



Limited Liability Company (*Naamloze Vennootschap*)
Zinkstraat 1, 2490 Balen (Belgium)
Company number VAT BE 0888.728.945 RLP Antwerp, division Turnhout

Report of the Board of Directors

1. Introduction

This special report has been prepared by the Board of Directors of Nyrstar NV (the "**Company**") in accordance with Article 596 of the Belgian Companies Code and relates to the proposal of the Board of Directors to disapply, in the interest of the Company, the statutory preferential subscription right of the Company's existing shareholders and, in so far as required, of the Company's existing convertible bond holders, in connection with a proposed increase of the share capital of the Company in the framework of the authorised capital with a maximum amount of EUR 4,793,293.76 (consisting of capital and issue premium) through the issuance of a maximum number of 839,456 new shares (the "**Transaction**").

The capital increase will be subscribed for by certain existing employees of the Company and its subsidiaries that elected to use the net-cash equivalent in euro (EUR) of their award for performance year 2017 under the Company's Annual Incentive Plan (the "**AIP**") to subscribe for new shares in the Company (such employees, the "**AIP Participants**").

In this report, the Board of Directors explains and clarifies the proposed disapplication of the preferential subscription right in connection with the proposed increase of the share capital of the Company in the framework of the Transaction and, more particularly, the issue price of the new shares and the financial consequences of the Transaction for the existing shareholders of the Company (including with respect to their participation in the results and the share capital of the Company).

This special report must be read together with the report prepared in accordance with Article 596 of the Belgian Companies Code by the Company's Statutory Auditor, Deloitte Bedrijfsrevisoren BV ovve CVBA, a civil company having the form of a cooperative company with limited liability organised and existing under the laws of Belgium, with registered office at Gateway building, Luchthaven Nationaal 1J, 1930 Zaventem, represented by Mr. Gert Vanhees, auditor.

2. Authorised capital

By virtue of the resolution of the extraordinary general shareholders' meeting of the Company held on 18 May 2017, as published by excerpt in the Annexes to the Belgian Official Gazette of 6 June 2017, the Board of Directors of the Company has been granted certain powers to increase the Company's share capital in the framework of the authorised capital. The powers under the authorised capital have been set out in Article 9 of the Company's Articles of Association.

Pursuant to the authorisation granted by the extraordinary general shareholders' meeting, the Board of Directors is authorised to increase the share capital of the Company in one or more transactions with a maximum amount of EUR 29,157,878.75. This represented 30% of the Company's share capital at the time the powers under the authorised capital were granted to the Board of Directors. The authorisation is valid for a period of three years as from 6 June 2017.

Within the framework of the authorised capital, the Board of Directors may increase the share capital by contributions in cash or in kind, by capitalisation of reserves, whether available or unavailable for distribution, with or without the issuance of new shares. The Board of Directors may use this authorisation for the issuance of the securities mentioned in Article 11 of the Company's Articles of Association.

When exercising its powers under the authorised capital, the Board of Directors is authorised to effect the transaction with application of the statutory preferential subscription rights of the shareholders (within the meaning of Article 592 and following of the Belgian Companies Code). Subject to applicable company, financial and securities law rules, the Board of Directors is authorised to restrict or cancel the statutory preferential subscription rights of the Company's shareholders in accordance with the provisions of Article 596 of the Belgian Companies Code for the purpose of (a) a transaction with non-statutory preferential subscription rights for the existing shareholders, (b) a transaction in which the statutory preferential subscription rights are restricted or cancelled for the benefit of one or more categories or classes of investors and/or shareholders, including (but not limited to) (i) professional, institutional or qualified investors, (ii) directors, employees, personnel and/or service providers of the Company and its subsidiaries, and/or (iii) shareholders and/or investors located in one or more geographical areas, and (c) (public or non-public) offerings of securities in certain selected jurisdictions only, to be determined by the Board of Directors. When restricting or cancelling the statutory preferential subscription right of the Company's shareholders, the Board of Directors has the ability (but not the obligation) to provide for a priority allocation to the existing shareholders with respect to all or a portion of the transaction. Unless expressly permitted as aforementioned, the Board of Directors is not authorised to restrict or cancel the statutory preferential subscription right for the benefit of a specifically named investor or shareholder in accordance with the provisions of Article 598 of the Belgian Companies Code.

