the interests of all stakeholders of the Group, including the Nyrstar NV's shareholders, the Board of Directors decided to voluntarily apply the procedure provided for in article 524 of the Belgian Companies Code to: (a) the Bridge Finance Facility (this article 524 procedure was applied on 15 April 2019), and, separately, to (b) (i) the sale by the Company of the Operating Group and all receivables owed to Nyrstar NV by the Operating Group at a nominal amount of USD 1 taking into account the fair market value of the assets (as adjusted by liabilities within the Operating Group) at the time of the transfer to NewCo, and (ii) the subsequent transfer of majority ownership of NewCo to Trafigura, through the issuance by NewCo of a 98% equity stake in itself to Trafigura (with the remaining 2% issued directly to Nyrstar NV) in connection with the coming into effect of certain other steps regarding implementation of the Restructuring. This article 524 procedure was voluntarily applied by the Board on 19 June 2019 and the independent expert appointed during this process included a review of the consideration at which Nyrstar NV sold the Operating Group to NewCo.

Other subsequent events:

- In January 2019, Nyrstar was subject to a cyber-attack. Certain IT systems, including email, were impacted. The cyber-attack issue was subsequently contained and resolved. The operational and financial impact of the cyber-attack on Nyrstar's Metals Processing and Mining operations was not significant.
- In March 2019, Nyrstar unwound the majority of its metal at risk hedges to improve the liquidity of the Company. The improved liquidity was due to the fact that the metal at risk hedges required cash collateralising due to the loss of credit lines from hedge counterparties (note 35 (d)). Nyrstar was then subsequently fully exposed to metal prices for its metal at risk. Due to the declining metal prices in 2019, the operating result of the Group for the seven months ended 31 July 2019 (the effective date of the Restructuring) has been negatively impacted by approximately EUR 40 to EUR 50 million as the Group has not hedged its metal at risk exposure.
- On 29 April 2019, Nyrstar Port Pirie Pty Ltd notified the holder of the Perpetual Securities that it elected to cash pay all of the Distribution Amount (interest/fees) on the Perpetual Securities for the period 27 November 2018 to 27 May 2019 (being AUD 13.2 million) and also that it would redeem 29,125 Perpetual Securities with a value of AUD 29.1 million. This was the targeted number of Perpetual Securities for the relevant period under the financing arrangement involving the State of South Australia. Nyrstar paid the aggregate of both amounts, AUD 42.3 million (EUR 26.1 million) on 27 May 2019. During the period to 31 July 2019, the South Australian Government, Nyrstar and Trafigura participated in discussions that ultimately have led to agreement on the terms on which the perpetual securities will be restructured to a guaranteed secured debt. Those terms include Nyrstar Port Pirie Pty Ltd making a A\$58.25M repayment in November 2019 (corresponding with the payments that were deferred in May and November 2018).

- In June 2019 Nyrstar declared force majeure under a number of its agreements, due to an unplanned stoppage of production at the Port Pirie smelter that commenced on 28 May 2019. Production was initially expected to resume at the end of June 2019. The Blast Furnace was intentionally shut down in May 2019, to allow the Top Submerged Lance Furnace (TSL) to re-establish an adequate stock of TSL slag feed for the Blast Furnace, following an extended planned shutdown of the TSL in April 2019. The Blast Furnace restart was unexpectedly delayed on 28 May 2019 by a steam eruption in the Refinery and a failed Blast Furnace water jacket. On 5 June 2019, a failure of the TSL main process gas duct (Gooseneck), between the Waste Heat Boiler and Evaporative Gas Cooler required a further shutdown of the TSL for remedial work. Consequently the further extended Blast Furnace outage resulted in a requirement for a partial dig out of the Continuous Drossing Furnace (CDF), essential for treatment of all lead output from the Blast Furnace, as it had fully solidified. The Blast Furnace was restarted on 27 June 2019, however, the restart attempt was aborted due to issues with the slag chemistry. Remediation work on the TSL Gooseneck was completed in July 2019 and the TSL restarted on 18 July 2019. The Blast Furnace was subsequently restarted on 27 July 2019. These unplanned shutdowns had an estimated negative impact on production at Port Pirie of approximately 30,000 tonnes of lead market metal over the course of June and July 2019 (i.e. before the 31 July 2019 restructuring effective date when the Port Pirie smelter started to be controlled by the Trafigura group) and an estimated Underlying EBITDA impact of EUR 25 to 30 million in the same period.
- It was discovered at the end of May 2019 that certain Board materials had not been provided to Deloitte. Deloitte then reviewed the materials as part of its audit activities. The Board commissioned an investigation with Alvarez & Marsal to examine whether the fact that the materials were not provided to Deloitte was an oversight or had been instructed by Nyrstar Board or management members. Alvarez & Marsal did not finalise its investigation as the lead examiner has been incapacitated due to grave illness after providing a first draft of his report. The Board then commissioned a second independent investigation with the law firm Contrast to examine the same question. Based on the reports of the law firm Contrast and Alvarez & Marsal, the Audit Committee and the Board of Directors concluded that the fact that these materials were not provided to Deloitte earlier was an individual error, that occurred in exceptional circumstances of pressure, but was not organised or instructed at Nyrstar Board or management level and not made with the intention to mislead or deny relevant information from the Company's auditors. Alvarez & Marsal and the law firm Contrast have conducted management interviews and the law firm Contrast has also conducted a forensic search to reach its conclusion.
- On 24 June 2019 the president of the court of Brussels rendered a decision against Nyrstar NV after a unilateral petition dated 21 June 2019 by minority shareholders Kris Vansanten and Jean-Marc Van Nypelseer, both represented by WATT Legal. The decision, amongst others, requested Nyrstar NV to disclose certain documentation at its AGM on 25 June 2019 and on its website. Nyrstar fully complied with the court decision, yet filed a third party opposition to this decision on 11 July 2019. WATT Legal subsequently launched counterclaims such as for a shareholders' meeting to be convened (either by the board or an interim administrator).

