

Multi metals  
From volume  
to value

Achieve  
excellence in  
everything  
we do

# Creating Value Through Integration

Unlocking untapped value  
The  
Nyrstar  
Way

Growth Be the leading integrated  
metals and mining business

Resources for a changing world

Deliver sustainable growth

# Key figures

(EUR millions unless otherwise stated)      **2011**      **2010**      **2009**

## MINING PRODUCTION

Zinc in concentrate ('000 tonnes)	<b>207</b>	84	-
Gold in concentrate ('000 troy ounces)	<b>49.9</b>	4.7	-
Silver in concentrate ('000 troy ounces) <sup>1</sup>	<b>3,673</b>	271	-
Copper in concentrate ('000 tonnes)	<b>7.7</b>	0.2	-

## SMELTING PRODUCTION<sup>2</sup>

Zinc metal ('000 tonnes)	<b>1,125</b>	1,076	809
Lead metal ('000 tonnes)	<b>211</b>	198	227

## MARKET

Average LME zinc price (USD/t)	<b>2,191</b>	2,159	1,659
Average exchange rate (EUR/USD)	<b>1.39</b>	1.33	1.39

## KEY FINANCIAL DATA

Revenue	<b>3,348</b>	2,696	1,664
Mining EBITDA <sup>3</sup>	<b>72</b>	24	(3)
Smelting EBITDA <sup>7</sup>	<b>235</b>	198	97
Other & Eliminations EBITDA <sup>7</sup>	<b>(42)</b>	(12)	(2)
<b>EBITDA<sup>7,4</sup></b>	<b>265</b>	<b>210</b>	<b>93</b>
Results from operating activities before exceptional items	<b>122</b>	112	32
<b>Profit/(loss) for the period</b>	<b>36</b>	<b>72</b>	<b>10</b>

<b>Mining EBITDA/t<sup>7</sup></b>	<b>348</b>	286	-
<b>Smelting EBITDA/t<sup>7</sup></b>	<b>209</b>	184	120
<b>Group EBITDA/t<sup>7</sup></b>	<b>199</b>	181	115

<b>Underlying EPS (EUR)<sup>5</sup></b>	<b>0.38</b>	0.85	0.32
<b>Basic EPS (EUR)</b>	<b>0.24</b>	0.62	0.10

<b>Capital Expenditure</b>	<b>229</b>	147	68
----------------------------	------------	-----	----

Net operating cash flow	<b>121</b>	232	(19)
Net debt/(cash), end of period	<b>718</b>	296	38
Gearing (%) <sup>6</sup>	<b>35%</b>	26%	5%

<sup>1</sup> 75% OF THE SILVER PRODUCED BY CAMPO MORADO IS SUBJECT TO A STREAMING AGREEMENT WITH SILVER WHEATON CORPORATION WHEREBY ONLY USD 3.90/OZ IS PAYABLE. IN 2011, CAMPO MORADO PRODUCED APPROXIMATELY 1,836,000 TROY OUNCES OF SILVER.

<sup>2</sup> INCLUDES PRODUCTION FROM MINES AND PRIMARY AND SECONDARY SMELTERS ONLY. LEAD PRODUCTION AT ARA REFLECTS NYRSTAR'S OWNERSHIP (50%). PRODUCTION AT FÖHL, GALVA 45, GENESIS AND GM METAL (CLOSED IN 2010) ARE NOT INCLUDED.

<sup>3</sup> ALL REFERENCES TO EBITDA IN THE TABLE ABOVE ARE UNDERLYING EBITDA. UNDERLYING MEASURES EXCLUDE EXCEPTIONAL ITEMS RELATED TO RESTRUCTURING MEASURES, M&A RELATED TRANSACTION EXPENSES, IMPAIRMENT OF ASSETS, MATERIAL INCOME OR EXPENSES ARISING FROM EMBEDDED DERIVATIVES RECOGNISED UNDER IAS 39 AND OTHER ITEMS ARISING FROM EVENTS OR TRANSACTIONS CLEARLY DISTINCT FROM THE ORDINARY ACTIVITIES OF NYRSTAR. UNDERLYING EPS DOES NOT CONSIDER TAX EFFECT ON UNDERLYING ADJUSTMENTS.

<sup>4</sup> TO IMPROVE REPORTING TRANSPARENCY, M&A RELATED TRANSACTION EXPENSES (2011: EUR 14.6M, 2010: EUR 2.8M) HAVE BEEN RE-CLASSIFIED FROM OPERATING COSTS TO UNDERLYING ADJUSTMENTS, IMPACTING UNDERLYING EBITDA. PROFIT AFTER TAX IS UNCHANGED.

<sup>5</sup> IN RELATION TO THE RIGHT OFFERING, THE COMPARATIVE EPS, AND UNDERLYING EPS, FOR FY 2010 HAS BEEN RESTATED TO RETROACTIVELY REFLECT THE IMPACT OF THE MARCH 2011 RIGHTS ISSUE (ADJUSTED IN ACCORDANCE WITH IAS 33 EARNINGS PER SHARE). SEE NOTE 32 OF NYRSTAR'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011 FOR FURTHER INFORMATION.

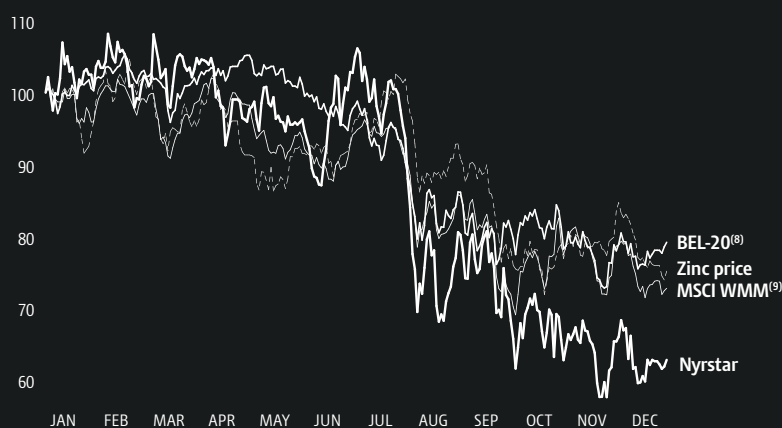
<sup>6</sup> GEARING: NET DEBT TO NET DEBT PLUS EQUITY AT END OF PERIOD

# Key share facts

## FOR THE YEAR ENDED 31 DECEMBER

	2011	2010
Number of issued ordinary shares	170,022,544	100,000,000
Number of treasury shares	9,413,138	3,631,558
Market capitalisation (as at 31/12)	EUR 1,037,137,518	EUR 936,259,200
Underlying Earnings per Share (12 months to 31/12)	EUR 0.38	EUR 0.85
Gross Dividend Distribution (proposed)	EUR 0.16	EUR 0.15
Share price (closing price as at 31/12)	EUR 6.10	EUR 9.36
Year high (intra-day)	EUR 10.62 (13/01/11)	EUR 9.89 (14/04/10)
Year low (intra-day)	EUR 5.51 (23/11/11 and 25/11/11)	EUR 5.76 (21/05/10)
Average volume traded shares per day (12 months to 31/12)	993,666	880,000
Free float (as at 31/12)	85%	90%
Free float Velocity (full year)	168%	222%

## RELATIVE SHARE PRICE PERFORMANCE 2011 (IN %)



<sup>8</sup> BEL20 IS THE BENCHMARK STOCK MARKET INDEX OF EURONEXT BRUSSELS.

<sup>9</sup> MSCI WORLD IS THE STOCK MARKET INDEX OF 1500 'WORLD' STOCKS, MAINTAINED BY MSCI INC. (MORGAN STANLEY CAPITAL INTERNATIONAL).

## FINANCIAL CALENDAR<sup>7</sup>

25 APRIL 2012	ANNUAL GENERAL SHAREHOLDERS MEETING
25 APRIL 2012	FIRST INTERIM MANAGEMENT STATEMENT
27 JULY 2012	2012 HALF YEAR RESULTS
24 OCTOBER 2012	SECOND INTERIM MANAGEMENT STATEMENT
24 APRIL 2013	ANNUAL GENERAL SHAREHOLDERS MEETING
24 APRIL 2013	FIRST INTERIM MANAGEMENT STATEMENT

<sup>7</sup> DATES ARE SUBJECT TO CHANGE, PLEASE CHECK THE NYRSTAR WEBSITE FOR FINANCIAL CALENDAR UPDATES

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## 02 Nyrstar in 2011

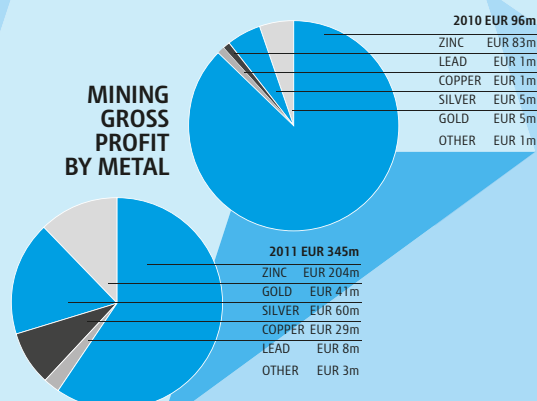
## 06 Strategy into Action

## 07 Nyrstar2020

## 10 Achieve excellence in everything we do

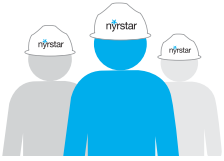
# 40%

### MINING GROSS PROFIT BY METAL



In 2011 non zinc contribution to mining gross profit increased to 40%, from only 12% in 2010.

A clear demonstration of Nyrstar's increasing footprint in and financial contribution from other commodities namely silver, gold and copper.



**7000 EMPLOYEES**  
across 5 continents

Listed on  
NYSE Brussels:  
**NYR**

INCORPORATED in  
**Belgium**

**6**  
**9** MINING  
OPERATIONS  
**6** SMELTERS



**18**  
Unlocking  
untapped  
value

**28**  
Deliver  
sustainable  
growth

**34**  
Living  
The Nyrstar  
Way

**EUR 265m**

Underlying EBITDA up  
26% compared to 2010

**nyrstar**  
Resources for a changing world

Nyrstar is an integrated mining and metals business, with market leading positions in zinc and lead, and growing positions in other base and precious metals; essential resources that are fuelling the rapid urbanisation and industrialisation of our changing world. Nyrstar has mining, smelting, and other operations located in Europe, the Americas, China and Australia.

## 2011 Highlights

Considerable growth in our underlying EBITDA despite a volatile market environment

**Substantial year on year increase in underlying EBITDA contribution from our mining segment**

Achieved our revised mine production target and continued improvements in costs

Expanding our multi-metals footprint

**Year on year increase in our underlying group EBITDA per tonne driven by growth in our mining segment**







Julien De Wilde  
Chairman

Roland Junck  
Chief Executive Officer

# Nyrstar in 2011

**In 2011 we achieved considerable growth in terms of our EBITDA, our scale of operations and our level of ambition.**

**An underlying EBITDA of EUR 265 million, up 26% compared to 2010, is a pleasing result in a volatile market environment, particularly towards the end of the year when metal prices had fallen sharply. Group underlying EBITDA per tonne improved 10% to EUR 199 per tonne, driven by a significant increase in our mining segment underlying EBITDA per tonne, up 22% from 2010 to EUR 348 per tonne.**

The scale of our mining segment continued to grow with zinc in concentrate production more than doubling to 207,000 tonnes, in-line with our revised guidance of 205,000 to 215,000 tonnes. Production of other metals, namely, copper, gold, silver and lead, increased significantly and has become an important contributor to our financial results. Overall, the underlying EBITDA contribution from our mining segment has continued to grow, representing 27% of group underlying EBITDA in 2011 up from 11% in 2010. This demonstrates the importance of our mining segment which, in line with our 2012 production guidance, is expected to continue to grow.

Our smelting segment produced another year of record production and achieved an increased underlying EBITDA result despite treatment charge, energy price and exchange rate pressures and is expected to provide a solid contribution to our EBITDA in 2012.

Towards the end of the year we launched Strategy into Action, a disciplined approach to taking our strategy, Nyrstar2020, into every part of our business, embedding annual plans and giving ownership of the group strategy to each operation and their management teams. Our five year ambition is to generate EBITDA of at least EUR 1.5 billion in 2016. Achieving this ambition will require us to maintain a sharp focus on the key strategic priorities that we believe will deliver success; namely through organic growth and acquisitions whilst also continually improving our operations by driving excellence in everything we do and seeking to unlock untapped value. By leveraging the passion and dedication of our people, and our unique culture that we call the Nyrstar Way, we are absolutely confident in our ability to deliver on our promises.

'Prevent Harm' is the first element of the Nyrstar Way, and unrelenting commitment to the health and safety of our employees, contractors and communities is the foundation for everything we do. Tragically, this year we had two fatalities at our Coricancha mining operation in Peru. This is unacceptable and on behalf of the Board of Directors, we extend our sincere condolences to the families, friends and colleagues. We launched a comprehensive global underground safety audit and have appointed a global mining safety manager to ensure this "Prevent Harm" culture and mindset is fully embedded across our mining operations. Pleasingly, in 2011 our smelting group achieved a record low Recordable Injury Rate of 9.0. We continue to strive for world class safety performance across each of our operations.

Sustainability of the environment and communities in which we operate provides us with our invaluable license to operate. This license to operate must be constantly renewed. We are able to do this by maintaining our reputation as a responsible employer, neighbor, partner and corporate citizen and by continuing to drive improvements in our health, safety and environmental performance. Please refer to the 2011 Sustainable Development Report for further information on some of the work we are doing across our operations.

Looking forward, we enter 2012 in a strong position, with several key milestones having been achieved and valuable lessons learnt during our journey in 2011. We have a clear ambition and strategy on which to continue our journey and, with Strategy into Action, the processes in place to support success. Our portfolio of assets is continuing to improve in both scale and quality, providing options for further growth and the flexibility to focus on maximising shareholder value by enhancing margins at constant metal prices. We have a strong balance sheet, with a high quality and diverse portfolio of long term debt. We will continue to actively explore value accretive acquisitions based on our disciplined approach and strict investment criteria, whilst also building a comprehensive pipeline of organic growth opportunities reflecting our increased scale.

On behalf of the Board of Directors we would like to thank our shareholders, our employees and all our stakeholders for their continued support and trust in the Company and we look forward to another successful year.