The Board of Directors has used its powers under the authorised capital in June 2017 for an amount of EUR 88,265.79 (excluding issue premium) through the issuance of 84,969 new shares, and in November 2017 for an amount of EUR 15,981,539.10 (excluding issue premium) through the issuance of 15,384,616 new shares.

The Board of Directors therefore still has the authority under the authorised capital to increase the Company's share capital with an aggregate amount of EUR 13,088,073.86 (excluding issue premium).

3. Proposed Transaction

3.1 Structure of the Transaction

In accordance with Article 9 of the Company's Articles of Association, the Board of Directors envisages to increase the share capital of the Company in the framework of the authorised capital through a contribution in cash of a maximum amount of EUR 4,793,293.76 (consisting of capital and issue premium) by issuing a maximum number of 839,456 new shares.

The share capital of the Company will be increased to the extent new shares are subscribed for by the AIP Participants. Each of the AIP Participants is an employee of the Company or one of its subsidiaries, and has elected to invest the net-cash equivalent in euro (EUR) of his or her award under the Company's AIP for performance year 2017 by subscribing for new shares of the Company.

3.2 Disapplication of the preferential subscription right of the existing shareholders

In the framework of the contemplated capital increase, the Board of Directors proposes to disapply the preferential subscription right of the Company's existing shareholders and, in so far as required, of the Company's existing convertible bond holders, in accordance with Article 596 of the Belgian Companies Code, in order to allow the AIP Participants to subscribe to the new shares.

3.3 Issue price of the new shares

The issue price of the new shares to be issued shall be equal to EUR 5.71, being the closing price of the Company's shares on the regulated market of Euronext Brussels on the trading day preceding the date of this report (being 29 March 2018), rounded up to two decimals.

The issue price of the new shares to be issued will be accounted for as follows. An amount equal to the fractional value (*fractiewaarde*) of the existing shares, *i.e.*, EUR 1.04 (rounded), shall be booked as share capital (*maatschappelijk kapitaal*). The amount by which the issue price of the new shares shall exceed the fractional value of the existing shares of the Company shall be booked as issue premium. The issue premiums booked will be accounted for on the liabilities side of the Company's balance sheet under its net equity. The account on which the issue premiums are booked shall, like the share capital, serve as the guarantee for third parties and can only be reduced on the basis of a lawful resolution of the general shareholders' meeting passed in the manner required for an amendment to the Company's Articles of Association.

3.4 Admission to trading of the new shares

The Company shall make the necessary filings and applications, all as required by applicable regulations, in order to permit an admission to trading on the regulated market of Euronext Brussels as soon as possible following the issuance of the new shares.

3.5 The rights attached to the new shares

The new shares to be issued will have the same rights and benefits as, and rank *pari passu* in all respects, including as to entitlement to dividends, with, the existing and outstanding shares of the Company at the moment of their issuance and will be entitled to distributions in respect of which the relevant record date or due date falls on or after the date of issuance of the new shares.

4 Justification of the proposed Transaction

The Board of Directors has designed the Transaction to allow the AIP Participants to invest, on a voluntary basis, the net-cash equivalent in euro (EUR) of their awards under the Company's AIP for performance year 2017 by subscribing for new shares of the Company.

The AIP is one of variable remuneration plans that the Company has put in place with a view to attracting, retaining and motivating the employees and the executive management of the Company and its subsidiaries. For further information on the

Company's AIP, reference can be made to the Remuneration Report that was prepared by the Board of Directors in relation to the financial year ended on 31 December 2017, and of which a copy can be found on the Company's website (www.nyrstar.com).

The Transaction permits the Company to tighten the relationship with the AIP Participants, and to align the interests of the AIP Participants to the interests of the Company. The Transaction allows the Board of Directors to encourage and foster a share ownership culture with the AIP Participants. Furthermore, the investment by the AIP Participants allows the Board of Directors to reinforce the Company's net equity, albeit to a limited degree (as also illustrated below, see section 7.2 of this special report). The Board of Directors therefore believes the Transaction to be in the interest of the Company.

5 Justification of the issue price of the new shares

The issue price of the new shares will be equal to EUR 5.71, which is the closing price of the Company's shares on the regulated market of Euronext Brussels on the trading day preceding the date of this report (being 29 March 2018), rounded up to two decimals. By setting the issue price as closely as possible to the actual trading price of the Company's shares, the Company is able to neutralise the financial dilution that would otherwise be created for the other shareholders of the Company when shares are issued at a discount to the prevailing market price.