The court hearing took place on 14 August 2019. The Court rendered its decision on 28 August 2019 declaring Nyrstar's opposition admissible and largely well founded. In particular, the court only upheld the request to suspend the vote on all agenda points for the AGM of 25 June 2019 and the request for Nyrstar to convene a new AGM once the auditor has finalized her report. All other measures requested by WATT Legal (in their initial petition of 21 June 2019) were found inadmissible, as the shareholders had ample time to request these through a contradictory procedure. The court also declared the counter measures by WATT Legal (which they reduced in their final legal briefs to requesting the appointment of an interim administrator to convene an AGM) inadmissible. The court rejected Nyrstar's counter damage claim for compensation of EUR 10,000 per shareholder due to frivolous and vexatious lawsuit. The minority shareholders have to bear $\frac{3}{4}$ of the court expenses and Nyrstar only $\frac{1}{4}$ of the court expenses.

- Nyrstar notes the press coverage by L'Echo and De Tijd on Saturday 17 August 2019. The various allegations that have been raised by Nyrstar's ex-internal auditor in the press coverage published by L'Echo and De Tijd date from 2018 and before. They were all historically reported to, investigated and fully dealt with by Nyrstar's management committee, audit committee and/or board of directors as appropriate in 2018 and early 2019. Nyrstar strongly refutes any allegation that any of its published accounts have been falsely or incorrectly stated.

43. Amendment of previously issued 31 December 2018 consolidated financial statements

These consolidated financial statements have been authorised for issue by the board of directors of Nyrstar NV on 27 September 2019 and replace the Company's consolidated financial statements previously issued on 26 May 2019.

(a) Myra Falls impairment (note 17)

Subsequent to 26 May 2019 the Company has reviewed and updated the mine block model of the Myra Falls mine resulting in lower estimated recoverable value of the mine. The Company has concluded that the change represent an adjusting subsequent event under IAS 10: "Events after the reporting period" as it materially impacts the recoverable value of the Myra Falls mine as at 31 December 2018. To enhance the relevance of information contained in the consolidated financial statements the Company has amended and has reissued its 31 December 2018 consolidated financial statements to reflect the non-cash impairment of the Myra Falls mine.

As a result of the amendment, the original reported loss for the year of EUR 618.2 million has increased to EUR 649.5 million and original total equity has decreased from EUR (150.9) million to EUR (182.1) million.

The table below summarises the changes in the consolidated income statement between the original and reissued consolidated financial statements:

EUR million	2018	2018
	Original	Reissued
Impairment loss	(99.0)	(130.3)
Result from operating activities	(212.1)	(243.4)
Loss before income tax	(363.4)	(394.7)
Loss for the year from continuing operations	(613.8)	(645.1)
Loss for the year	(618.2)	(649.5)
Attributable to:		
Equity holders of the parent	(618.2)	(649.5)
Loss per share for loss from continuing operations during the period (expressed in EUR per share)		
basic	5.60	5.88
diluted	5.60	5.88

(b) Ability of the Group to continue to operate on a going concern basis (note 4)

The re-issued consolidated financial statements of the Group continue to be prepared on a basis other than that of a going concern (Note 2a). As a result of the completion of the restructuring of the Nyrstar Group at 31 July 2019, the going concern disclosures in note 4 have been updated reflecting the outcomes of the restructuring. The changes include a removal of the material uncertainties that had existed at 26 May 2019 when the original 31 December 2018 consolidated financial statements of the Group were issued.

(c) Zinc prepayment (note 20g)

Additional disclosures have been included in relation to the refinancing of the zinc prepayment in the first half of 2018

(d) Related parties (note 39)

The following changes have been made to the Related parties disclosures in note 39a:

- The termination of the relationship agreement with Trafigura at the completion of the restructuring of the Nyrstar Group has been reflected in disclosures;

- The actually agreed zinc treatment charges between the Company and Trafigura for 2018 and 2017 have been disclosed in the re-issued consolidated financial statements;
- Disclosures related to the Trafigura Commercial Agreements, the Trafigura working capital facility and the Trafigura trade finance framework agreement have been further enhanced; and
- The commissions and finance expenses paid to Trafigura have been added to the disclosures.