**Julien De Wilde,**  
Chairman of the  
Board of Directors

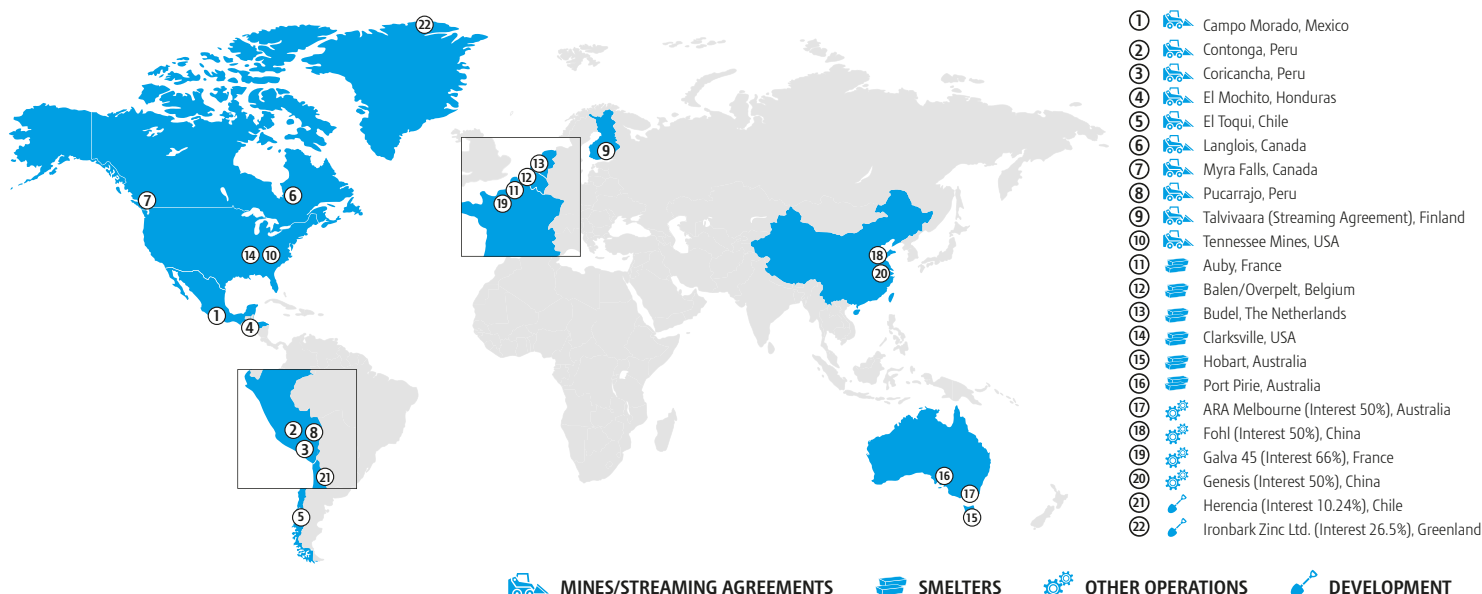


**Roland Junck,**  
Chief Executive  
Officer

April 2012

**App**

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# Our Primary Products

## Zinc

A global leader in zinc; we are one of the world's largest integrated zinc producers. We produce zinc in concentrate from our mining operations and we produce special high grade zinc (SHG), zinc galvanizing alloys, and zinc die casting alloys as an outcome of our zinc smelting process. Zinc has diverse applications and uses, from construction and infrastructure, to transport, industrial machinery, communications and electronics, and consumer products. This makes it an essential and highly sought after resource, particularly in a changing world.

## Lead

We have a market leading position in lead. We produce lead concentrate and refined market lead 99.9%. Lead's primary usage is for the production of batteries. In fact over 80% of world production goes into the lead-acid battery, which still plays an important part in the starter mechanism for automobiles. The remaining 20% goes towards such end-uses as underwater cable sheathing, glassware, solder and roof sheeting.

## Copper

We produce copper concentrates and copper cathode. Copper is predominantly used in building construction, however other significant end use markets include electrical and electronic products, transportation equipment, consumer products and industrial machinery and equipment.

## Gold

Gold is produced in concentrate and as gold dore from our mining operations. We also recover gold in the lead refining process as a silver- and gold-bearing crust. These are then treated in our precious metals refinery to produce a 98 per cent pure gold dore.

## Silver

We are one of the world's largest producers of refined silver. Nyrstar produces silver cast as 99.99 per cent pure silver bullion. Our brand (BHAS) is certified and registered with the London Bullion Marketing Association (LBMA) and is regarded as one of the highest quality brands in the world. Silver is also produced in concentrate and as silver dore from our mining operations.

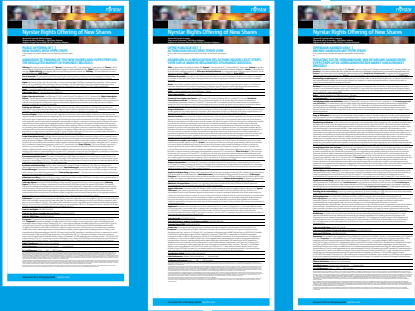




## MILESTONES 2011

### March

- Nyrstar completes successful Rights Offering for 490m EUR



### May

- Nyrstar successfully closes the public offering of bonds for a total amount of EUR 525 million  
- NYSE Euronext Brussels announces Nyrstar inclusion in BEL 20 Index

### Now that's a great idea!

(And it's great that you can be a part of it.)

The Nyrstar Foundation supports and rewards creative, innovative and breakthrough initiatives that will help to make the world a better place.

There are now several projects in progress in various countries or organisations in Belgium that have a creative idea to improve the world. We are looking for people who want to make a difference and who are willing to work with us on a project.

Apply now @ [www.nyrstarfoundation.org](http://www.nyrstarfoundation.org)

nyrstar foundation

### July

- Nyrstar Foundation launch

### Now that's a great idea!

nyrstar foundation  
www.nyrstarfoundation.org



### October

- Nyrstar.com launched



### January

- Campo Morado join Nyrstar  
- Nyrstar2020 is launched



### Jan

### Feb

### The Nyrstar Way

- Respect for people**  
Respect for people is related to our people, the environment, our strategy, our financials, and our assets.
- Be open and honest**  
Be open and honest in all our dealings. Be open and honest in all our dealings. Be open and honest in all our dealings.
- Design our work**  
Design our work and our processes to be safe and sound.
- Take bold decisions**  
Take bold decisions. Take calculated bold decisions in the face of uncertainty with confidence.
- Create value**  
Search for ways to improve our profitability and identify growth opportunities.
- Use innovative and creative thinking**  
Use innovative and creative thinking to develop new products or services or discover completely new ways of working.
- Be driven**  
Set a high level of drive and performance and deliver superior performance.

### February

- The Nyrstar Way rollout



### April

- Nyrstar Excellence Award Winners



### May

### July

### Aug

### August

- Nyrstar completes the acquisition of Breakwater Resources

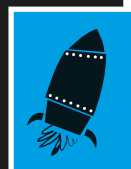


### Oct

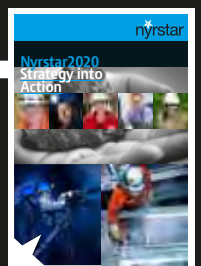
### Nov

### November

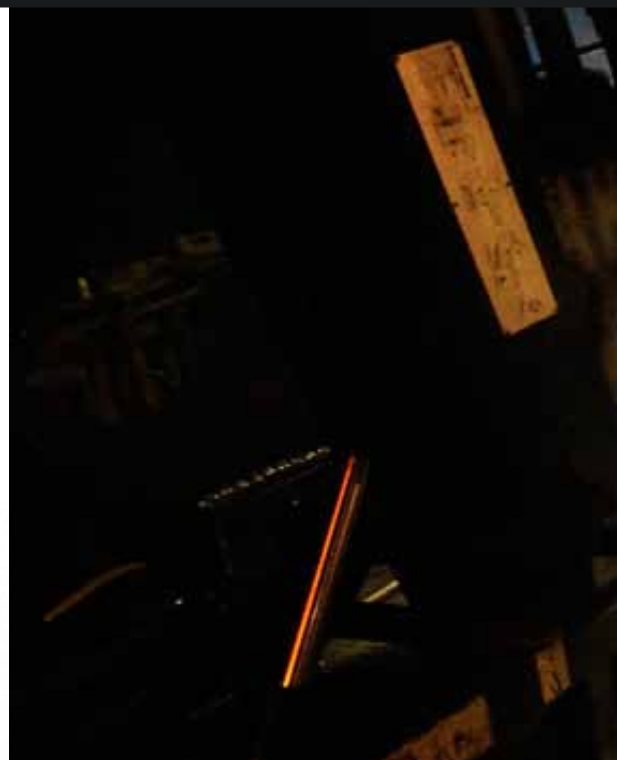
- Strategy into Action launched



- Nyrstar and Sims Metal Management reach conditional agreement to sell Australian Refined Alloys' secondary lead producing facility in Sydney, Australia



Roland Junck  
Chief Executive Officer



# Strategy into Action

“In 2011 we launched Nyrstar2020: Strategy into Action, a strategic initiative aimed at positioning Nyrstar for a long term sustainable future as the leading integrated mining and metals business. **Our five year ambition is to generate EBITDA of at least EUR 1.5 billion in 2016.**

Achieving this ambition will require us to maintain a sharp focus on the key strategic priorities that we believe will deliver success; namely through organic growth and acquisitions whilst also continually improving our operations by driving excellence in everything we do and seeking to unlock untapped value. By leveraging the passion and dedication of our people, and our unique culture that we call the Nyrstar Way, we are absolutely confident in our ability to deliver on our promises.”

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# Our 2020 vision

## Nyrstar 2020 vision

To be the leading integrated mining and metals business.

## Nyrstar mission

To capture the maximum value inherent in mineral resources through deep market insight and unique processing capabilities, generating superior returns for our shareholders.

Our vision and mission define our strategic direction and our strategic priorities focus our efforts on the strategic goals that drive success.



## Our strategic priorities are:

**Living The Nyrstar Way** – Our unique culture that is the way we work throughout Nyrstar.

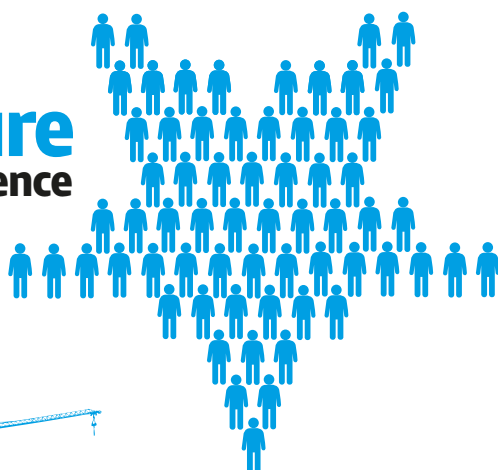
**Unlocking untapped value** – Continually challenging the way we think about and work on our assets, products and processes in order to release hidden value.

**Achieve excellence in everything we do** – Market-driven business with an unrelenting focus on continuous improvement across all our operations and functions.

**Deliver sustainable growth** – Growth by leveraging our existing mining and smelting footprint and through further acquisitions.

Together we will build a

**culture of excellence**



As the WORLD'S largest supplier of zinc, **we made the bold decision to move upstream and create value by becoming a leading integrated multi-metals business.**

**x5**



2011



2016

**We want to be at least five times our current size by 2016**







Success depends on  
each and all of us.  
Together we are  
creating our future

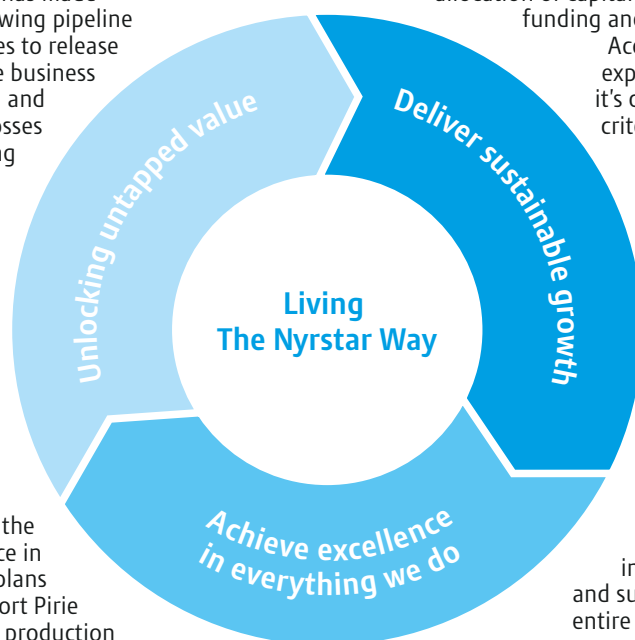
Resources for a changing world

# Strategy into Action

Strategy into Action is a disciplined approach to take the strategy into every part of the Company, embedding annual plans and giving ownership of the group strategy to each operation and their management teams. Achieving Nyrstar's ambition will require a continued sharp focus on the key strategic priorities that Nyrstar believes will deliver success; namely through organic growth and acquisitions whilst also continually improving operations by driving excellence in everything we do and seeking to unlock untapped value.

## Unlocking untapped value

Nyrstar believes that there exists significant hidden value that is not released by current processes. This value can only be unlocked by continually challenging the way Nyrstar thinks about and works on its products and processes. Since launching Nyrstar2020, Nyrstar has made substantial progress in building a growing pipeline of unlocking untapped value initiatives to release latent value across every aspect of the business and asset footprint. The identification and recovery of historical silver refining losses at Port Pirie is an example of unlocking untapped value that has already delivered substantial returns (EUR 78 million of gross profit in 2011). In 2012 Nyrstar has committed capital expenditure to a number of initiatives, for example the recovery and processing of tellurium dioxide and indium metal in the smelting segment. Both products, with end uses in advanced electronics and solar cell applications, are expected to generate significant margins. The commercial production of indium metal, at a dedicated plant located at the Aubrey smelter, is expected to commence in H1 2012; while detailed engineering plans for a tellurium dioxide circuit at the Port Pirie smelter have been finalised, with first production expected in H2 2012. Production of tellurium dioxide and indium metal will further improve by-product gross profit in the smelting segment.



## Deliver Sustainable Growth

Sustainable growth means that Nyrstar will seek growth by leveraging its existing mining and smelting footprint and through further value accretive acquisitions. The main strategic goals to deliver sustainable growth are to seek significant acquisitions; seek internal growth opportunities; optimise the allocation of capital across the business; achieve excellence in funding and continue to deliver on growth promises. Accordingly, Nyrstar will continue to actively explore value accretive acquisitions based on its disciplined approach and strict investment criteria, whilst also building a comprehensive pipeline of organic growth opportunities reflecting Nyrstar's increased scale.

## Achieve excellence in everything we do

Nyrstar is a market-driven business with an unrelenting focus on continuous improvement across all operations and functions. The main strategic goals that have been identified by Nyrstar to achieve excellence in everything it does is to ensure it makes market driven decisions, maintains sustainable effective operations, ensures excellence in communications and fosters challenging and supporting functional leadership across the entire business. Nyrstar's operational excellence programme, which commenced in Q4 2010, has embedded a lean thinking and value focus across Nyrstar's mines and smelters, supported by a continuous KPI driven culture. The programme has been introduced and commenced at all of Nyrstar's smelters and mines, including the former Breakwater sites. At the end of 2011, there were 850 people across Nyrstar (mines, smelters and corporate functions) involved in operational excellence teams, with 21 operational records broken in 2011. In addition to leading to record metal production by enabling process bottlenecks to be raised or released, it also reduced requirements on sustaining capital, enabling funds to be reallocated to growth areas.