6 Justification of the disapplication of the statutory preferential subscription right

In order to allow the AIP Participants to subscribe for new shares, the statutory preferential subscription right of the Company's existing shareholders and, in so far as required, of the Company's existing convertible bond holders, will need to be disappplied. As explained in section 4 of this special report, the Board of Directors is of the opinion that the offer to the AIP Participants of the opportunity to subscribe for the new shares and, hence, the disapplication of the statutory preferential subscription right of the Company's existing shareholders and, in so far as required, of the Company's existing convertible bond holders, for such purpose, is in the interest of the Company.

7 Financial consequences of the Transaction for the existing shareholders

The following paragraphs provide an overview of the main financial consequences of the issuance of a maximum number of 839,456 new shares in the Transaction.

7.1 Current capital structure of the Company

On the date of this special report, the share capital of the Company amounts to EUR 113,262,734.08, represented by 109,033,545 shares without nominal value, each representing one 109,033,545th part of the share capital of the Company. The current fractional value of the Company's shares amounts to EUR 1.04 (rounded) per share, which is the result of a fraction, the numerator of which is equal to the Company's share capital (i.e., EUR 113,262,734.08) and the denominator of which is equal to the Company's outstanding shares (i.e., 109,033,545 shares).

On 25 September 2013, Nyrstar issued 4.25% senior unsecured convertible bonds due 2018 for an aggregate principal amount of EUR 120,000,000 (each bond having a principal amount of EUR 100,000) (the "**2018 Convertible Bonds**"). The possibility to convert the 2018 Convertible Bonds into new shares was approved by the extraordinary

general shareholders' meeting of the Company held on 23 December 2013. The 2018 Convertible Bonds can be converted into new or existing shares at any time. On 27 February 2017, Nyrstar Netherlands (Holdings) B.V., a subsidiary of the Company, launched a voluntary tender offer to purchase for cash any and all of the 1,200 2018 Convertible Bonds outstanding at that time. At the expiration of the tender offer on 8 March 2017, 295 2018 Convertible Bonds (for an aggregate principal amount of 29,500,000) were validly tendered. On 5 September 2017, Nyrstar Netherlands (Holdings) B.V., a subsidiary of the Company, launched a new voluntary tender offer to purchase for cash any and all of the 905 2018 Convertible Bonds outstanding at that time. At the expiration of the tender offer on 13 September 2017, 615 2018 Convertible Bonds (for an aggregate principal amount of EUR 61,500,000) were validly tendered. Taking into account the results of the aforementioned tender offers, 290 out of the 1,200 issued 2018 Convertible Bonds (for an aggregate principal amount of EUR 29,000,000) remain outstanding at the date of this report. To date, none of the 2018 Convertible Bonds have been converted. The current conversion price of the 2018 Convertible Bonds is EUR 21.28 per share. The conversion price of the 2018 Convertible Bonds can be adjusted downwards in a number of circumstances, including in the event of an issue of new shares, whereby the new shares are issued at a price that is lower than the applicable market price of the shares at the time of the issue. Based on a conversion price of EUR 21.28 per share, if all 290 outstanding 2018 Convertible Bonds were converted into new shares in their entirety, 1,362,781 new shares would be issued. If the conversion price of the 2018 Convertible Bonds is adjusted downwards, this would lead to the issuance of more than 1,362,781 new shares if all of the 2018 Convertible Bonds were to be converted in their entirety.

On 11 July 2016, Nyrstar issued 5.00% senior guaranteed unsecured convertible bonds due 2022 for an aggregate principal amount of EUR 115,000,000 (each bond having a principal amount of EUR 100,000) (the "**2022 Convertible Bonds**"). The possibility to convert the 2022 Convertible Bonds into new shares was approved by the extraordinary general shareholders' meeting of the Company held on 17 November 2016. The 2022 Convertible Bonds can be converted into new or existing shares at any time. To date, none of the 2022 Convertible Bonds have been converted, and all of the 1,150 issued 2022 Convertible Bonds (for an aggregate principal amount of EUR 115,000,000) remain outstanding at the date of this report. The current conversion price of the 2022 Convertible Bonds is EUR 9.44 per share. The conversion price of the 2022 Convertible Bonds can be adjusted downwards in a number of circumstances, including in the event of an issue of new shares, whereby the new shares are issued at a price that is lower than the applicable market price of the shares at the time of the issue. Based on a conversion price of EUR 9.44 per share, if all 1,150 outstanding 2022 Convertible Bonds were converted into new shares in their entirety, 12,182,203 new shares would be issued. If the conversion price of the 2022 Convertible Bonds is adjusted downwards, this would lead to the issuance of more than 12,182,203 new shares if all of the 2022 Convertible Bonds were to be converted in their entirety.