(e) Audit and non-audit services by the Company's statutory auditor (note 40)

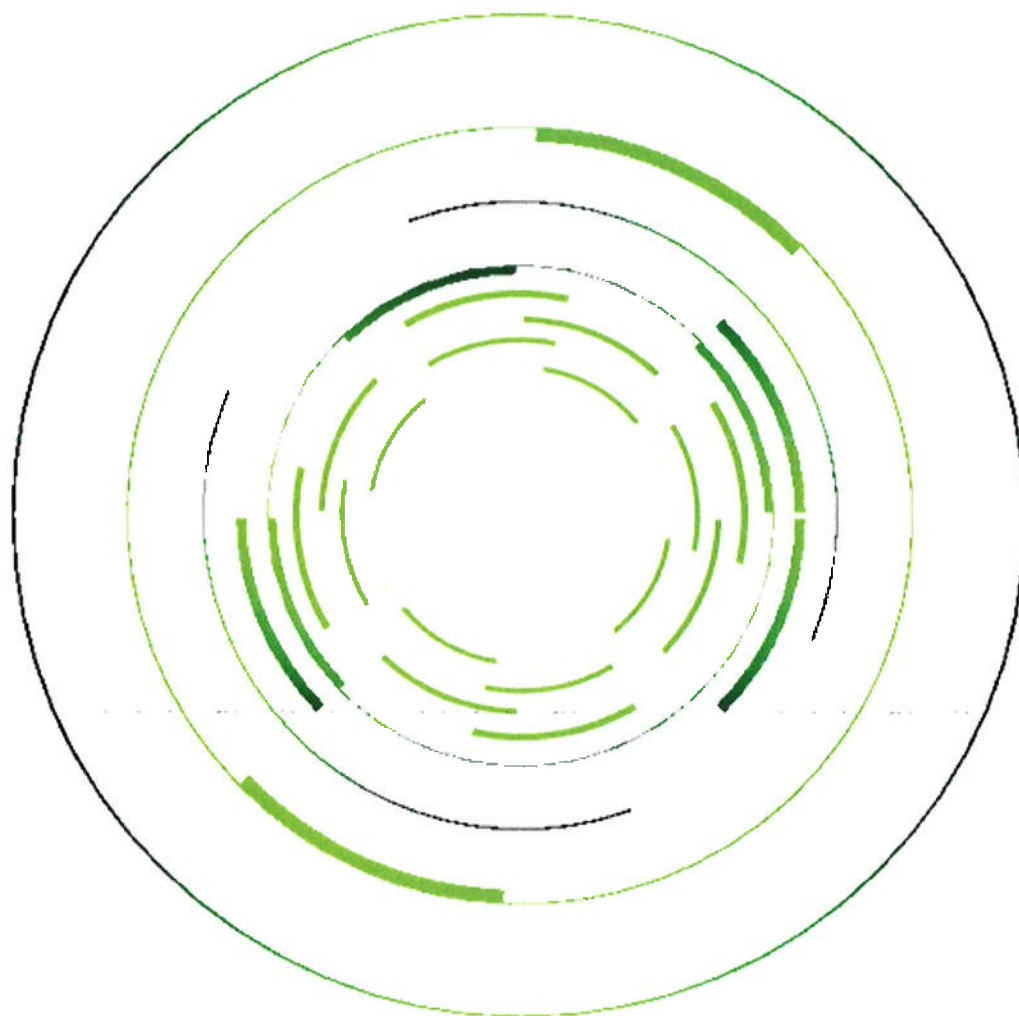
The audit fees for the 2018 audit by the Company's auditor have been updated to reflect the additional audit fees incurred by the Group until the finalisation of the audit of the re-issued consolidated financial statements for the year ended 31 December 2019.

(f) Subsequent events (note 42)

The subsequent events disclosures have been substantially updated to reflect the progress of the restructuring of the Nyrstar Group since 26 May 2019, when the original consolidated financial statements for the year ended 31 December 2018 were issued. This update includes the outcomes of the restructuring that has been completed at 31 July 2019.

In addition to the updated disclosures related to the Nyrstar Group restructuring, additional disclosures have been provided related to the events that occurred between the issuance of the original 31 December 2018 consolidated financial statements at 26 May 2019 and the completion of the re-issued 31 December 2018 consolidated financial statements at 25 September 2019. These additional disclosures include:

- Quantification of the impact on the Group from unwinding of the majority of the metal at risk hedges in March 2019 due to the declining metal prices in 2019;
- The outcome of the negotiation between the South Australian Government, Nyrstar and Trafigura related to the Perpetual Securities;
- The operational issues at the Port Pirie smelter and their estimated negative production and financial impact over the course of June and July 2019 (i.e. before the 31 July 2019 restructuring effective date);
- The outcome of the investigation related to the certain Board materials that had not been provided to Deloitte;
- The outcome of the court hearing in Brussels with regards to a legal dispute between the Company and its minority shareholders Kris Vansanten and Jean-Marc Van Nypelseer, both represented by WATT Legal; and
- The reaction to the unsubstantiated allegations by Nyrstar's ex-internal auditor in the press coverage published by L'Echo and De Tijd on 17 August 2019.