# Living The Nyrstar Way

The Nyrstar workforce has a unique culture which is referred to as the Nyrstar Way whereby employees are engaged and aligned to deliver sustainable performance improvements across Nyrstar's strategic priorities. The main strategic goals of living the Nyrstar Way are to build on the Nyrstar brand; manage critical risks throughout the business and to ensure world class safety and environmental performance across all of Nyrstar's operations.





Greg McMillan  
Chief Operating Officer



Number of operational  
records broken in 2011

# Achieve Excellence in everything we do

“This for us means creating a truly market-driven business with an unrelenting focus on continuous improvement across all our operations and functions. We need to create a deeper understanding of the markets that impact our business, right across the organisation. We cannot afford to operate in a vacuum. Our actions need to reflect market circumstances, now and in the future.

**We have implemented a systematic process for improvement called ‘operational excellence’ across our whole value chain from mine to customer.** These initiatives are already proving very successful, with 21 operational records broken in 2011 and involvement of more than 800 employees across each of our sites.”

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# Operational Review

## Achieved revised mine production target and continued improvements in costs

- Zinc in concentrate production of 207kt (compared to revised guidance of 205kt to 215kt), up 146% from 2010 (84kt).
- On track to realise the average zinc mining C1 cash cost<sup>10</sup> target of USD 1,000 per tonne of payable zinc in 2012 having demonstrated substantial improvements in 2011 (USD 1,257 compared to USD 1,739 in 2010).
- Moderate increase to smelting operating cost per tonne to EUR 532 despite energy price and exchange rate pressures (EUR 501 in 2010).

## Expanding multi-metals footprint

- Significant rise in mining segment production of copper, gold, silver and lead up 39 fold, 11 fold, 14 fold and 11 fold respectively.

## Another year of record production in the smelting segment

- Second consecutive year of record smelter production, with 1.125 million tonnes of refined zinc metal production.
- Despite treatment charge pressure, large improvement in underlying EBITDA driven by significant improvement in premiums and by-product gross profit (namely acid and silver at Port Pirie).
- Contribution of EUR 78 million from "unlocking untapped value" initiatives through the identification, recovery and sale of silver bearing material at Port Pirie.

<sup>10</sup> C1 CASH COSTS ARE DEFINED BY BROOK HUNT AS: THE COSTS OF MINING, MILLING AND CONCENTRATING, ON-SITE ADMINISTRATION AND GENERAL EXPENSES, PROPERTY AND PRODUCTION ROYALTIES NOT RELATED TO REVENUES OR PROFITS, METAL CONCENTRATE TREATMENT CHARGES, AND FREIGHT AND MARKETING COSTS LESS THE NET VALUE OF BY-PRODUCT CREDITS.

<sup>11</sup> 75% OF THE SILVER PRODUCED BY CAMPO MORADO IS SUBJECT TO A STREAMING AGREEMENT WITH SILVER WHEATON CORPORATION WHEREBY ONLY USD 3.90/OZ IS PAYABLE. IN 2011, CAMPO MORADO PRODUCED APPROXIMATELY 1,836,000 TROY OUNCES OF SILVER.

<sup>12</sup> INCLUDES PRODUCTION FROM MINES AND PRIMARY AND SECONDARY SMELTERS ONLY. LEAD PRODUCTION AT ARA REFLECTS NYRSTAR'S OWNERSHIP (50%). PRODUCTION AT FÖHL, GALVA 45, GENESIS AND GM METAL (CLOSED IN 2010) ARE NOT INCLUDED.

### MINING PRODUCTION

#### Zinc in concentrate ('000 tonnes)

2011 207

2010 84

#### Gold in concentrate ('000 troy ounces)

2011 49.9

2010 4.7

#### Silver in concentrate<sup>11</sup> ('000 troy ounces)

2011 3,673

2010 271

#### Copper in concentrate ('000 tonnes)

2011 7.7

2010 0.2

### SMELTING PRODUCTION<sup>12</sup>

#### Zinc metal ('000 tonnes)

2011 1,125

2010 1,076

#### Lead metal ('000 tonnes)

2011 211

2010 198



## Mining Production

'000 tonnes unless otherwise indicated	2011	2010
<b>TOTAL ORE MILLED</b>	<b>4,503</b>	<b>2,295</b>
<b>TOTAL ZINC CONCENTRATE</b>	<b>369</b>	<b>135</b>
<b>TOTAL LEAD CONCENTRATE</b>	<b>13.2</b>	<b>0.9</b>
<b>TOTAL COPPER CONCENTRATE</b>	<b>49.1</b>	<b>0.9</b>

### TOTAL ZINC IN CONCENTRATE

Campo Morado	46	
Contonga	10	2
Coricancha	2	1
El Mochito	10	
El Toqui	9	
Langlois	1	
Myra Falls	15	
East Tennessee	49	50
Middle Tennessee	32	13
Tennessee Mines	80	63
Talvivaara Stream	35	18
<b>Total</b>	<b>207</b>	<b>84</b>

### LEAD IN CONCENTRATE

Contonga	1	0.1
Coricancha	1.3	0.6
El Mochito	4.9	
El Toqui	0.2	
Myra Falls	0.4	
<b>Total</b>	<b>7.8</b>	<b>0.7</b>

### COPPER IN CONCENTRATE

Campo Morado	5.2	
Contonga	0.8	0.2
Coricancha	0.2	
Langlois	0.1	
Myra Falls	1.6	
<b>Total</b>	<b>7.7</b>	<b>0.2</b>

### GOLD ('000 TROY OZ)

Campo Morado	17	
Coricancha	14.8	4.7
El Toqui	13	
Myra Falls	5.1	
<b>Total</b>	<b>49.9</b>	<b>4.7</b>

### SILVER ('000 TROY OZ)

Campo Morado <sup>13</sup>	1,836	
Contonga	393	70
Coricancha	583	201
El Mochito	598	
El Toqui	43	
Myra Falls	220	
<b>Total</b>	<b>3,673</b>	<b>271</b>

<sup>13</sup> 75% OF THE SILVER PRODUCED BY CAMPO MORADO IS SUBJECT TO A STREAMING AGREEMENT WITH SILVER WHEATON CORPORATION WHEREBY ONLY USD 3.90/OZ IS PAYABLE. IN 2011, CAMPO MORADO PRODUCED APPROXIMATELY 1,836,000 TROY OUNCES OF SILVER



Nyrstar produced approximately 207,000 tonnes of zinc in concentrate, achieving the revised production guidance issued in the Second 2011 Interim Management Statement. Equally important was the significant increase in the production of copper, lead, silver and gold across the portfolio of mining assets in 2011. For instance, copper in concentrate production and gold production increased by 39-fold and 11-fold respectively.

The Campo Morado operation produced approximately 46,000 tonnes of zinc in concentrate in 2011, an increase of 9% compared to 2010 under its previous ownership. In addition, the Campo Morado operation produced approximately 5,200 tonnes of copper in concentrate, 1.836 million troy ounces of silver<sup>14</sup> and 17,000 troy ounces of gold which represents an increase of 29% and 7% for copper and silver and a reduction of 4% for gold on the production volumes produced in 2010. During the year, the Campo Morado operation improved a number of parameters relating to its bulk and zinc flotation circuits which resulted in increased plant availability; however, these improvements were partially offset in 2011 by lower head grades for zinc, silver and gold and a reduction in gold recoveries.

As previously announced, the Contonga mine in Q3 2011 was operating at a temporarily reduced milling capacity to allow the expansion of its milling capacity from 660 to 990 tonnes per day which is expected to be completed by the end of Q1 2012, subject to the necessary permitting. In 2011, the Contonga mine produced approximately 10,000 tonnes of zinc in concentrate, 1,000 tonnes of lead in concentrate, 800 tonnes of copper in concentrate and 393,000 troy ounces of silver in concentrate, a substantial increase on 2010.

The Pucarrajo mine remains on care and maintenance and the ramp-up of this mine to commercial production levels is continuing to be assessed against other internal and external growth opportunities as part of Nyrstar's capital allocation process.

In 2011, the Coricancha mine produced approximately 14,800 troy ounces of gold and 583,000 troy ounces of silver, representing a 215% and 190% increase on 2010 production respectively. In addition the mine produced 1,300 tonnes of lead in concentrate, 200 tonnes of copper in concentrate and 2,000 tonnes of zinc in concentrate.

As previously disclosed, temporary interruptions to the operations in H1 2011 impacted production levels. In Q1 2011, heavy rainfall reduced operations at the mill for a period of approximately two weeks and in Q2 2011, despite the significant amount of work on safety matters that has been undertaken by Nyrstar, an employee was fatally injured in an incident at the Coricancha mine. To allow for a full and proper investigation by both Nyrstar and the Peruvian regulators, and to ensure that stoping procedures at the mine were in accordance with Nyrstar's safety standards, Nyrstar ceased mining and milling activities for a period of 18 days. Further, following the conclusion of the investigations Nyrstar, in consultation with the Peruvian mining authorities, proactively decided to reduce production to approximately 30% of capacity due to an increased moisture compaction level at the newly commissioned Chinchán tailings facility, resulting from the aforementioned heavy rainfall. Once the remediation and monitoring activities, which took approximately 22 days, were completed and both Nyrstar and the Peruvian mining authorities were satisfied with the outcome, production began to ramp back up (at the start of June) to full capacity. Tragically and despite the substantial amount of work that has been carried out to improve safety since the mine's first operational fatality in Q2 2011, the Coricancha mine suffered its second operational mine fatality when a worker was fatally injured in an underground mining accident. As part of Nyrstar's on-going work to ensure class leading safety standards, Nyrstar has engaged a leading international mining consultancy to conduct a comprehensive safety audit of Nyrstar's global underground mining operations. In H2 2011, the Coricancha mine achieved record levels of ore production, having increased by 66% compared to H1 2011 mainly due to better control of dilution and improvements made to the tailings filter press.

The East Tennessee Mines, although being fully ramped-up in 2011, produced approximately 49,000 tonnes of zinc in concentrate (down 2% compared to 2010). The production from the East Tennessee Mines was less than originally expected by Nyrstar's management, principally due to unplanned downtime on fixed plant infrastructure and underground mobile equipment and the zinc mill head grade falling from 3.50% to 3.41%. All of these factors combined resulted in lower than expected volumes of ore being milled and reduced contained metal production. The Middle Tennessee Mines continued with their ramp-up to full production capacity in 2011 with the de-watering completed on-schedule at the Elmwood mine during Q3 2011 and new mobile fleet equipment delivered late in Q4 2011.

<sup>14</sup> 75% OF THE SILVER PRODUCED BY CAMPO MORADO IS SUBJECT TO A STREAMING AGREEMENT WITH SILVER WHEATON CORPORATION WHEREBY ONLY USD 3.90/OZ IS PAYABLE. IN 2011, CAMPO MORADO PRODUCED APPROXIMATELY 1,836,000 TROY OUNCES OF SILVER.

At the end of 2011 all three of the Middle Tennessee Mines had been completely de-watered and returned to commercial production. As detailed in the Second 2011 Interim Management Statement, production at the Middle Tennessee Mines was negatively impacted in 2011 by mobile fleet downtime at the Gordonsville mine and repairs required to the underground infrastructure at the mines, caused by prolonged exposure to water, which impacted hoisting activities and consequently availability of ore for the mill and resulted in total production of approximately 32,000 tonnes of zinc in concentrate which was 146% higher than in 2010.

Deliveries of zinc in concentrate from Talvivaara under the streaming agreement were approximately 35,000 tonnes in 2011, having increased substantially by 33% in H2 2011 (20,000 tonnes) compared to H1 2011 (15,000 tonnes). Talvivaara in H2 2011 has taken steps to reduce the moisture content of their zinc in concentrate by installing and commissioning a drying press at their site in Finland. It is expected that in Q1 2012, Talvivaara will begin to deliver concentrate shipments with lower moisture content which will allow bulk shipping rather than by container and simplify the logistical process for the delivery of the concentrate between the Talvivaara mine site and Nyrstar's port facilities in Antwerp. Based on nickel production guidance issued by Talvivaara on 16 February 2012, Nyrstar anticipates that Talvivaara will produce approximately 50,000 – 60,000 tonnes of zinc in concentrate in 2012. Nyrstar remains confident in the capability of Talvivaara to continue with the ramp-up of their production over 2012.

The Breakwater mines, consisting of El Toqui in Chile, El Mochito in Honduras, Myra Falls in British Columbia Canada, and Langlois in Quebec Canada were acquired in late August 2011 and have integrated well into Nyrstar. The Breakwater mines were consolidated into Nyrstar at the start of September and contributed 35,000 tonnes of zinc in concentrate (representing four months of production) to Nyrstar's mining segment in 2011. All of the Breakwater mines have performed in line with, or exceeded Nyrstar's production performance expectations. The El Mochito mine contributed approximately 10,000 tonnes of zinc in concentrate, 4,900 tonnes of lead in concentrate and 598,000 troy ounces of silver. The El Toqui mine contributed approximately 9,000 tonnes of zinc in concentrate, 200 tonnes of lead in concentrate, 43,000 troy ounces of silver and 13,000 troy ounces of gold. Myra Falls contributed approximately 15,000 tonnes of zinc in concentrate, 220,000 troy ounces of silver, 5,100 troy ounces of gold, 400 tonnes of lead in concentrate and 1,600 tonnes of copper in concentrate. As previously advised, the Langlois mine is currently being ramped-up and is expected to commence commercial production during H1 2012. In 2011, the Langlois mine contributed approximately 1,000 tonnes of zinc in concentrate and 100 tonnes of copper in concentrate production as the site processed stockpiled ore through the mill as part of its recommissioning and testing phase.

## Production Guidance

Production guidance for 2012 across our portfolio of mining assets is as follows:

METAL IN CONCENTRATE	PRODUCTION GUIDANCE
Zinc <sup>15</sup>	310,000 – 350,000 tonnes
Lead	14,000 – 17,000 tonnes
Copper	11,000 – 13,000 tonnes
Silver <sup>16</sup>	5,500,000 – 6,000,000 troy ounces
Gold	100,000 – 110,000 troy ounces

The guidance above reflects Nyrstar's current expectation for 2012 production. Importantly, Nyrstar's strategy is to focus on maximising value rather than production and, as such, the production mix of these metals may be altered during the course of the year depending on prevailing market conditions. Revised updates may be issued by Nyrstar in subsequent trading updates during 2012, if it is expected that there will be material changes to the above guidance.