The evolution of the share capital and the number of shares of the Company upon completion of the proposed Transaction is simulated below. The table below reflects the evolution of the number of outstanding shares, assuming that 839,456 new shares are issued in the Transaction. The table below assumes a maximal dilution scenario. Accordingly, for the sake of the theoretical computation of the dilutive effect, the table below assumes that (a) existing shareholders would subscribe for none of the new shares, and (b) all outstanding 2018 Convertible Bonds and 2022 Convertible Bonds have been entirely converted into new shares at the conversion price of EUR 21.28 and EUR 9.44 per share, respectively.

	<u>Before the Transaction</u>	<u>After the Transaction</u>
Before dilution		
Share capital	EUR 113,262,734.08	EUR 114,134,760.97
Outstanding shares	109,033,545	109,873,001
Fractional value (rounded)	EUR 1.04	EUR 1.04
Dilution	/	0.76%
After dilution due to conversion of 2018 Convertible Bonds and conversion of 2022 Convertible Bonds ⁽¹⁾		
Share capital	EUR 127,333,263.45	EUR 128,205,290.34
Outstanding shares	122,578,529	123,417,985
Fractional value (rounded)	EUR 1.04	EUR 1.04
Dilution ⁽²⁾	/	0.68% ⁽²⁾

Notes: (1) Taking into account a conversion of the outstanding 2018 Convertible Bonds and the outstanding 2022 Convertible Bonds in full at a conversion price of EUR 21.28 and EUR 9.44 per share, respectively, and the issue of an aggregate of 13,544,984 new shares as a result thereof. If all of the 2018 Convertible Bonds and 2022 Convertible Bonds are converted in full as aforementioned, the dilutive effect of such conversion, not taking into account the issuance of new shares in the Transaction, would be 11.05%.

(2) If all of the outstanding 2018 Convertible Bonds and 2022 Convertible Bonds are converted in full (leading to an issuance of an aggregate of 13,544,984 new shares, based on a conversion price of respectively EUR 21.28 per share (for the 2018 Convertible Bonds) and EUR 9.44 per share (for the 2022 Convertible Bonds)) and 839,456 new shares are issued in the Transaction, the combined dilutive effect for the existing shareholders of the Company would be 11.66%.

7.2 Consequences as to net equity

Based on the audited consolidated financial statements of the Company for the financial year ended on 31 December 2017 (which have been prepared in accordance with the International Financial Reporting Standards or IFRS, as adopted by the European Union), the consolidated accounting net equity of the Company amounted to EUR 659.8 million or EUR 6.05 (rounded) per share (based on 109,033,545 shares). The aforementioned consolidated net equity position does not take into account possible profits or losses nor any other possible changes in the consolidated net equity since 31 December 2017.

Based on the audited non-consolidated annual financial statements of the Company for the financial year ended on 31 December 2017 (which have been prepared in accordance with the Belgian generally accepted accounting principles or Belgian GAAP), the non-consolidated accounting net equity of the Company amounted to EUR 1,341,994,371 or EUR 12.31 (rounded) per share (based on 109,033,545 shares). The aforementioned non-consolidated net equity position does not take into account possible profits or losses nor any other possible changes in the non-consolidated net equity since 31 December 2017.

For further information on the Company's net equity position on 31 December 2017, reference is made to the financial statements of the Company, which are available on the Company's website (www.nyrstar.com).

The evolution of the Company's accounting net equity on a consolidated and a non-consolidated basis as a result of the proposed Transaction is simulated in the table below. The table below assumes that a maximum number of 839,456 new shares are issued in the Transaction.