Nyrstar NV

Statutory auditor's report to the shareholders' meeting for the year ended
31 December 2018 - Consolidated financial statements

The original text of this report is in Dutch

Statutory auditor's report to the shareholders' meeting of Nyrstar NV for the year ended 31 December 2018 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Nyrstar NV ("the Company") and its subsidiaries (jointly "the Group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report. This statutory auditor's report replaces our report of non-compliance issued on 26 May 2019.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 19 April 2018, 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 deliberating on the financial statements for the year ending 31 December 2020. We have performed the statutory audit of the consolidated financial statements of Nyrstar NV for 7 consecutive periods and this is the first year Deloitte Bedrijfsrevisoren has been represented by the current representative.

Report on the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of the Group, which comprise the consolidated statement of financial position as at 31 December 2018, 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 3 139.0 million EUR and the consolidated statement of comprehensive loss shows a loss for the year then ended of 654.6 million EUR.

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the consolidated financial statements give a true and fair view of the Group's net equity and financial position as of 31 December 2018 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 qualified opinion

For the reasons set out below, we have been unable to obtain sufficient appropriate audit evidence as to the completeness of the information received with respect to the related party transactions and disclosures for the relationship with Trafigura Group Pte. Ltd. and its affiliated entities (collectively "Trafigura") as included in note 39 to the consolidated financial statements as well as of the completeness of information on the sequence of events initiated in October 2018 that have resulted in the review of the capital structure of the Group (the "Capital Structure Review") as included in the introduction section of the subsequent events described in note 42 to the consolidated financial statements.

In addition, we have been unable to obtain sufficient appropriate audit evidence to conclude upon the disclosure in note 39a regarding the availability of the Trafigura Working Capital Facility for the period between 31 October 2018 and 6 December 2018, when the Trafigura Working Capital Facility was terminated upon the Group entering into the Trafigura Trade Finance Framework Agreement ("TFFA").

Background

Trafigura is a significant shareholder of the Group, through its subsidiary, Urion Holdings (Malta) Ltd. During 2018, the Group has entered into a number of significant transactions with Trafigura of considerable importance to its operations.

As disclosed in note 39 to the consolidated financial statements, the most significant related party transactions of the year with Trafigura were:

Transactions under the Commercial Agreements (together "the Commercial Agreements"):

- Purchase of zinc and lead concentrates - 621.2 million EUR (the "Purchase Agreements"): The commercial terms of the Purchase Agreements, as agreed on 9 November 2015, provide for a bi-annual agreement of the treatment charges, with all other significant commercial terms fixed in the original Purchase Agreements.
- Sale of zinc metal - 636.8 million EUR (the "Metal Sales Agreements"): The commercial terms of the Metal Sales Agreements, entered into on 9 November 2015, provide for annual agreement of a discount on the metal premiums, with all other significant commercial terms fixed in the original Metal Sales Agreements.

Financing transactions:

- Trafigura Working Capital Facility: The 250 million USD facility committed as of 1 January 2017, secured by a share pledge over the shares of Nyrstar France SAS and Nyrstar Budel BV, remained undrawn and was terminated upon the Group entering into the TFFA on 6 December 2018.
- Interim Zinc Prepayment Agreement: In the period from 8 November 2018 to 6 December 2018 there were a series of interim advance payments made by Trafigura totalling 220 million USD in respect of future zinc metal deliveries under the Interim Zinc Prepayment Agreement finalised on 21 November 2018. This agreement was replaced by the TFFA on 6 December 2018.
- Trafigura Trade Finance Framework Agreement: The TFFA was entered into on 6 December 2018 to extend 650 million USD of committed liquidity, secured by financial guarantees from the main operating companies and pledges over the main mining and smelting assets of the Group. The committed TFFA liquidity includes a 450 million USD zinc prepayment tranche, which was fully drawn at 31 December 2018 and a 200 million USD revolving letter of credit guarantee tranche, which was undrawn at 31 December 2018.

Our audit response

Our audit response to test these related party transactions included the following:

- We reviewed the purchase and sale prices to assess if the transaction prices were in accordance with the terms of the Commercial Agreements.
- We compared the fixed terms of the Commercial Agreements with similar agreements the Group has entered into with other metal traders and our knowledge of commercial terms offered by traders within the resource sector for offtake and supply contracts.
- With respect to the bi-annual agreed treatment charges, we obtained management's analysis of the market terms and compared the basis for pricing treatment charges with other metal trader contracts entered into by the Group to assess the appropriateness of comparing the prices to the spot market.
- We obtained the published Chinese treatment charge spot prices, being the established global market indicator of spot prices for treatment charges, and commentary from industry publications at the time prices were agreed. In addition, we benchmarked the transaction prices against those prices quoted for comparable transactions entered into by the Group with comparable companies when available.