## Post-Acquisition Integration

As highlighted at the completion of the Breakwater Resources acquisition in August 2011, Nyrstar has paid particular attention to the successful and efficient integration of the Breakwater operations into Nyrstar. A post-acquisition integration function was established to deliver operational and support synergies and deliver on operational promises. A cross functional team identified key milestones which are continuously monitored, with progress regularly reported to the Nyrstar Management Committee and Board. All the 2011 milestones had been achieved for the integration of the Breakwater operations by the end of the year. These milestones included the closure of the Breakwater Toronto office, the establishment of the new Vancouver corporate office and the roll-out of Nyrstar policies, procedures and standards for environmental, safety, accounting and procurement amongst others. In 2012, Nyrstar will continue its integration program, including the further integration of operations acquired prior to Breakwater.

<sup>15</sup> INCLUDING ZINC DELIVERIES UNDER THE TALVIVAARA STREAMING AGREEMENT BASED ON THE 2012 ZINC PRODUCTION GUIDANCE ISSUED BY TALVIVAARA ON 16 FEBRUARY 2012

<sup>16</sup> 75% OF THE SILVER PRODUCED BY CAMPO MORADO IS SUBJECT TO A STREAMING AGREEMENT WITH SILVER WHEATON CORPORATION WHEREBY ONLY USD 3.90/OZ IS PAYABLE



# Smelting



## Smelting Production

	2011	2010
<b>ZINC METAL ('000 TONNES)</b>		
Auby	164	163
Balen/Overpelt	282	260
Budel	261	254
Clarksville	110	120
Hobart	279	247
Port Pirie	30	32
<b>Total</b>	<b>1,125</b>	<b>1,076</b>

<b>LEAD METAL ('000 TONNES)</b>		
Port Pirie	195	179
ARA (50%)	15	19
<b>Total</b>	<b>211</b>	<b>198</b>

<b>OTHER PRODUCTS</b>		
Copper cathode ('000 tonnes)	4	4
Silver ('000 troy ounces)	18,563	13,399
Gold ('000 troy ounces)	36	22
Sulphuric acid (tonnes)	1,400	1,444

**1.125m**  
tonnes record  
**ZINC**  
metal production in  
**2011**



## Nyrstar achieved record zinc metal production in 2011 of approximately 1,125,000 tonnes, up 5% on 2010 which was the previous record year.

Equally important, as we focus on value rather than volume, were record production levels of high-value silver and gold by-products at our multi-metals Port Pirie smelter (Australia). Record zinc, silver and gold production is a direct result of Nyrstar's Operational Excellence programme. Having commenced in Q4 2010, operational excellence aligns with our strategic priority of achieving excellence in everything we do, by embedding a lean thinking and value focus across Nyrstar's mines and smelters, supported by a continuous KPI driven culture.

Despite production at the European smelters having been impacted during 2011 for various reasons; including strike action in Q1 2011 at Auby, a planned roaster maintenance stop at Budel in Q1 2011 and a major roaster stop at Balen in Q2 2010, zinc metal production at Auby, Balen, and Budel was above that produced in 2010. As previously reported production at the Clarksville smelter was impacted in Q3 2011 due to the planned 45 day outage of the roaster to replace the roaster dome refractory (a once in every thirty year event). The replacement of the roaster dome was successfully completed and the smelter returned to full production capacity on schedule in Q4 2011. Indicative of the success of the replacement of the roaster dome refractory, the production results at Clarksville were at a record high in Q4 2011. At Hobart, zinc metal production in 2011 was 13% higher than in 2010, principally due to an operational excellence initiative to improve current efficiency and the additional cellhouse capacity which was made available by the upgrade and replacement of rectifiers that were damaged in the May 2010 fire.

As was illustrated in the Second 2011 Interim Management Statement, the focus at the Port Pirie multi-metals smelter has shifted to maximising value, often at the expense of lead production which was 9% higher than 2010 but below historic levels. Consequently, gold production volumes at Port Pirie established a new record high of 36,000 troy ounces, up 64% compared to 2010. Furthermore, silver production was approximately 18.6 million troy ounces, 39% higher compared to 2010. The higher volume of silver production in 2011 was largely due to the recovery of 2.8 million troy ounces of the material extracted from the precious metals refinery floor and also the treatment of higher silver bearing feed material.

During 2012 there are a number of major scheduled and budgeted maintenance shuts at the smelters, which will have an impact on production. These shuts will enable the smelters to continue to operate within internal safety and environmental standards, comply with external regulations/standards and improve the reliability and efficiency of the production process. In addition, the scheduled shuts will allow the sites to make improvements to critical production steps, for instance improving reliability and/or expanding capacity of different metals. All efforts are made to reduce the production impact of these shuts by building intermediate stocks prior the shut and managing the shut in a timely and effective manner. The estimated impact of these shuts on 2012 production are estimated below.

## 2012 smelter planned shuts

Production guidance for 2012 across our portfolio of smelting assets is as follows:

SMELTER & PRODUCTION STEP IMPACTED	TIMING AND DURATION	ESTIMATED IMPACT
Balen - roaster and acid plant	Q4: 2-3 weeks	Nil - 5,000 tonnes zinc metal
Budel - roaster and acid plant	Q2: 3 weeks	Nil - 5,000 tonnes zinc metal
Hobart - roaster	Q3: 1-2 weeks	Nil - 5,000 tonnes zinc metal
Port Pirie - slag fumer	Q1: 2-3 weeks	1,000-2,000 tonnes zinc metal
Port Pirie - lead plant	H2: 2-3 weeks	9,000-11,000 tonnes lead metal 800,000-1,200,000 troy ounces silver 5,000-6,000 troy ounces gold





# Safety, Health & Environment

Nyrstar's recordable injury rate was relatively flat in 2011, with a slight increase of 6% to 13.1 compared to 12.4 in 2010, while the lost time injury rate decreased 7% to 4.3 in 2011, compared to 4.6 in 2010. The recordable injury rate and lost time injury rate at Nyrstar's smelters is currently at record low levels, whilst there has only been a modest increase in both rates in the mining segment despite the acquisition of new mines and the growing mining workforce.

As mentioned earlier, tragically and despite the significant amount of work conducted by Nyrstar to improve safety standards and practices across all operations, two employees were fatally injured in separate incidents at the Coricancha mine in April and August 2011.

As a response to these fatalities, and in conjunction with Nyrstar's commitment to prevent harm within our operations and to achieve world class safety standards, a global underground safety audit was initiated in November. Using external mining safety specialists, in collaboration with internal health and safety managers, an on-the-ground review of practices, policies and procedures is currently in progress and will report to Nyrstar's Board and Management Committee during H1 2012. The goal of this review is to create a safety framework and set in motion activities that will enable Nyrstar to achieve world class underground mining safety standards. Several improvements have already been identified and new standards and actions implemented across our mining operations. As part of this review, a global mining safety manager has been appointed and will be located in the new Vancouver corporate office together with our mining management team.

There were 24 minor recordable environmental incidents in 2011, compared to 27 in 2010. This 11% improvement from 2010 is even more commendable when the acquisition and operation of five new mining operations in 2011 is taken into consideration.

## RIR<sup>17</sup>

2009	18.1
2010	12.4
2011	13.1

## LTR<sup>17</sup>

2009	7.6
2010	4.6
2011	4.3

## Recordable Environmental Incidents

2009	24
2010	27
2011	24

<sup>17</sup> LOST TIME INJURY RATE (LTR) AND RECORDABLE INJURY RATE (RIR) ARE 12 MONTH ROLLING AVERAGES OF THE NUMBER OF LOST TIME INJURIES AND RECORDABLE INJURIES (RESPECTIVELY) PER MILLION HOURS WORKED, AND INCLUDE ALL EMPLOYEES AND CONTRACTORS AT ALL OPERATIONS

A black and white portrait of Heinz Eigner, Chief Financial Officer, smiling and wearing glasses and a light-colored button-down shirt. The portrait is positioned on the left side of the page, partially overlapping the main title.

# EUR 78m

Contribution of EUR 78 million from "unlocking untapped value" initiatives through the identification, recovery and sale of silver bearing material at Port Pirie, Australia

**Heinz Eigner**  
Chief Financial Officer

# Unlocking untapped value

“We need to continually look for opportunities to release latent value across every single aspect of our operations, products and processes. This requires a new way of thinking; challenging paradigms and relentlessly seeking additional or incremental value.

**A specific initiative that we have is called the “Value Engine”.** It involves looking at each aspect of our existing business model, identifying those decisions points that are capable of creating significant value (or destroying significant value) and defining a set of criteria that ensure we always make the right decision to maximise the outcome. This initiative takes a holistic view of value creation across our value chain, creating an integrated and value-maximising business model.”

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#### App

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# Financial Review

## Considerable growth in underlying EBITDA despite a volatile market environment

- Underlying EBITDA of EUR 265 million, up 26% in 2011 compared to 2010.
- Solid financial position with gearing<sup>18</sup> of 35% as at 31 December 2011.
- Proposed distribution of EUR 0.16 per share via a share capital reduction.

## Substantial year on year increase in underlying EBITDA contribution from mining segment

- Mining segment underlying EBITDA of EUR 72 million up 200% on 2010 (EUR 24 million) and smelting segment underlying EBITDA of EUR 235 million up 19% on 2010 (EUR 198 million).
- Mining segment underlying EBITDA represents 27% of group underlying EBITDA, up 136% from 11% in 2010 and in line with production guidance is expected to continue to grow in 2012.

## Year on year increase in underlying group EBITDA per tonne driven by growth in mining segment

- Group underlying EBITDA/t increased 10% to EUR 199/t (EUR 181/t in 2010) with mining underlying EBITDA per tonne having increased 22% to EUR 348 (EUR 286 in 2010)<sup>19</sup> and smelting underlying EBITDA per tonne improving to EUR 209 (EUR 184 in 2010)<sup>20</sup>.

## Strong financial position with a high quality portfolio of long-term debt

- Demonstrated continued ability to raise high quality finance to fund growth with successful completion of rights offering for EUR 490 million in March 2011 and public offering of bonds for EUR 525 million in May 2011.
- Financially well positioned to manage any continuing market volatility and macroeconomic uncertainty, and to fund further value accretive growth.

KEY FINANCIAL DATA	2011	2010
Revenue	3,348	2,696
Mining EBITDA <sup>21</sup>	72	24
Smelting EBITDA <sup>21</sup>	235	198
Other & Eliminations EBITDA <sup>21</sup>	(42)	(12)
<b>EBITDA<sup>21, 22</sup></b>	<b>265</b>	<b>210</b>
Results from operating activities before exceptional items	122	112
<b>Profit/(loss) for the period</b>	<b>36</b>	<b>72</b>
<b>Mining EBITDA/t<sup>21</sup></b>	<b>348</b>	<b>286</b>
<b>Smelting EBITDA/t<sup>21</sup></b>	<b>209</b>	<b>184</b>
<b>Group EBITDA/t<sup>21</sup></b>	<b>199</b>	<b>181</b>
<b>Underlying EPS<sup>23</sup> (EUR)</b>	<b>0.38</b>	<b>0.85</b>
<b>Basic EPS (EUR)</b>	<b>0.24</b>	<b>0.62</b>
<b>Capital Expenditure</b>	<b>229</b>	<b>147</b>
Net operating cash flow	121	232
Net debt/(cash), end of period	718	296
Gearing (%) <sup>18</sup>	35%	26%

Nyrstar delivered considerable growth in underlying EBITDA<sup>21</sup>, with a result of EUR 265 million in 2011 compared to EUR 210 million in 2010. The Mining segment delivered considerable growth in underlying EBITDA, with a contribution of EUR 72 million, up 200% in 2011 from 2010, while the Smelting segment contributed underlying EBITDA of EUR 235 million, an increase of 19% compared to 2010. Profit after tax of EUR 36 million, down 50% on 2010 (EUR 72 million), was negatively impacted by one-off acquisition and restructuring costs associated with the integration of Farallon Mining and Breakwater Resources, increasing depletion of mineral properties recognised as part of mining acquisitions, and higher financing costs due to the issuance of public bonds for EUR 525 million.

<sup>18</sup> GEARING: NET DEBT TO NET DEBT PLUS EQUITY AT END OF PERIOD

<sup>19</sup> MINING SEGMENT UNDERLYING EBITDA PER TONNE OF ZINC IN CONCENTRATE PRODUCED

<sup>20</sup> SMELTING SEGMENT UNDERLYING EBITDA PER TONNE OF ZINC METAL PRODUCED

<sup>21</sup> ALL REFERENCES TO EBITDA IN THE TABLE ABOVE ARE UNDERLYING EBITDA. UNDERLYING MEASURES EXCLUDE EXCEPTIONAL ITEMS RELATED TO RESTRUCTURING MEASURES, M&A RELATED TRANSACTION EXPENSES, IMPAIRMENT OF ASSETS, MATERIAL INCOME OR EXPENSES ARISING FROM EMBEDDED DERIVATIVES RECOGNISED UNDER IAS 39 AND OTHER ITEMS ARISING FROM EVENTS OR TRANSACTIONS CLEARLY DISTINCT FROM THE ORDINARY ACTIVITIES OF NYRSTAR. UNDERLYING EPS DOES NOT CONSIDER TAX EFFECT ON UNDERLYING ADJUSTMENTS.

<sup>22</sup> TO IMPROVE REPORTING TRANSPARENCY, M&A RELATED TRANSACTION EXPENSES (2011: EUR 14.6M, 2010: EUR 2.8M) HAVE BEEN RE-CLASSIFIED FROM OPERATING COSTS TO UNDERLYING ADJUSTMENTS, IMPACTING UNDERLYING EBITDA. PROFIT AFTER TAX IS UNCHANGED

<sup>23</sup> IN RELATION TO THE RIGHT OFFERING, THE COMPARATIVE EPS, AND UNDERLYING EPS, FOR FY 2010 HAS BEEN RESTATED TO RETROACTIVELY REFLECT THE IMPACT OF THE MARCH 2011 RIGHTS ISSUE (ADJUSTED IN ACCORDANCE WITH IAS 33 EARNINGS PER SHARE). SEE NOTE 32 OF NYRSTAR'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2011 FOR FURTHER INFORMATION.





The Mining segment achieved a substantial year on year increase in underlying EBITDA contribution, representing 27% of group underlying EBITDA in 2011 compared to 11% in 2010. Underlying EBITDA growth in the Mining segment was, when compared to 2010, positively impacted by the inclusion of production from Campo Morado which was acquired in January 2011 and the former Breakwater mines which were acquired at the end of August 2011 and increased production across the Mining segment.