	<u>Transaction</u>
	<u>Issue price of EUR 5.71</u>
Consolidated net equity (FY 2017)	
<u>On 31 December 2017</u>	
Net equity (in million) ⁽¹⁾	EUR 659.8
Outstanding shares	109,033,545
Net equity per share (rounded).....	EUR 6.05
<u>Transaction</u>	
Increase of net equity ⁽²⁾	EUR 4,793,293.76
Number of new shares issued.....	839,456
<u>After Transaction</u>	
Net equity ⁽³⁾	EUR 664,593,293.76
Outstanding shares	109,873,001
Net equity per share (rounded) ⁽³⁾	EUR 6.05
Non-consolidated net equity (FY 2017)	
<u>On 31 December 2017</u>	
Net equity ⁽⁴⁾	EUR 1,341,994,371
Outstanding shares	109,033,545
Net equity per share (rounded).....	EUR 12.31
<u>Transaction</u>	
Increase of net equity ⁽²⁾	EUR 4,793,293.76
Number of new shares issued.....	839,456
<u>After Transaction</u>	
Net equity ⁽⁵⁾	EUR 1,346,787,664.76
Outstanding shares	109,873,001
Net equity per share (rounded) ⁽⁵⁾	EUR 12.26

- Notes:
- (1) The consolidated accounting net equity as at 31 December 2017 (IFRS).
 - (2) Consisting of the amount of the capital increase and the amount of the increase of issue premium.
 - (3) Not taking into account changes in the consolidated net equity after 31 December 2017 (other than the proposed Transaction), nor taking into account the potential issuance of new shares upon the conversion of outstanding 2018 Convertible Bonds and 2022 Convertible Bonds.
 - (4) The non-consolidated accounting net equity as at 31 December 2017 (Belgian GAAP).
 - (5) Not taking into account changes in the non-consolidated net equity after 31 December 2017 (other than the proposed Transaction), nor taking

into account the potential issuance of new shares upon the conversion of outstanding 2018 Convertible Bonds and 2022 Convertible Bonds.

As indicated above, the issue price of the new shares to be issued in the Transaction is lower than the accounting net equity per share based on the consolidated financial statements of the Company for the financial year ended on 31 December 2017. The issue price of the new shares to be issued in the Transaction is also lower than the accounting net equity per share based on the non-consolidated financial statements of the Company for the financial year ended on 31 December 2017.

Accordingly, the table above demonstrates that the Transaction will, from a pure accounting point of view, lead to a non-material decrease of the amount represented by each share in the consolidated and the non-consolidated accounting net equity of the Company. Notably, following the Transaction, the consolidated accounting net equity of the Company as per 31 December 2017, would again amount to EUR 6.05 (rounded) per share, and the non-consolidated accounting net equity of the Company as per 31 December 2017 would amount to EUR 12.26 (rounded) per share (instead of EUR 12.31 (rounded) per share).

7.3 Consequences as to market capitalisation (financial dilution)

The evolution of the market capitalisation as a result of the proposed Transaction is simulated below. The table below reflects the impact of the Transaction on the market capitalisation and the resulting financial dilution, assuming a maximum number of 839,456 new shares and a maximum aggregate amount of gross proceeds of the capital increase of EUR 4,793,293.76 (consisting of capital and issue premium).

After close of trading of the Company's shares on the regulated market of Euronext Brussels on 29 March 2018, the Company's market capitalisation was EUR 622,581,541.95, on the basis of a closing price of EUR 5.710 per share. Assuming that, following the Transaction, the market capitalisation increases exclusively with the funds raised (*i.e.*, EUR 4,793,293.76) on the basis of an issue price of EUR 5.71 per share, then the new market capitalisation would be EUR 5.71 per share. This would represent a (theoretical) financial dilution of 0% per share in the event of an issue price of EUR 5.71 per share.

	<u>Transaction</u> <u>Issue price of EUR 5.71</u>
Before the Transaction ⁽¹⁾	
Market capitalisation	EUR 622,581,541.95
Outstanding shares.....	109,033,545
Market capitalisation per share	EUR 5.71
Transaction	
Funds raised	EUR 4,793,293.76
Number of new shares issued	839,456
After the Transaction ⁽¹⁾	
Market capitalisation	EUR 627,374,835.71
Outstanding shares.....	109,873,001
Market capitalisation per share	EUR 5.71
Dilution	0.00%

Note: (1) It is assumed that none of the outstanding 2018 Convertible Bonds and 2022 Convertible Bonds are converted into shares of the Company and

that all outstanding 2018 Convertible Bonds and 2022 Convertible Bonds remain outstanding.

* * *

Done on 30 March 2018.

On behalf of the Board of Directors,

By: /signed/

Hilmar Rode

Director and special proxy-holder