- We compared the discount on the metal premiums for the European metal sales to data available for marketing fees paid to traders by resource companies. We noted the Group had not entered into comparable transactions for the sale of metal in Europe and publicly available information on discounts for marketing of metals was not available.
- We reviewed the report of the external expert engaged by the directors to assess the arm's length nature of key financial terms agreed upon in 2018 consistent with the zinc Commercial Agreements. We assessed the competence, capabilities and objectivity of the external expert and performed additional procedures considered relevant in the circumstances.
- We challenged the accuracy and completeness of management's disclosures of the treatment charges which were negotiated and agreed for deliveries in the second half of 2018.
- We considered the adequacy of the disclosures with respect to the continued availability of the undrawn committed 250 million USD Trafigura Working Capital Facility through discussions with the directors and management, review of board of director's minutes and discussions with the Company secretary and the Company's external legal advisors.
- We challenged both the directors and management with respect to the timing of finalising negotiations for agreeing the 2018 zinc prepayment from Trafigura for the 2019 zinc sales of 175 000 MT, as provided for in the Commercial Agreements, which was ultimately agreed on 6 December 2018 as part of the TFFA while discussions started early September 2018. As a result, the related cash flows were not available earlier while it was contractually agreed to make reasonable endeavours to agree upon the prepayment by 15 August 2018.
- We performed additional audit procedures on the information provided to the board of directors for its meeting on 29/30 October 2018 in relation to the arms' length assessment of related party transactions received by us on 24 May 2019 and requested updates to the related party disclosures to reflect the outcome of these additional audit procedures.
- We considered contradictory audit evidence in our risk assessment and planned audit procedures with respect to accuracy and completeness of relating management's disclosures, specifically an email communication between management and their legal advisors at the end of October 2018 on the terms of the Commercial Agreements with Trafigura.
- We reviewed the minutes of meetings of the board of directors and relevant special or ad hoc sub-committees to assess whether there are any new related party transactions entered into in 2018 that are significant or outside the normal course of business.
- We included additional experienced, senior and dedicated team members to challenge the related areas where control deficiencies existed i.e., the existence of formal controls in relation to documenting the assessments of related party transactions being at arm's length.

With the exception of the matters described hereafter, the results of our testing were satisfactory. The combined effect of the following elements could result in information that we were not aware of that has not been reflected in the related disclosures to the consolidated financial statements:

- the exceptional nature of the operational and financial circumstances the Group has been facing resulting in the Capital Structure Review initiated in October 2018 and the following restructuring activities concluded on 31 July 2019 ("Restructuring") with Trafigura becoming the owner of 98% of all of the subsidiaries of the Company (excluding a newly incorporated English holding company of NewCo) (the "Operating Group") and the highly fluid nature of decision making during this time;
- the significance and quantum of the related party transactions entered into by the Group; as well as
- control deficiencies identified in relation to the financial reporting environment, including but not limited to complete and accurate recordkeeping of discussions held at meetings of the board of directors and relevant special or ad hoc sub-committees.

As a result we have been unable to obtain sufficient appropriate audit evidence as to the completeness of the information received with respect to the related party transactions and disclosures for the relationship with Trafigura as included in note 39 to the consolidated financial statements as well as of the completeness of information on the sequence of events initiated in October 2018 that have resulted in the Capital Structure Review as included in the introduction section of the subsequent events described in note 42 to the consolidated financial statements. As a result, a risk exists that the consolidated financial statements may omit information relevant to the related party disclosures on the relationship with Trafigura and on the sequence of events that have resulted in the Capital Structure Review.

In addition, we have been unable to obtain sufficient appropriate audit evidence to conclude upon the disclosure in note 39a regarding the availability of the Trafigura Working Capital Facility for the period between 31 October 2018 and 6 December 2018, when the Trafigura Working Capital Facility was terminated upon the Group entering into the TFFA.

Other responsibilities

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. 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.

Except for the matter described above, 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 qualified opinion.

Emphasis of matter – consolidated financial statements prepared on a basis other than on a going concern

We draw attention to notes 2 and 4 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared on a basis other than on a going concern. In addition, note 4 also describes the ongoing funding and support agreements required to finance the remaining activities of the Company after the completion of the Restructuring of the Group on 31 July 2019.

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.