EUR MILLIONS	2011	2010
Treatment charges	(71)	(27)
Payable metal contribution	288	118
By-Products	135	9
Other	(9)	(5)
<b>Underlying Gross Profit</b>	<b>345</b>	<b>96</b>
Employee expenses	77	27
Energy expenses	29	9
Other expenses	168	35
<b>Underlying Operating Costs</b>	<b>273</b>	<b>72</b>
<b>Underlying EBITDA</b>	<b>72</b>	<b>24</b>
<b>Underlying EBITDA/t</b>	<b>348</b>	<b>286</b>

A sharp decline in metal prices in Q4 2011 occurred in conjunction with a large increase in mine production and adversely impacted earnings, as foreshadowed in the Second 2011 Interim Management Statement. It is useful to highlight the impact this had on zinc revenues alone. We produced 64% more zinc in concentrate in the second half whilst the euro denominated zinc price was 10% below that in the first half. Earnings were also adversely impacted by provisional pricing adjustments at the end of the reporting period. As an example, Nyrstar was required to revalue down provisionally priced sales at the end of 2011 to the year-end zinc price of USD 1,828/t, compared to the average second half price of USD 2,058/t. As at 31 December, provisionally priced sales amounted to approximately 16,000 tonnes of zinc payable in concentrate, 3,200 tonnes of lead payable in concentrate, 1,200 tonnes of copper payable in concentrate, 136,000 troy ounces of silver payable in concentrate and 8,200 troy ounces of gold payable in concentrate. In addition, mining earnings were negatively impacted by a purchase price allocation adjustment on inventories acquired as part of the Breakwater acquisition. Accounting standards require that acquired inventories must be recognised at their fair value at the time of acquisition, i.e. the prevailing market price. As a result of this accounting requirement Nyrstar effectively only recognised approximately three months of profits from the former Breakwater mines despite being consolidated for four months. These factors combined to have a material negative impact on mining earnings.

The Mining segment's underlying gross profit was EUR 345 million in 2011, up 259% compared to 2010. Smelting treatment charge expense was EUR 71 million, reflecting the increase in zinc concentrate sales, while payable metal contribution was EUR 288 million. With the addition of the multi-metal Campo Morado and Breakwater mines, gross profit from by-products increased substantially in 2011 to EUR 135 million (EUR 9 million in 2010). This reflects the growing importance of other metals including copper, gold, silver and lead within the Mining segment. Other Mining gross profit, which includes realization expenses, was EUR (9) million.

The C1 cash cost for Nyrstar's zinc mines (including the Talvivaara zinc stream) was USD 1,257 per tonne of payable zinc in 2011, an improvement of approximately 28% on 2010.

The continued reduction on the average C1 cash cost for Nyrstar's zinc mines was due to the acquisition of the multi-metals Campo Morado mine and Breakwater mines and increased deliveries from the Talvivaara zinc stream. At the Campo Morado mine the cash cost was USD 401 per tonne, compared to USD 717 per tonne in FY 2010 when the mine was under previous ownership. The C1 cash cost at the Contonga mine increased 129% in H2 2011 (USD 1,983 per tonne) compared to H1 2011 (USD 867 per tonne) as it temporarily reduced its milling capacity to allow for an expansion from 660 to 990 tonnes per day. As indicated in the Second 2011 Interim Management Statement, the expansion of the Contonga milling capacity is expected to be completed by the end of Q1 2012, subject to the necessary permitting. The C1 cash cost for the Tennessee Mines improved by 12% in H2 2011 (USD 2,228 per tonne) compared to H1 2011 (USD 2,525), primarily as a function of the Middle Tennessee Mines being successfully de-watered and ramped-up to full production capacity by the end of the year. C1 cash cost for zinc delivered from the Talvivaara zinc stream was approximately USD 1,019 per tonne of payable zinc in 2011. The C1 cash cost for the El Mochito, El Toqui and Myra Falls mines were generally in-line with or better than Nyrstar's expectations and averaged negative USD 34 per tonne, USD 1 per tonne and USD 394 per tonne respectively.

It is expected that the USD 1,000 per tonne average C1 cash cost target for Nyrstar's zinc mines will be met in 2012.

Coricancha had a C1 cash cost of approximately USD 1,172 per troy ounce of payable gold, compared to USD 940 in 2010. The increase in the C1 cash cost over this period is due to higher operating costs per tonne caused by several production interruptions experienced in 2011.

<b>C1 CASH COST</b>	<b>2011</b>	<b>2010</b>
<b>C1 cash cost USD/payable tonne zinc</b>		
Campo Morado	<b>401</b>	
Contonga	<b>1,459</b>	2,915
El Mochito	<b>(34)</b>	
El Toqui	<b>1</b>	
Langlois		
Myra Falls	<b>394</b>	
Tennessee Mines	<b>2,292</b>	1,901
Talvivaara Stream	<b>1,018</b>	1,005
<b>Average zinc C1 cash cost</b>	<b>1,257</b>	<b>1,739</b>
<b>C1 cash cost USD/payable t oz gold</b>		
Coricancha	<b>1,172</b>	940

Despite the negative impact caused by the fall in metal prices in Q4 2011, Nyrstar's Mining segment in 2011 continued to show an improvement in underlying EBITDA per tonne of zinc in concentrate produced. Underlying EBITDA per tonne in the Mining segment was EUR 348 in 2011, up by 22% compared to 2010 (EUR 286). In-line with the 2012 production guidance, and the move towards the stated medium term target of a USD 1,000 per tonne average zinc C1 cash cost, the underlying EBITDA per tonne of zinc in concentrate produced by the Mining segment is expected to continue to improve.



EUR MILLIONS	2011	2010
Treatment charges	386	429
Free metal contribution	245	260
Premiums	120	105
By-Products	282	115
Other	(98)	(81)
<b>Underlying Gross Profit</b>	<b>937</b>	<b>827</b>
Employee expenses	202	187
Energy expenses <sup>24</sup>	277	246
Other expenses	223	196
<b>Underlying Operating Costs</b>	<b>702</b>	<b>629</b>
<b>Underlying EBITDA</b>	<b>235</b>	<b>198</b>
<b>Underlying EBITDA/t</b>	<b>209</b>	<b>184</b>

<sup>24</sup> ENERGY EXPENSES DO NOT INCLUDE THE NET LOSS OR GAIN ON THE HOBART SMELTER EMBEDDED ENERGY DERIVATIVES (EUR 4M GAIN IN 2011, EUR 13M LOSS IN 2010).





Despite lower 2011 benchmark treatment charges, higher energy prices and a stronger Australian dollar, the Smelting segment delivered another strong underlying EBITDA result, increasing by 19% to EUR 235 million in 2011 compared to 2010. The underlying EBITDA contribution of the Smelting segment was supported by another record year of production and significant improvements in by-product income, which was up by 145% in 2011 compared to 2010, and premium revenues.

The Smelting segment's underlying gross profit increased 13% to EUR 938 million in 2011, compared to EUR 827 million in 2010. Smelting treatment charge income from zinc and lead was EUR 386 million in 2011, approximately 10% less than in 2010. While the 2011 zinc benchmark TCs settled below those achieved in 2010, due to carry over of some concentrates on 2010 terms into the first half of 2011 and the use of secondary feeds such as zinc oxides, which carry higher TCs, Nyrstar's realised zinc treatment charge in 2011 was approximately USD 230/dmt, compared to USD 255/dmt in 2010. Free metal contribution of EUR 245 million was 6% less than 2010 due to lower zinc metal production at Port Pirie, with the site treating more complex concentrates to increase production and margins of other metals. Realised premiums on special high grade zinc, commodity grade lead and speciality alloy products in 2011 were higher than in 2010 and, as such, gross profit contribution from Premiums was EUR 120 million, an increase of 14% from 2010. The contribution of By-product gross profit to the Smelting segment was EUR 282 million, a substantial increase of 145% compared to 2010. This increase was primarily the result of the increase in acid and other metal prices, as well as increased production of gold and silver at Port Pirie (including the Port Pirie unlocking untapped value initiatives which recovered and monetised 2.8 million troy ounces of silver). In addition, the gross profit contribution from sulphuric acid production in 2011 was EUR 87 million, up 123% compared to 2010 (EUR 39 million). Smelting other gross profit was negative EUR 98 million in 2011, compared to negative EUR 81 million in 2010.

Underlying smelting operating costs were EUR 702 million in 2011, an increase of 12% compared to 2010 (EUR 629 million). Smelting operating cost per tonne increased moderately to EUR 532/t despite energy price pressures, particularly in Europe, and exchange rate pressures from the stronger Australian dollar.

As detailed in the HY 2011 results, Nyrstar has already started to deliver tangible financial results under the Strategy into Action initiative of "unlocking untapped value". In H1 2011, the Port Pirie multi-metals smelter identified historical silver refining losses of approximately 2.1 million troy ounces and in H2 2011 an additional 0.7 million troy ounces were identified. The total volume of approximately 2.8 million troy ounces was successfully recovered during H2 2011 and sold by the end of the year, contributing approximately EUR 78 million to by-product gross profit.

Underlying EBITDA per tonne in the Smelting segment increased to EUR 209, up from EUR 184 in 2010.

## Other & Eliminations

The Other and Eliminations segment resulted in an underlying EBITDA loss of EUR 42 million, comprising of an elimination of unrealised Mining segment underlying EBITDA of approximately EUR 8 million (for material sold internally to own smelters), a net positive contribution of EUR 1 million from other operations, and other group costs. The increase in 2011 from 2010 is due to increased transfers of concentrate between Nyrstar mines and smelters, leading to increased unrealised profits, and additional corporate development and other head office activity to deliver on Strategy into Action initiatives.



## Capital Expenditure

Capital expenditure was approximately EUR 229 million in 2011, an increase of 56% from 2010 (EUR 147 million).

Expenditure at the mines was EUR 104 million, a 73% increase compared to 2010, primarily due to the increase in sustaining and compliance requirements with the acquisitions of the Campo Morado and Breakwater mines, and increased production at the other mining operations. Ramp-up expenditure to prepare the Langlois mine for commercial production, expected in H1 2012, amounted to EUR 15 million between the acquisition of Breakwater Resources and the end of 2011. Exploration spend in 2011, approximately EUR 14 million, has delivered successful drilling results across several of Nyrstar's mines and has increased the understanding of the deposits to enable more efficient methods of material extraction and to focus on maximising value over the short to medium term. See the Nyrstar 2011 Reserve and resource Statement (dated 23 February 2012) for further information.

Capital expenditure for smelters was approximately EUR 112 million in 2011, up 38% on 2010 (EUR 81 million). This comprised EUR 87 million of expenditure on sustaining and compliance and EUR 25 million was spent on organic growth projects. This included the building of the indium metal plant at Auby, the successful commissioning of a third automated SHG casting line at the Balen/Overpelt facility, which is expected to reduce operating costs and working capital requirements by reducing cathode inventory holding time, and the capacity expansion of the cellhouse at Hobart.

In addition, approximately EUR 13 million was invested at other operations and corporate offices, including major IT hardware and software upgrades across the group to ensure Nyrstar's processes and systems can continue to support an expanding workforce and a greater number of sites.

Capital expenditure guidance for Nyrstar's mining segment in 2012 is as follows:

MINING	EUR MILLIONS
Sustaining and compliance	90 – 100
Growth	30 – 40

The level of sustaining and compliance spend in 2012 is the expected run-rate for Nyrstar's current portfolio of operating mines. Growth expenditure at the mines is expected to be relatively high in 2012, as there is a need to catch up on exploration and development activity postponed by previous mine owners during the global financial crisis and depressed commodity price environment. This additional spend will ensure Nyrstar's operations can prove up their medium-term mine plans to achieve greater consistency in their ore milled head grades.

Capital expenditure guidance for Nyrstar's smelting segment in 2012 is as follows:

SMELTING	EUR MILLIONS
Sustaining and compliance (excluding shutdowns)	60 – 70
Shutdowns	20 – 30
Growth	25 – 35

The level of sustaining and compliance spend, excluding shutdowns, in 2012 is the expected run-rate for Nyrstar's smelters. Shutdown spend is expected to be relatively high in 2012, due to major planned shuts at all of Nyrstar's largest smelters (namely Balen, Budel, Hobart and Port Pirie) that will improve the reliability and efficiency of production processes and allow the sites to make improvements to critical production steps. Committed growth spend has been allocated to several key unlocking untapped value projects, such as the planned completion of the indium metal plant at the Auby smelter and the tellurium dioxide circuit at Port Pirie. These projects have progressed through Nyrstar's rigorous capital allocation process and have received Board approval.





The estimates may be impacted during 2012 by factors such as management review, estimated input costs to and Australian and US dollar movements against the Euro. Revised updates may be issued in subsequent trading updates during 2012 if material changes to the above guidance is estimated by Nyrstar.

## Cash Flow and Net Debt

As of 31 December 2011, cash and cash equivalents were EUR 177 million, an increase of EUR 17 million from 31 December 2010. Cash flows from operating activities in 2011 generated an inflow of EUR 121 million, due to strong sales in the mining and smelting segments in H2 2011. Although there was a sharp decline in zinc, lead and silver prices in Q4 2011, leading to a reduction in the value of metal inventories, there was only a relatively small working capital<sup>25</sup> cash inflow of EUR 21 million in 2011 due to the strong sales performance at the end of the year.

Cash flows from investing activities in 2011 (EUR 891 million) mainly relate to the acquisition of Farallon Mining for approximately EUR 280 million (net of cash) and Breakwater Resources for approximately EUR 390 million (net of cash). These outflows in 2011 compare to EUR 272 million in 2010 invested in the acquisition of mines and the Talvivaara streaming agreement. In addition the acquisition of property, plant and equipment and intangible assets was EUR 229 million in 2011, compared to EUR 147 million in 2010.

Cash inflows from financing activities in 2011 amounted to EUR 775 million. Included in this amount are the EUR 490 million<sup>26</sup> gross proceeds of the rights offering that closed in March 2011, and the EUR 525 million (excluding transaction costs) raised in May 2011 with the placement of 5.375% bonds due 2016. As of 31 December 2011, the full amount of Nyrstar's EUR 500 million revolving structured commodity trade finance facility was undrawn (EUR 107 million as of 31 December 2010).

During 2011, Nyrstar acquired 6,265,000 shares to hold in treasury, for approximately EUR 52 million, in accordance with the Board of Director's authorisation to acquire Nyrstar's own shares, renewed at the Extraordinary General Meeting on 26 May 2009. As at 31 December 2011, Nyrstar held a total of 9,413,138 of Nyrstar's shares (31 December 2010: 3,631,558).

These shares are being held with suspended dividend rights, for potential delivery to eligible Nyrstar employees in 2012, 2013 and 2014 to satisfy Nyrstar's outstanding obligations under an Executive Long Term Incentive Plan and Management Committee Co-Investment Plan.

Net debt at 31 December 2011 was EUR 718 million (31 December 2010: EUR 296 million), leading to a gearing of 35%<sup>27</sup>.