In addition to the matter described in the 'Basis for qualified opinion' section, we have determined the matters described below to be the key audit audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matters?
<p>Investigation in relation to potential withholding of information</p> <p>On 24 May 2019, we received from the Company information provided to the board of directors for its meeting on 29/30 October 2018 in relation to the arms' length assessment of related party transactions. That information, which was in the form of a presentation, had been excluded from the documentation previously provided to us. As we believed this additional information was material to our audit and we did not have sufficient time to evaluate the impact on our audit conclusion, a report of non-compliance was issued on 26 May 2019.</p> <p>The fact that this information had not been included with the previous documentation received raised concerns as to the reliability and completeness of other information and documentation previously provided to us.</p> <p>As explained in note 42, the board of directors initially commissioned an investigation by an advisory firm ("initial investigation"). However, the individual concerned was taken ill, such that there was no final report for the board of directors to rely on. In addition, there were aspects of the work undertaken by the appointed investigator where we considered that further work was required. The board of directors thus engaged a Belgian law firm ("second investigation"), to investigate further and perform a more detailed forensic investigation in order to understand the circumstances by which the related information had not previously been provided to us and whether there was a deliberate attempt to withhold related information from us.</p> <p>Based on the conclusions reached in the second investigation, the board of directors concluded that the fact that these materials were not provided to us earlier was an individual error, that occurred in exceptional circumstances of pressure, but was not organised or instructed by the board of directors or management and was not made with the intention to mislead or deny relevant information from the Company's auditors.</p> <p>We refer to the related disclosures in note 42 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • We involved forensic specialists to consider the scope, processes and protocols followed by the first appointed investigator and then the independent law firm selected to complete the investigation. They assisted us in our analysis of the findings and conclusions from the initial, partially completed investigation and from the second investigation. • With regard to the initial investigation, we were unable to interact with the investigator. We sought to evaluate the work performed and the contradictory evidence obtained throughout the process through additional audit procedures, including interviewing members of management and the board of directors, and evaluating certain additional evidence (including a limited number of emails) which have been collated and provided to us for our review. • With regard to the second investigation, we have had access to their work programme, to the partner responsible for the investigation and to their report. We have thus been able to understand and evaluate the full detail of the work which they undertook, including their deployment of forensic technology procedures in order to capture and interrogate a wide population of electronic communications (notably emails) for selected individuals within the Company in order to assemble a detailed chronology of events. • We assessed the competence, capabilities and objectivity of the law firm. • Based on our work, we are satisfied that the work and report prepared as part of the second investigation form an appropriate basis for the conclusions reached by the board of directors.

Debt restructuring

In October 2018, the Group initiated a review of its capital structure in response to challenging financial and operational conditions. As disclosed by the Company in note 42, these conditions included a significantly below budget underlying EBITDA, substantial working capital and liquidity outflows experienced during the fourth quarter of 2018 and the maturity of the 340 million EUR Bond in September 2019.

As at 31 December 2018, the Group was in breach of its financial covenants and did not have sufficient liquidity to meet its upcoming bond repayments in September 2019.

On 14 April 2019, the Group signed a lock-up agreement (the "lock-up agreement") with representatives of its key financial creditor groups. The restructuring has been fully consensual save for the creditor schemes of arrangement under the UK Companies Act 2006 applied in respect of the 500 million EUR 6.875% senior notes due in 2024, 340 million EUR 8.5% senior notes due in 2019 and 115 million EUR convertible bonds due in 2022 (together the "notes").

On 31 July 2019, the restructuring was completed and Trafigura became the owner of 98% of all of the subsidiaries of the Operating Group with the Company owning the balance of 2%.

Considering the overall significance of the debt restructuring and its importance for the users' understanding of the consolidated financial statements, we consider the debt restructuring process to be a significant matter in our audit.

We refer to the related disclosures in notes 4 and 42 to the consolidated financial statements.

- We involved internal restructuring specialists to review the critical steps associated with the restructuring and assessed the reasonableness of completing the restructuring.
- We challenged the basis on which the consolidated financial statements were prepared as referred to in the emphasis of matter paragraph above.
- We critically assessed and challenged disclosures in the consolidated financial statements with a particular focus on the clarity, completeness and accuracy of disclosures around the basis of preparation and the impact of the restructuring.
- The results of our testing were satisfactory and we consider that the disclosure around the basis of preparation is appropriate and the impact of the restructuring has been appropriately accounted for.

Allegations by the former Internal Audit manager

The former Internal Audit manager has reported certain matters to the Belgian regulator ("FSMA") and has made similar public allegations of management override of controls, weak internal controls and personal intimidation. We had already performed significant work in relation to some of these areas in the course of the year as a result of our detailed risk assessment. As a result of the press coverage, we became aware of the full extent of these whistleblowing matters.

These allegations relate to (i) the overstatement of the borrowing base in relation to the structured commodity trade finance ("SCTF") credit facility, (ii) incorrect inventory valuation in relation to certain intermediate products, (iii) mismanagement and weak internal controls in relation to capital expenditure incurred for Port Pirie, (iv) carrying value of certain assets being not recoverable, (v) threats and intimidation against the former Internal Audit manager, (vi) weak controls over the contained metal in purchases and sales with Trafigura, (vii) personal expenditure claimed as business expenditure, and (viii) incorrect revenue cutoff related to certain contracts.

As disclosed in note 42, the board of directors investigated these allegations, took actions where needed and confirmed that there have been no changes to the consolidated financial statements as a result of these allegations.

- We included additional experienced, senior and dedicated team members to challenge the related concerned areas.
- We held discussions with the Company, obtained an understanding of the allegations made by the former Internal Audit Manager and the Company's responses to these allegations.
- We reviewed the underlying supporting documentation prepared by the Company in response to these allegations.
- We have considered the impact of the allegations on our audit approach. Our response to the allegations in respect of inventory are considered as part of our key audit matter on inventory valuation.
- Based on our consideration and evaluation of the Company's responses to these allegations, we are satisfied these responses form an appropriate basis for the conclusions reached by the board of directors.

Recoverability of deferred tax assets

During 2018, the Group has derecognised deferred tax assets related to its subsidiaries located in Switzerland and the USA of 227.4 million EUR. The deferred tax assets that remained on the balance sheet as at 31 December 2018 amounted to 75 million EUR for Switzerland.

The tax losses recognised in the Group's Swiss subsidiary are available for seven years per the statutory limitations. The majority of the losses expire in 2021 and 2022.

The recoverability of the deferred tax assets in Switzerland are closely linked to the profitability of the Group's metals processing segment as the majority of profits are generated from the smelter tolling arrangements. Management's estimate of the profitability of the smelters is based on their view of key inputs and external market conditions such as future commodity prices, treatment charges, foreign exchange rates, smelter production, ramp-up of Port Pirie and tolling prices which comply with transfer pricing regulations.

Significant judgment 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 US tax legislation restricts the availability of previously recognised tax losses in the event there is a change in control. As at 31 December 2018, significant judgement is required to determine whether there will be a change in control of the US tax Group under the restructuring (note 42), and in the event there is a change in control whether the losses will continue to be available to the Group.

We refer to the related disclosures in notes 4 and 14 to the consolidated financial statements.

- We tested the consistency of management's taxable profit forecasts with those tested as part of our work on impairment of the metals processing assets outlined below.
- We involved metal processing specialists and challenged the appropriateness of the Port Pirie production and cost assumptions and whether the full ramp up of Port Pirie by the second half of 2019 was achievable.
- We visited Port Pirie to observe the status of the ramp up.
- We challenged the change in management's assumed transfer pricing structures related to tolling fees paid by the Swiss subsidiary to the metal processing assets.
- We performed sensitivity and scenarios analysis to test the recoverability of the deferred tax assets.
- We considered the probability of a change in control of the US tax Group based on our audit work undertaken with respect to the debt restructuring as referred to above.
- We involved our tax specialists and assessed management's assessment of the application of the change in control clauses under US tax legislation.
- As a result of our procedures we consider management's key assumptions to be within a reasonable range of our own expectations and we consider the disclosures are appropriate.

Impairment of Non-Current assets

Management must determine the recoverable amount for property, plant and equipment when impairment indicators are identified.

Management determined that the below budget performance of the Group which resulted in a profit warning issued to the market and the anticipated sale by the Company of all its subsidiaries to Trafigura (note 42), reflected indicators of impairment for the Group's mines and metals processing assets.

Management determined the recoverable amounts of the mines and metals processing operations by reference to the fair value less costs of disposal ("FVLCD") according to the Group's accounting policy in note 2.

The determination of FVLCD requires significant management judgement and estimate. The Group's operations which had the least headroom between recoverable and carrying values included Myra Falls and Langlois (Mines) and the Port Pirie and Hobart smelter cash generating unit (Metals Processing).

The assumptions determined to have the greatest level of estimation uncertainty related to the above operations included: Macro-economic assumptions (future commodity prices, treatment charges, and foreign exchange rates) and discount rates.

Metal Processing operational assumptions include the Port Pirie ramp up period, metal recoveries, production volumes, operating and capital expenditures, working capital levels and tax expenses based on appropriate transfer pricing arrangements.

Mines operational assumptions include life of mine, grade, recoveries, and operating and capital expenditure.

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

- We have challenged Nyrstar's global macro-economic assumptions related to commodity prices, treatment charges and exchange rates to determine if they were reasonable and consistent with the current economic climate.
 - We involved our valuation specialists to challenge management's methodology to determine the FVLCD, the assumed working capital levels, the mechanical accuracy of management's estimated FVLCD; and the appropriateness of the discount rate applied.
 - We involved our metal processing specialists and challenged the operational assumptions related to the Port Pirie and Hobart smelting operations which included metal recoveries, production volumes, and operating and capital expenditures; and by-product volumes expected to be achieved by the Port Pirie smelting operations.
 - We visited the Port Pirie site to observe the progress of the ramp up.
 - We utilised our tax specialists to challenge the appropriateness of management's tax expense assumptions related to the assumed transfer-pricing arrangements in Australia.
 - We utilised our mining specialists and challenged the operational assumptions related to life of mine, grade, recoveries, and operating and capital expenditures for the Myra Falls and Langlois mines.
 - We involved our valuation specialists to review the valuations performed by two external firms with the purpose to identify any contradictory evidence as to the reasonableness of management's valuation.
 - As a result of our procedures we consider management's key assumptions to be within a reasonable range of our own expectations.
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Inventory valuation

In 2018, the Group changed its inventory costing methodology from FIFO ("first-in, first-out") performed on a smelter-by-smelter basis, to FIFO performed globally across its smelter network. In addition, the unit of account changed from individual product types to a unit of account being contained metal.