## Taxation

The main tax jurisdictions in which Nyrstar operated in 2011 were Australia, Belgium, Canada, Chile, France, Honduras, Mexico, the Netherlands, Peru, Switzerland and the United States based on the proportion of its income from each of these jurisdictions. Nyrstar's effective statutory tax rate in 2011 was approximately 18%. Nyrstar has accumulated tax losses in some of the jurisdictions where it operates and deferred tax benefits have been recognized to the extent it is likely that future taxable amounts will be available. Nyrstar expects to benefit from these deferred tax benefits through a decrease in its actual cash tax payments until such deferred tax benefits are used up or expire.

## Proposed distribution

The Board of directors will propose to shareholders at the Annual General Meeting to be held in Brussels on 25 April 2012 a gross distribution of EUR 0.16 per share and to structure the distribution as a capital reduction. This reflects the Board's continued confidence in the Nyrstar's financial strength and the medium to long-term prospects for the markets in which it operates.

<sup>25</sup> WORKING CAPITAL: CHANGE IN INVENTORIES, TRADE AND OTHER RECEIVABLES AND TRADE AND OTHER PAYABLES AND DEFERRED INCOME

<sup>26</sup> ASSOCIATED COSTS OF THE CAPITAL INCREASE AMOUNTED TO EUR 16 MILLION (NET PROCEEDS FROM CAPITAL INCREASE OF EUR 474 MILLION)

<sup>27</sup> GEARING: NET DEBT TO NET DEBT PLUS EQUITY AT END OF PERIOD



# Other significant events in 2011

## Farallon (Campo Morado)

In January 2011, Nyrstar successfully completed the acquisition of Farallon Mining Ltd. ("**Farallon**"), owner of the Campo Morado operation (a zinc-rich multi-metals mining operation in Mexico), pursuant to a friendly take-over for approximately CAD 409 million (EUR 296 million). The ore deposit currently being mined is the G-9 deposit which achieved commercial production in April 2009 and comprises high grade zinc, copper, lead, gold and silver. In addition to the G-9 deposit, there are four additional ore bodies that have been delineated (Reforma, El Largo, El Rey, Naranjo).

## Breakwater Resources

In August 2011, Nyrstar successfully completed the acquisition of Breakwater Resources Ltd. ("**Breakwater**") pursuant to a friendly take-over with an implied a total transaction value to Breakwater shareholders of approximately CAD 663 million (EUR 443 million) on a fully diluted basis (including shares issued from the conversion of options and warrants). Breakwater's operations consist of four zinc multi-metals mines, including El Toqui in Chile, El Mochito in Honduras, Myra Falls in British Columbia Canada, and Langlois in Quebec Canada (Langlois is currently in ramp-up and expected to restart commercial production in H1 2012).

## ARA

In November 2011, Nyrstar and Sims Metal Management Limited announced that they had reached a conditional agreement to sell Australian Refined Alloys' secondary lead producing facility in Sydney, Australia (ARA Sydney) to companies associated with Renewed Metal Technologies for a total sale price of approximately EUR 60 million (AUD 80 million). Approval of the Australian Competition and Consumer Commission has been received and the sale is expected to be completed by the end of February 2012. The sale price is subject to a customary working capital adjustment. Assuming a sale price of EUR 60 million, Nyrstar expects to achieve a profit on the sale of its 50% share of ARA Sydney of at least EUR 15 million.

Nyrstar and Sims Metal Management will retain ARA's secondary lead producing facility in Melbourne, Australia which will continue to be operated as a 50/50 joint venture allowing Nyrstar continued exposure (albeit on a smaller scale) to an important segment of the global lead market.

## Rights Offering

In March 2011, Nyrstar successfully completed a rights offering in the amount of approximately EUR 490 million. During the rights subscription period 95% of the total number of 70,009,282 rights were exercised to subscribe for an equal number of new shares in Nyrstar. The remaining 5% of rights were converted into an equal number of scrips and sold by the underwriters of that offering through an accelerated book building procedure with institutional investors.





## Sensitivities

Nyrstar's results are significantly affected by changes in metal prices, exchange rates and treatment charges. Sensitivities to variations in these parameters are depicted in the following table, which sets out the estimated impact of a change in each of the parameters on Nyrstar's full year underlying EBITDA based on the actual results and production profile for the year ending 31 December 2011.

### 2011

PARAMETER	VARIABLE	ESTIMATED ANNUAL EBITDA IMPACT IN EUR MILLION
Zinc Price	+/- USD 100/tonne	+31 / -31
Lead Price	+/- USD 100/tonne	+1 / -1
Silver Price <sup>28</sup>	+/- USD 1/troy ounce	+3 / -3
Gold Price	+/- USD 100/troy ounce	+3 / -3
USD/EUR	+/- EUR 0.01	+11 / -11
AUD/EUR	+/- EUR 0.01	+3 / -3
Zinc treatment charge	+/- USD 25/dmt <sup>29</sup>	+30 / -30
Lead treatment charge	+/- USD 25/dmt	-4 / +4

The above sensitivities were calculated by modelling Nyrstar's 2011 underlying operating performance. Each parameter is based on an average value observed during that period and is varied in isolation to determine the annualised EBITDA impact.

Sensitivities are:

- Dependent on production volumes and the economic environment observed during the reference period.
- Not reflective of simultaneously varying more than one parameter; adding them together may not lead to an accurate estimate of financial performance.
- Expressed as linear values within a relevant range. Outside the range listed for each variable, the impact of changes may be significantly different to the results outlined.
- These sensitivities should not be applied to Nyrstar's results for any prior periods and may not be representative of the EBITDA sensitivity of any of the variations going forward.

## Public Bonds

In May 2011, Nyrstar successfully completed the placement of 5.375% bonds due 2016 (the "**Bonds**") through a public offering in Belgium and Luxembourg. Due to strong demand the offering was increased from EUR 150 million to EUR 525 million.

## Glencore Off-take Agreement extension

At the end of June 2011, Nyrstar extended to the end of 2018 the Commodity Grade Off-take Agreement with the Glencore Group for the sale and marketing of commodity grade zinc and lead metal produced by Nyrstar (initially entered into in November 2008 (the "**Off-take Agreement**"). The Off-take Agreement allows Nyrstar to continue to direct its focus on growing sales within the higher margin value-added zinc and lead alloys markets, while selling its commodity grade products at market premiums to the Glencore Group.

<sup>28</sup>THE SENSITIVITY TO THE SILVER PRICE EXCLUDES THE IMPACT OF THE SILVER BEARING MATERIAL THAT WAS RECOVERED AT THE PORT PIRIE SMELTER AND SOLD IN 2011

<sup>29</sup> DMT = DRY METRIC TONNES OF CONCENTRATE





Michael Morley  
Chief Corporate &  
Development Officer



# Deliver Sustainable Growth

“Our success will depend significantly on our ability to leverage our existing mining and smelting footprint, and to continue to make value-creative acquisitions. Indeed, of the EUR 1.5b EBITDA ambition, half of that should come from new acquisitions. Such acquisitions will be in zinc but potentially also other metals where we have an existing growing presence (for example, copper).

It is critically important for us to recognise that we now have a larger operational footprint with significant organic growth opportunities across our existing mining and smelting assets. We are developing a prioritised growth pipeline, and the opportunities are prioritised based on strict quantitative criteria. When we commit we have to deliver; we need to be unrelenting in our drive to deliver upon our promises.”

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# EUR 1.5b

Our EBITDA ambition  
by 2016

## Market Review

### Volatile trading environment

- Zinc price, as well as prices for the other metals in Nyrstar's multi-metals footprint, remained volatile throughout the year.
- Sharp decline in metal prices in Q4 2011 occurred in conjunction with a large increase in mine production and adversely impacted earnings, as foreshadowed in the Second 2011 Interim Management Statement. Earnings were also adversely impacted by normal provisional pricing adjustments at the end of the reporting period and a purchase price allocation adjustment on inventories acquired as part of the Breakwater acquisition.
- Eurodollar exchange rate averaged 1.39 in 2011 (up 5% compared to 2010) and was also very volatile, trading within a wide range of 1.29 to 1.49.

### AVERAGE PRICES<sup>30</sup>

	2011	2010
Exchange rate (EUR/USD)	1.39	1.33
Zinc price (USD/tonne, cash settlement)	2,191	2,159
Lead price (USD/tonne, cash settlement)	2,398	2,148
Copper price (USD/tonne, cash settlement)	8,811	7,539
Silver price (USD/t.oz, LBMA AM fix)	35.12	20.19
Gold price (USD/t.oz, LBMA AM fix)	1,572	1,225

<sup>30</sup> ZINC, LEAD AND COPPER PRICES ARE AVERAGES OF LME DAILY CASH SETTLEMENT PRICES. SILVER AND GOLD PRICES ARE AVERAGES OF LBMA AM DAILY FIXING PRICES.



### Exchange rate

The Eurodollar increased by 5%, from an average of 1.33 in FY 2010 to an average of 1.39 in FY 2011. The depreciation of the US dollar relative to the Euro negatively impacted Nyrstar's earnings in FY 2011 as its revenues are largely denominated in US dollars, whereas a substantial proportion of its operating costs are denominated in Euros.

### Base Metal Summary

During first half of 2011, prices remained generally resilient to corrections in spite of a number of major disruptive events, most notably the Japanese natural disaster and related Fukushima nuclear accident as well as political turmoil in the Middle East and North African region. The second half of 2011 saw heightening concerns regarding the US debt ceiling and the European sovereign debt crisis as well as expectations of softer than anticipated global growth. This resulted in diminished risk appetite and prompted a correction in base metal prices, relative to H1 2011, particularly in Q4 2011.

### Zinc

Whilst the average price of zinc was 1% higher for 2011 than 2010, consumption growth continues at a historically strong pace. Brook Hunt estimates that global refined zinc consumption in 2011 was 12.6 million tonnes, up 7.6% from 2010 (11.7 million tonnes). Exchange inventories saw an increase year on year of 17% on the London Metal Exchange and 15% on the Shanghai Futures Exchange. Combined inventories of both exchanges totalled approximately 1.185Mt at the end of 2011, sufficient to meet global zinc consumption for 34 days, the highest level since 1994. Whilst total inventories on the LME and SHFE have risen by 16.5% year on year, the second half of 2011 witnessed significant drawdowns with 3.8% of total LME and 9.4% of SHFE stocks being taken off the exchange. In addition financing deals have kept a significant amount of zinc stocks tied up for some time. The zinc price has experienced continued volatility in 2011, with the cash price peaking in mid-February at USD 2,569/tonne with a low of USD 1720/tonne traded in mid-October. Brook Hunt forecast global zinc consumption to grow by 5% in 2012.

### Lead

Brook Hunt estimates that global refined lead consumption in 2011 was 9.93 million tonnes, up 5.4% from 2010 (9.32 million tonnes). At just over 380,000 tonnes combined inventory at the end of 2011, LME and SHFE lead stocks are at their highest levels since the mid-1990s, providing equivalent to approximately 14 days of world consumption. The LME lead price followed a similar pattern of volatility to zinc during 2011, with an average price in 2011 of USD 2,398 per tonne (12% higher than 2010). Refined lead consumption is forecast to grow by 5% in 2012 in contrast to total refined production which is only forecast to grow by 4.2% in the same period.

### Copper

It is estimated by Brook Hunt that global copper consumption, which includes direct use of scrap, increased by 3.5% in 2011. As mine production remained materially unchanged, it is likely that global copper inventories have decreased. Brook Hunt forecast that 2012 will be another year with a raw material deficit and that global copper consumption will increase by 3.7%.

### Gold & Silver

Precious metals prices have shown strong growth in 2011, supported by continuing uncertainties in certain areas of the global economy; particularly with concerns over sovereign debt in the Eurozone as well as continued low interest rates in the United States. During 2011, the gold price rose by approximately 28% to an average of USD 1,572/troy ounce whilst the silver price increased by 74% to an average price of USD 35.12/troy. Silver has exhibited significantly higher volatility than gold during the course of 2011 and due to its relatively higher industrial end user demand it has at times shown a greater correlation with base metals than gold.

### Sulphuric Acid

In 2011, prices achieved by Nyrstar on sales of sulphuric acid, which are predominately based on contracts rather than the spot market, continued to trend upwards to an average of approximately USD 85 per tonne from an average of approximately USD 35 per tonne in 2010. The sulphuric acid price, which strengthened throughout 2010 reflecting the overall improvement of the world economy, was buoyed in 2011 by increasing food prices.





# Investor Relations & Communications

We continue to improve and expand our existing assets in terms of scale of operations, creating value, and delivering profit to shareholders, while actively delivering on our upstream integration strategy.

In a volatile trading environment, particularly towards the end of the year where metal prices fell sharply, the Nyrstar share price declined by 37% in 2011. This compares to a 25% decline in the zinc price and a 21% decline in the BEL-20 Index over the same period. The average traded daily volume was approximately 993,660 shares in 2011 compared to 880,000 in 2010, an increase of 13%, representing increased interest and liquidity in Nyrstar shares. Reflecting the Board's confidence in the Company's financial strength and the medium to long-term prospects for the markets in which it operates, the Board have proposed to the shareholders a gross distribution of EUR 0.16 per share and to structure the distribution as a capital reduction.

## Share Capital

Nyrstar ordinary shares have been admitted to trading on NYSE Euronext® Brussels (symbol NYR BB) since 29 October 2007. As at 31 December 2011, the registered capital amounted to EUR 425,056,360 represented by 170,022,544 ordinary shares without nominal value.

## Rights Offering

In March 2011, Nyrstar issued 70,009,282 new shares as the result of the completion of a capital increase in the amount of EUR 490.1 million within the framework of a rights offering which was approved by the extraordinary general shareholders' meeting of 6 January 2011. During the rights subscription period 95% of the total number of 70,009,282 rights were exercised to subscribe for an equal number of new shares in Nyrstar. The remaining 5% of rights were converted into an equal number of scrips and sold by the underwriters of that offering through an accelerated book building procedure with institutional investors.

## Convertible Bonds

As at 31 December 2011, the Company had on issue EUR 120 million of senior unsecured convertible bonds, due 2014. The bonds were issued in July 2009 at 100 per cent of their principal amount (EUR 50,000 per bond) and have a coupon of 7% per annum. The conversion price is currently EUR 6.17 per share. There are currently EUR 119.9 million of senior unsecured convertible bonds outstanding and if all of the bonds were to be converted into new ordinary shares at the above conversion price approximately 19,432,739 new ordinary shares would be issued. The bonds are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market.