The Group's inventory management system no longer tracks and allocates concentrate purchase costs to individual product types by smelter. Instead, the application of FIFO on a global basis ("Global FIFO") changed the order of the FIFO queue and the allocation of paid metal costs relieved to the cost of sales.

In 2018, processing of certain intermediate products identified operational issues when processed in the new top submerged lance ("TSL") at Port Pirie. Processing of these materials in the TSL has ceased until a technical solution can be implemented to prevent the re-occurrence of the identified operational issues.

The key judgements and estimates relating to inventory valuation include:

- determining whether Global FIFO is compliant with the requirements of IAS 2 Inventories, and
- determining whether those intermediate products at Port Pirie not currently being processed are technically capable of being processed in the future to enable the contained metal to be recovered.

We refer to the related disclosures in notes 4 and 21 to the consolidated financial statements.

- We challenged management's analysis used to support their conclusion to change to Global FIFO was compliant with the requirements of IAS 2 Inventories through agreeing the actual physical changes in inventory flows within the Group's inventory systems to supporting information and production forecasts.
 - We challenged whether the change to a Global FIFO reflected a change in accounting policy or estimate as defined by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.
 - We audited management's estimate of the impacts and associated disclosure of changing to Global FIFO.
 - We undertook a site visit to Port Pirie to meet with local operational management to understand the complexities of processing these intermediate products, and the alternatives available to processing the material in the TSL.
 - We engaged our metal processing specialists to assist us in challenging the technical reasonableness and robustness of the test work undertaken by management. This included challenging the validity of the external scientific research used by management to conclude that these intermediate products could be processed in the future.
 - Based on the procedures performed above, we consider the judgements and estimates made by management in assessing the inventory valuation and provision are supported by available evidence and consider the disclosures are appropriate.
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Metal prepayment arrangements

Nyrstar has entered into a number of metal prepayment arrangements with third parties and related parties, whereby it receives an upfront cash payment and agrees to physically deliver metal in return.

Depending on the repayment mechanism, the classification of these metal prepayments will differ. If settlement is intended to occur by the delivery of metal (a non-financial asset) from the Group's own production, then the upfront cash payment would be classified as deferred income (a non-financial liability) in the consolidated financial statements, otherwise if settlement is intended to occur in cash or a financial asset, then it would be classified as a financial liability.

The key judgements relating to prepayments include:

- determining whether the Group has both the intention and ability to deliver metal from its own production to settle the prepayment.
- determining whether the contract requires Nyrstar to deliver cash.

We refer to the related disclosures in note 32 to the consolidated financial statements.

- We have assessed the design and implementation of management's controls in relation to the approval and accounting for new metal prepayments.
 - We have 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).
 - Where net settlement occurred and management asserted this was due to operational difficulties, we challenged this assertion. We reviewed production reports, agreed delivery forecasts to forward production estimates and held discussions with operations management to assess whether the net settlement contradicted management's assertion of their intention to settle the prepayment by way of physical delivery of metal.
 - We challenged the Group's ability and intention to deliver its own production into the prepayment arrangements by comparing forecast production as at 31 December 2018 to the Group's monthly delivery obligations under the prepayment arrangements.
 - We reviewed the underlying contracts to identify any clauses that would require the Group to deliver cash at the purchaser's option.
 - Based on the procedures performed above, we consider the classification of the metal prepayment arrangements and related disclosures appropriate.
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Responsibilities of the board of directors for the preparation of 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.

As a result of the decision of the board of directors to undergo the restructuring process, the Company has at 31 July 2019 ceased control over the subsidiaries that it controlled as at 31 December 2018. As a result, the board of directors prepared the consolidated financial statements on an other than going concern basis. In this context, it is the responsibility of the board of directors to include the necessary disclosures regarding the impact of the other than going concern basis in the consolidated financial statements.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory 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 consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism 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 the board of directors;
- conclude on the appropriateness of the board of directors use of the other than going concern basis and the adequacy of relating disclosures, considering the decision of the board of directors to cease to trade;
- 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 report unless law or regulation precludes any public disclosure about the matter.

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.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard (revised in 2018) complementary to the ISA as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, as well as to report on this matter.

Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements and except for any possible effects of the matter described in the "basis for our qualified opinion" section, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our 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 on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed and except for any possible effects of the matter described in the "basis for our qualified opinion" section, we are not aware of such material misstatement.

The non-financial information as required by article 119, § 2 of the Companies Code, has been disclosed in the directors' report on the consolidated financial statements. This non-financial information has been established by the Company in consideration of the disclosure guidance contained in the Sustainability Accounting Standards Board's (SASB) Sustainability Accounting Standard for Metals & Mining. In accordance with article 144, § 1, 6° of the Companies Code we do not express any opinion on the question whether this non-financial information has been established in consideration of the disclosure guidance contained in the Sustainability Accounting Standards Board's (SASB) Sustainability Accounting Standard for Metals & Mining.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the Group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes 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.

Antwerp, 27 September 2019

The statutory auditor



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Represented by Ine Nuyts

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