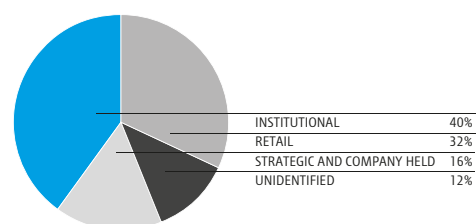
## Shareholder Structure

Pursuant to applicable Belgian legislation on the disclosure of significant shareholdings and the Company's articles of association, any person who acquires at least 3% of the total existing voting rights of the Company must notify both the Company and the Belgian Financial Services and Markets Authority (the FSMA, which is the successor to the Banking, Finance and Insurance Commission (the CBFA) since April 1, 2011). A notification is also required when a person acquires at least 5%, 7.5%, 10%, 15%, 20% or any further multiple of 5% of the total existing voting rights of the Company, or when, due to disposals of securities, the number of voting rights falls below one of these thresholds. A list as well as a copy of such notifications can be obtained from the Company's website ([www.nyrstar.com](http://www.nyrstar.com)). As at 31 December 2011, on the basis of the notifications received by the Company, the major shareholders of the Company (i.e. holding more than 3% of the total voting rights) were:

	SHARE %
Glencore Holdings AG	7.79%
Blackrock Group	7.45%
Nyrstar NV	5.53%
Umicore NV	3.09%
Norges Bank	3.04%

## Shareholder profile

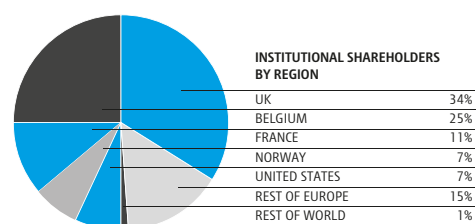
Nyrstar's shareholder base primarily consists of institutional investors in the UK, Belgium, France, the US and other European countries, as well as Belgian retail investors.



SOURCE: THOMSON REUTERS SHAREHOLDER IDENTIFICATION REPORT  
COMMISSIONED BY NYRSTAR IN OCTOBER 2011

Belgian retail shareholders represent approximately 32% of the Nyrstar shareholder base.

Of institutional shareholders, the primary regions are the UK (34%), Belgium (25%) and France (11%).



SOURCE: THOMSON REUTERS SHAREHOLDER IDENTIFICATION REPORT  
COMMISSIONED BY NYRSTAR IN OCTOBER 2011

The majority of institutional investors are long-term growth investors.



## Dividend Policy

The Board reviewed the Company's dividend policy in 2009 and concluded that in light of the revised Company strategy a dividend policy defining a fixed pay-out ratio was no longer appropriate. The Company's revised dividend policy aims to maximize total shareholder return through a combination of share price appreciation and dividends, whilst maintaining adequate cash flows for growth and the successful execution of the Company's strategy.

## Disclosure Policy

As a Belgian listed company and with a view to ensuring investors in Nyrstar shares have available all information necessary to ensure the transparency, integrity and good functioning of the market, Nyrstar has established an information disclosure policy.

This policy is aimed at ensuring that inside information of which Nyrstar is aware is immediately disclosed to the public. In addition, the policy is aimed at ensuring information that is disclosed is fair, precise and sincere, and will enable the holders of shares in Nyrstar and the public to assess the influence of the information on Nyrstar's position, business and results.

## Presentations to Investors, Analysts and Media

Nyrstar's reputation is greatly influenced by its ability to communicate in a consistent and professional manner with all our stakeholders.

A core Nyrstar value is to be open and honest and accordingly we strive to provide clear, open and transparent communications to all our stakeholders.

Nyrstar regularly organizes presentations to investors, analysts and the media to provide strategic, operational and financial updates and build strong relationships.

To provide financial analysts, investors and media with a greater insight into our business we organised or participated at several events during the year.

To engage with its institutional shareholders Nyrstar presented the Company at events organised BMO Capital Markets, Exane BNP Paribas, Bank of America Merrill Lynch, KBC Securities, ABN Amro, ING, Petercam, Credit Suisse, HSBC, Macquarie, Goldman Sachs, Deutsche Bank, Credit Suisse, Royal Bank of Scotland (RBS), Liberum, and Royal Bank of Canada (RBC). In addition Nyrstar also participated in numerous investor roadshows in North America, Europe and Australia.

In November 2011 financial analysts visited the Nyrstar Tennessee Mines and Clarksville smelter.



### KEY SHARE FACTS

For the year ended 31 December

	2011	2010
Number of issued ordinary shares	170,022,544	100,000,000
Number of treasury shares	9,413,138	3,631,558
Market capitalisation (as at 31/12)	EUR 1,037,137,518	EUR 936,259,200
Underlying Earnings per Share (12 months to 31/12)	EUR 0.38	EUR 0.85
Gross Dividend Distribution (proposed)	EUR 0.16	EUR 0.15
Share price (closing price as at 31/12)	EUR 6.10	EUR 9.36
Year high (intra-day)	EUR 10.62 (13/01/11)	EUR 9.89 (14/04/10)
Year low (intra-day)	EUR 5.51 (23/11/11 and 25/11/11)	EUR 5.76 (21/05/10)
Average volume traded shares per day (12 months to 31/12)	993,666	880,000
Free float (as at 31/12)	85%	90%
Free float Velocity (full year)	168%	222%

SOURCE: EURONEXT

\* THE COMPARATIVE MARKET CAPITALISATION, UNDERLYING EPS AND SHARE PRICE DATA FOR FY 2010 HAVE BEEN RESTATED TO RETROACTIVELY REFLECT THE IMPACT OF THE MARCH 2011 RIGHTS ISSUE

### THE FOLLOWING BROKERAGES PUBLISH RESEARCH ON NYRSTAR

ABN Amro	Exane BNP Paribas	Macquarie
Bank De Groof	Goldman Sachs	Morgan Stanley
Bank of America -	HSBC	Petercam
Merrill Lynch	ING	Rabobank
Citi	KBC Securities	RBC
Deutsche Bank	Liberum Capital	RBS

## Information

Please visit the [www.nyrstar.com](http://www.nyrstar.com) website for more information about the Company.

Under the investors section you will find all the latest financial information including reports and presentations, investor materials and share price and commodity price information.





7 Nyrstar Way elements guide  
over 7000 Nyrstar employees



**Russell Murphy**  
Chief Human  
Resources Officer

# Living the Nyrstar Way

“Our unique culture defines the way we work and sets us apart from our competitors. Our employees believe in the company's future and they share a set of common values – known as the Nyrstar Way. At Nyrstar, we strive for world class safety and environment performance at each of our operations and our unrelenting commitment to the health and safety of our employees, contractors and communities is the foundation for everything we do.”

In order to deliver upon our Nyrstar2020 strategy, we need the best people working for us. Our recruitment, reward, talent management, and leadership development programs are designed to ensure we get the very best out of our employees and that we provide a challenging and rewarding environment to work within.”

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# Living The Nyrstar Way

With a productive and engaged workforce aligned with The Nyrstar Way we build a culture of excellence.

It embodies the way we work together throughout Nyrstar and the way we interact with all our stakeholders.



## Prevent harm

Proactively manage risks related to our people, the environment, our strategy, our financials, and our assets



## Use innovative and creative thinking

Find ways to improve existing processes or discover completely new ways of working



## Take bold decisions

Take calculated bold decisions in the face of uncertainty with confidence



## Keep our word

Deliver on our commitments therefore building trust and productivity



## Be open and honest

Share one's point of view creating a productive environment by ensuring ideas and concerns are aired



## Be driven

Exhibit a high level of drive and perseverance and deliver superior performance



## Create value

Search for ways to improve our profitability and identify growth opportunities





# People

## NYRSTAR EMPLOYEES

### Total

2009	3,290
2010	4,871
2011	7,042

### BY BUSINESS SEGMENT

#### Mining

2009	471
2010	1,983
2011	4,093

#### Smelting

2009	2,657
2010	2,689
2011	2,757

#### Corporate

2009	162
2010	199
2011	192

### BY REGION

#### Europe

2009	1,452
2010	1,444
2011	1,439

#### Australia

2009	1,123
2010	1,187
2011	1,235

#### Americas

2009	715
2010	2,240
2011	4,368

In today's competitive environment, Nyrstar's long-term sustainability depends on recruiting, training, developing and retaining a talented, dedicated and motivated workforce.

The workforce at Nyrstar is comprised of 7,042 employees with 20% of Nyrstar's total personnel employed in Europe, 62% in the Americas and 18% in Australia.





## Employees

As Nyrstar continues to execute its strategy, the workforce is growing and diversifying. At year end 2011 the workforce was comprised of 7,042 employees an increase of 45% from 2010 mainly due to the acquisition of the Campo Morado, El Mochito, El Toqui, Langlois, and Myra Falls mines. Given the growth in the mining side of our business, the primary focus in 2011 has been on integration of newly acquired operations, and implementation of Nyrstar's People programs and processes within these new mining operations, and this will continue to be the focus in 2012.

## People Programs

In 2010 we developed our Nyrstar 2020 vision and strategic framework and launched the Nyrstar Way, which includes the seven elements that define the way we work at Nyrstar. During 2011 we developed an underpinning strategy for the next 5 years and defined strategic priorities and projects to deliver our transformation in line with the Nyrstar 2020 vision. Living the Nyrstar Way is directly linked to our individual performance management and reward process.

We strongly believe that leaders lead by example and as a result of this view, the Nyrstar Management Committee and senior management within Nyrstar continues to upgrade its leadership effectiveness by participating in an ongoing development program. As leaders they must lead the Nyrstar Way.

## Nyrstar Leadership Program

Our Leadership program focuses on the development of core people management skills and a common leadership approach across the business. Specifically, it gives individuals who formally lead or have to influence others an understanding of the role and expectations of a leader and to provide them with core people management skills in order to effectively carry out their role. This program is conducted at each of our sites in local languages.

## Safety Leadership

In line with our emphasis on safety and our commitment to zero harm, we conduct a number of behavioural safety programs for operating and supervisory employees. These include programs with an emphasis on the importance of personal leadership in safety. The programs build fundamental skills and awareness in safety and environmental impact, hazard identification and risk assessment, and promotion of a safety-oriented culture and mindset

## Graduate Development Program

The Graduate Development Program is a key component of our overall talent attraction and development strategy and helps us to ensure that Nyrstar is an employer of choice for young professionals. During the two-year program, a Graduate will work at a minimum of two of our operations. The Program is structured to provide a depth and breadth of technical experience and also to enhance interpersonal and leadership skills and personal development. The program has been operating since 2008 in the smelters, and 2012 will see the program being adapted to the mines.

## Organisational Health Index

In December 2010 we initiated annual 'Organizational Health Index' surveys to assess culture and other organizational characteristics that we need to build a distinctively high performing organization. To evaluate progress made in 2011, a second OHI survey was conducted in the latter part of the year. The OHI survey showed improvements with most areas falling into the top two quartiles and some even outperforming top quartile benchmarks. The weaker areas, though they already showed improvement in 2011, will become focus points for 2012.

# Nyrstar Excellence Awards



nyrstar

## Nyrstar Excellence Awards Winner 2010

**Congratulations**

**Restart of Production at Balen/Overpelt**

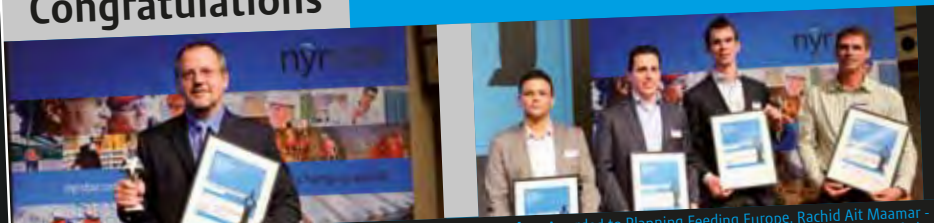
**Outstanding Achievement:** Awarded to Restart of Production at Balen/Overpelt. Employees of Balen/Overpelt.



nyrstar

## Nyrstar Excellence Awards Winners 2010

**Congratulations**



**Be driven:** Awarded to Coricancha Nyrstar Peruvian Operations. Emergency Crisis Management team and Employees of Coricancha Nyrstar Peruvian Operations.

**Create value:** Awarded to Planning Feeding Europe, Rachid Ait Maamar - Auby, Niels Lambrechts - Balen, Arno Schrijvers - Budel, Adil Erraha - Auby, Ivo La Pourtré - Zürich.



**Keep our word:** Awarded to Tennessee Mines Start-up Employees of Nyrstar Tennessee Mines.

**Innovative and creative thinking:** Awarded to CM2 Mould Redesign-Hobart. James Rose.



**Prevent harm:** Awarded to Invention and Development of BUMB for burns. The Medical Department of Nyrstar Balen / Overpelt and Budel sites, Marc De Groof-Company Doctor, Nicole Curinckx-Company Nurse, Dirk Gielen-Company Nurse and Paul Mentens-Company Nurse.

**Outstanding Achievement:** Awarded to Restart of Production at Balen/Overpelt. Employees of Balen / Overpelt.



The Nyrstar Excellence Awards were launched in 2010 to promote and reward a culture of excellence within our business.

Each year, Nyrstar presents awards to acknowledge exceptional performance and achievement of individuals or teams from each of our operating sites.

It is from the seven elements within the Nyrstar Way that the Excellence Awards takes its framework and recognition criterion.





Safety is a core value of Nyrstar. Nyrstar's health and safety policies and standards provide a clear statement of its commitment and goals for health and safety management. Nyrstar publicly reports its health and safety performance annually in its Nyrstar Sustainability Report.

# Safety & Health

Nyrstar has core policies and procedures to support a consistent approach to safety and a culture of looking after each other and keeping each other safe. Nyrstar's Safety and Health Policy is underpinned by a set of Management Standards that cover all aspects of health and safety. For each Management Standard, a set of expectations and requirements has been specified.

The requirements under each expectation define the level of safety management Nyrstar would anticipate to deliver above average industry performance. Ongoing implementation of the requirements specified in the standards is planned to deliver Nyrstar's goal of world class safety performance by 2012 (at its original operations) as compared to Nyrstar's peers. New acquisitions are expected to reach this goal within 5 years from joining the company.

The most significant safety risks at Nyrstar's smelter sites relate to exposure to the hazards inherent in Nyrstar's operations such as: molten materials; dusts and fumes containing metals such as lead, cadmium, mercury, and arsenic; acidic liquids; working at height; electricity; materials handling; moving machinery and vehicles; and the manual nature of many of Nyrstar's tasks. At Nyrstar's mining assets, the most significant risks are related to exposure to dust and diesel particulates; underground evacuation; fire; inundations; ground instability or rock falls; use of explosives and hoisting activities.

Nyrstar's key strategies for reducing the potential for workplace injury or illness, and therefore the key areas where Nyrstar has opportunities to further improve are:

- systematic identification of hazards, risks and appropriate controls with a focus on critical risk;
- standard best practice management systems, practices and procedures;
- a safe work culture where all individuals take responsibility for their own actions and also ensure that their colleagues are working safely; and
- strong and consistent safety leadership at frontline supervisor level.

The recordable injury rate (RIR), defined as the twelve month rolling average of the number of injuries requiring medical treatment beyond first aid per million hours worked, including all employees and contractors across all operations, is the main indicator used by Nyrstar to measure its safety performance. At the company's smelting operations, the RIR decreased by 12.5%, down from 10.3 in 2010 to 9.0 in 2011. Meanwhile the mining operations' RIR remained virtually constant at 17.0 compared to 16.3 in 2010 (a 4% increase), despite the acquisition of several new sites many of which operate in more challenging environments.

However, as the relative importance of mining has increased over the past year, this has resulted in a slight increase in Nyrstar's overall RIR from 12.4 in 2010 to 13.1 in 2011.

Progress made across the sites was due to a number of factors: continued management focus on safety; the introduction of groupwide initiatives such as Nyrstar's behavioral safety programs, the safety first standard and the audit program; and ongoing safety improvement efforts at the operational level.

Another important measure of the company's safety performance is the number of "critical incidents", that is, incidents that did result, or could reasonably have resulted in a fatality or permanent serious disability.

By setting clear expectations and encouraging sites to report this type of incident, Nyrstar aims to increase awareness of critical risks to its people and to its business. During 2011, 42 critical incidents were reported, as compared to 17 in 2010. This increase results from an increase in hours worked and from an improved awareness and reporting. At the same time it reflects the evolving risk profile as the company expands its mining operations. Both the reporting and prevention of such incidents will remain one of Nyrstar's main priorities going forward.

In addition to continuing to track recordable injuries and critical incidents, Nyrstar has also developed a set of proactive safety performance indicators in line with Nyrstar's goal of preventing harm. Roll-out of these indicators started in 2011 and will be completed in 2011; they will subsequently be used to set proactive targets to further improve the company's safety performance.

Tragically, despite Nyrstar's strong focus on safety, two employees were fatally injured in 2011 at the Coricancha mine. In order to address any safety issues across its mining operations, the company has undertaken a full underground safety & health audit of all of its mines and is currently piloting several safety initiatives including enhanced safety leadership training, risk management programs and cultural change initiatives.





## Nyrstar Sustainability Report 2011

The sustainability of our operations will be a result of our ability to provide economic benefits to our shareholders, our customers and the communities in which we operate; while not harming our people, our neighbours or the environment.

We contribute to sustainable development by extracting metals and other valuable by-products from natural raw materials to meet society's needs.

We also increasingly contribute to the recycling of metals, particularly zinc and lead, from secondary sources.

Our sustainability progress and performance is reported publicly on the Nyrstar website, with our annual Sustainability Reports available for download at:

[www.nyrstar.com/sustainability](http://www.nyrstar.com/sustainability)



# Environment

Nyrstar is committed to continual improvement in its environmental performance. Nyrstar's aim is to minimize the environmental impact of both its production processes and its products. Nyrstar will conduct its operations in compliance with all relevant environmental regulations, licenses and legislation.

Nyrstar intends to apply similar standards to all its assets wherever they are located, with the aim of minimizing any harm to people and the environment. Nyrstar identifies, monitors and manages environmental risks arising from its operations.

All wholly owned smelters have formal site environmental management systems externally certified to ISO14001 to ensure appropriate focus and integration of environmental issues in its business.

All Nyrstar owned mines are required to develop an implementation plan for ISO14001 certification during the coming year, with the objective of achieving certification before the end of 2014. Nyrstar has a Corporate Environmental Assurance program to support group governance and risk management processes and ensure that all material environmental issues are regularly reviewed and conformance with group environmental standards and requirements assessed.

The key environmental issues for Nyrstar's smelting and mining sites reflect, in general, the length of time activities have been undertaken at the site and ongoing changes in regulatory standards. At smelters, these issues relate essentially to the remediation of historical soil and groundwater contamination, by-product and waste management, upgrade of pollution control equipment for air and water emissions and upgrade of facilities to reduce fugitive emissions to air and reduce future soil contamination. At mines, issues relate to the management of water, tailings and waste from current mining activities and the management of areas of historical disturbance.

Our environmental improvement programs are generally site specific, as the most significant risks at each site differ, depending on the site history and location, physical and regulatory environment, and the level of past investment in environmental protection measures. All sites have risk based environmental improvement initiatives relating to reducing emissions and waste; and improving the efficiency of use of natural resources and energy.

Nyrstar has a Corporate Environmental Assurance program to support group governance and risk management processes and ensure that all material environmental issues are regularly reviewed and conformance with group environmental standards

and requirements are assessed. An element of the program is a review of significant environmental risk issues and their potential costs over the medium term. This review of all wholly owned Nyrstar sites is carried out on a routine basis, in conjunction with a third party environmental consultant routinely at mines, and every three years at smelters. The last review was conducted in November 2011, in which no new material issues were identified for smelters from an internal review process and baseline closure costs were verified for mines during an external review process.

The results of the review are used for internal planning purposes and are also used to inform an internal process for the annual environmental provisions review. Where required or otherwise appropriate, environmental provisions are held for restoration of existing contamination and disturbance. Nyrstar's auditors review environmental provisions annually to ensure levels are maintained in accordance with applicable accounting principles.



# Environmental Compliance

There were 24 minor recordable environmental incidents in 2011, three less than in 2010, although the 2011 total also includes the additional mining assets. There were no incidents with significant off-site environmental impacts, or for which regulatory action was taken in response to the incident.

Progress on planned environmental projects to reduce emissions, remediate previously disturbed areas or historical contamination

## Auby (France):

Continued works for final capping of two closed process residue landfills, which is due for completion in the coming year.

## Balen / Overpelt (Belgium):

Completed installation of infrastructure for the groundwater remediation project at Overpelt. Continued discussions with the Regulatory Authorities on the groundwater remediation project at Balen. Completed planning requirements for the second and final phase of community soil remediation projects, which will be completed in 2012. Completed a heat recovery project at Balen as part of energy efficiency initiatives.

## Budel (Netherlands):

Formally submitted the finalised Aftercare Plan for the historical ponds area, which will allow the handover of the responsibility for this area to the Provincial Authorities in 2013 but retain site responsibility for contaminated groundwater treatment until 2025. Completed the wastewater treatment plant upgrade to improve plant performance and stability.

## Clarksville (US):

Continued recovery and sale of leach by-products stored in on-site impoundments.

## Coricancha (Peru):

Continued relocation of tailings from the existing location up-gradient of the process plant to the Chinchao facility remote from the plant as part of actions agreed after land instability issues in 2007

## Hobart (Australia):

Continued a multi-year program of works for sealing of the cell house basement to prevent future groundwater contamination in this area, continued with treatment and disposal of historical waste stockpiles.

## Myra Falls (Canada):

Continued tailings storage facility (TSF) seismic upgrade works which will be completed in 2012. Developed a formal TSF closure plan as this facility has recently reached capacity. The TSF closure plan will be submitted for regulatory approval in early 2012 which will define required works and timing.

## Port Pirie (Australia):

Continued the "ten for them" campaign at Port Pirie Smelter in Australia, where the majority of Nyrstar's lead is produced, with the goal of reducing blood lead levels of the city's children between 0 to 4 years of age to under 10 micrograms per deciliter in line with World Health Organization Standards. Work to reduce emissions from the Port Pirie smelter is on-going and community initiatives to support exposure reduction through nutritional programs, personal hygiene, dust suppression and greening continue. At the end of 2011, 77.5 percent of children tested had a blood lead level below 10 micrograms per deciliter, compared to 49.6 percent in 2005 before the campaign started and 72.3 percent at the end of 2010 (South Australia Department of Health data, measured as 5 year moving cohort.)

## Progress on other significant environmentally relevant issues

Actions being taken in response to climate change is a key strategic issue for Nyrstar. Zinc and lead smelting is energy intensive and addressing the issue of energy efficiency and greenhouse gas emissions is imperative to the sustainability of our business. We measure our performance and have formal processes in place to assess ways in which we can reduce our carbon footprint. Regions in which Nyrstar operates, in particular the EU and Australia, are introducing or expanding carbon trading schemes which will impact on Nyrstar's operations from mid 2012 onwards, particularly in terms of smelter energy costs. Nyrstar's smelters in both the EU and Australia have been formally recognised as Energy Intensive Trade Exposed Industries, and will therefore qualify for some level of transitional assistance until a more level playing field is established with respect to global carbon pricing. The impact of the Australian scheme on Hobart and Port Pirie smelters will be limited in the coming year due to transitional assistance; the impact of the EU scheme post-2012 on Budel, Balen and Auby is yet to be exactly determined in terms of electricity prices, however free allocations have been confirmed for direct emissions under the third trading period.

Nyrstar continues to conduct its work program to ensure compliance with EU REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) legislation. Registration for relevant Nyrstar products and intermediates were completed as required in 2010 and work is ongoing for registration of relevant smaller volume products and intermediates in 2013.





# Our Corporate Social Responsibility

## Contributing to a better world

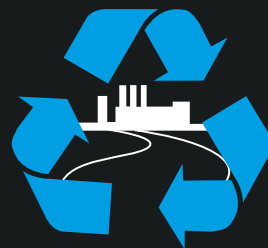
The Nyrstar CSR framework is a positive affirmation of the Nyrstar Way and is a demonstration we are determined to deliver on our promises to minimise harm, maximise benefits and be accountable and responsive to our key stakeholders.

Our business depends on a culture of growth, innovation and sustainability.

The Nyrstar CSR program is driven by Nyrstar's desire to improve the environments and communities in which it operates. CSR forms a strategic part of the way we do business.

Within the fabric of The Nyrstar Way – it is demonstrated when we deliver on our promises by minimising harm, maximizing benefits, and when we are accountable and responsive to our stakeholders.

In 2010 we commenced development of a formal CSR framework for Nyrstar, to more clearly outline how we will work with our stakeholders for mutual benefit as our company continues to grow in size and geographical spread. The development of our CSR framework in 2011 now offers additional opportunities to balance and integrate people, profit and planet. It is an important component of our sustainability, excellence and innovation endeavours.





Living the Nyrstar Way defines and guides our approach to engaging with our stakeholders. We commit to preventing harm, being open and honest, keeping our word and creating value.

Key initiatives in 2011 included the launch of the Nyrstar Foundation as part of our Corporate Social Responsibility (CSR) framework. We developed a formal communications plan to better inform and engage with our internal and external stakeholders and completed our stakeholder identification and engagement plans for all sites. We rolled out the customer feedback module of our group wide risk information management system and developed a group wide supplier qualification standard and conducted Group Contracting Procedure training at all sites.

Our aim is to be a welcome and valued part of the communities in which we participate. We will do this by: engaging with our external stakeholders to understand and respond to their expectations; building goodwill and quality long term relationships that are important to our business; and respecting fundamental human rights and not participating in business activities that abuse human rights.

As part of implementing the Nyrstar strategy and living the Nyrstar Way, we are broadening our external stakeholder engagement and feedback mechanisms. To date our feedback from community, regulators, customers and suppliers has been limited; by seeking more direct feedback we will be able to validate the key external stakeholder risks and opportunities.



# Local Communities

Nyrstar recognizes the importance of having healthy and sustainable communities around our operating sites. Each site has a program focused on strengthening community relations at a local level. We have a Nyrstar Group Standard that outlines our approach to external partnerships, sponsorships and donations and guides our actions in building goodwill with key stakeholders in a way that supports our business objectives. Our guidelines state that we will not support activities that do not reflect the Nyrstar Way and we will not support political parties or campaigns.

Local community support activities 2011 reflect our CSR approach of improving conditions relating to health, education, social welfare and the environment. During 2011 these included financial and in-kind support for local community initiatives such as children's health, educational opportunities, cultural and sporting events. Nyrstar also facilitated site visits by community and school groups as part of overall minerals industry awareness and education.

During the year we developed a more structured approach to community engagement at all our sites. A position has been established at all sites with responsibility for communications and stakeholder relations. A Nyrstar Communications and Stakeholder Relations Network was formed to implement the group communications plan and to promote sharing of good practice. All sites undertook a stakeholder mapping process and developed stakeholder engagement plans relevant to local situations and issues. Our consultation processes vary between sites and issues as appropriate, but include formal meetings and consultation committees, newsletters, site open days, issuesbased public meetings and mail outs, and individual contacts.

The most significant issues where we have worked closely with our local communities and local regulators over the past year include:

- Nyrstar's commitment to responsible mining in order to develop a positive image for our mining assets with regulators, communities and potential employees;
- the Seveso Directive hazard communication requirements for the Auby site;
- the second and final phase of community soil remediation works around the Balen and Overpelt sites;
- the significant smelter sustainability risks posed by increasing energy costs and energy taxes at Balen, Budel, Hobart and Port Pirie; and
- the development of an industrial park on land adjacent to the Budel site



Now that's  
a great idea!

**nyrstar foundation**  
Contributing to a better world.

Every year the Nyrstar Foundation awards a grant of €25,000 to an individual, company or organisation in Belgium that has a creative, innovative or breakthrough idea that could make a real difference in the fields of education, the environment, health or social welfare. An idea that could improve everyone's quality of life, and make the world a better place.

To Apply, please visit:  
**nyrstar foundation .org**

Now that's  
a great idea!

(And it's great that  
you can be a part of it.)

The Nyrstar Foundation supports and rewards creative, innovative and breakthrough initiatives that will help to make the world a better place.

Every year we award a grant of €25,000 to an individual, company or organisation in Belgium that has a creative, innovative or breakthrough idea that could make a real difference in the fields of education, the environment, health or social welfare. We're looking for ideas that will improve everyone's quality of life.

Apply now @  
**www.nyrstarfoundation.org**

**nyrstar foundation**  
Contributing to a better world.

# Nyrstar Foundation

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Follow us on...

## **nyrstar foundation**

In 2011 we continued to develop our Corporate Social Responsibility (CSR) program to deliver on our promises to minimise harm, maximise benefit and be accountable to our key stakeholders. We launched the Nyrstar Foundation as the primary focus for Corporate level CSR activity, providing an opportunity for Nyrstar to contribute to broader sustainability issues via an annual 'social idea' competition in Belgium. The first round of ideas will be assessed in early 2012, with the winner receiving a grant of EUR 25,000 as well as coaching support for 12 months to transform the idea in to a sound business plan.



# CSR Programs

There are a number of targeted programs in which Nyrstar participates as part of our CSR approach, including:

- the Port Pirie 'Ten for Them' program. Nyrstar is working together with the local community, local government, health and education professionals to reduce children's blood lead levels in the local community.



**Ten for them**

*For the future we all want.*

- the 'Right to Play' initiative, which Nyrstar supports in Peru. 'Right to Play' is a global initiative aimed at improving the lives of children by using sport and play for development, health and peace. The program focuses on early-childhood education programs, but also tackles the low literacy and numeracy levels observed in elementary and secondary schools.

**RIGHT  
TOPLAY**

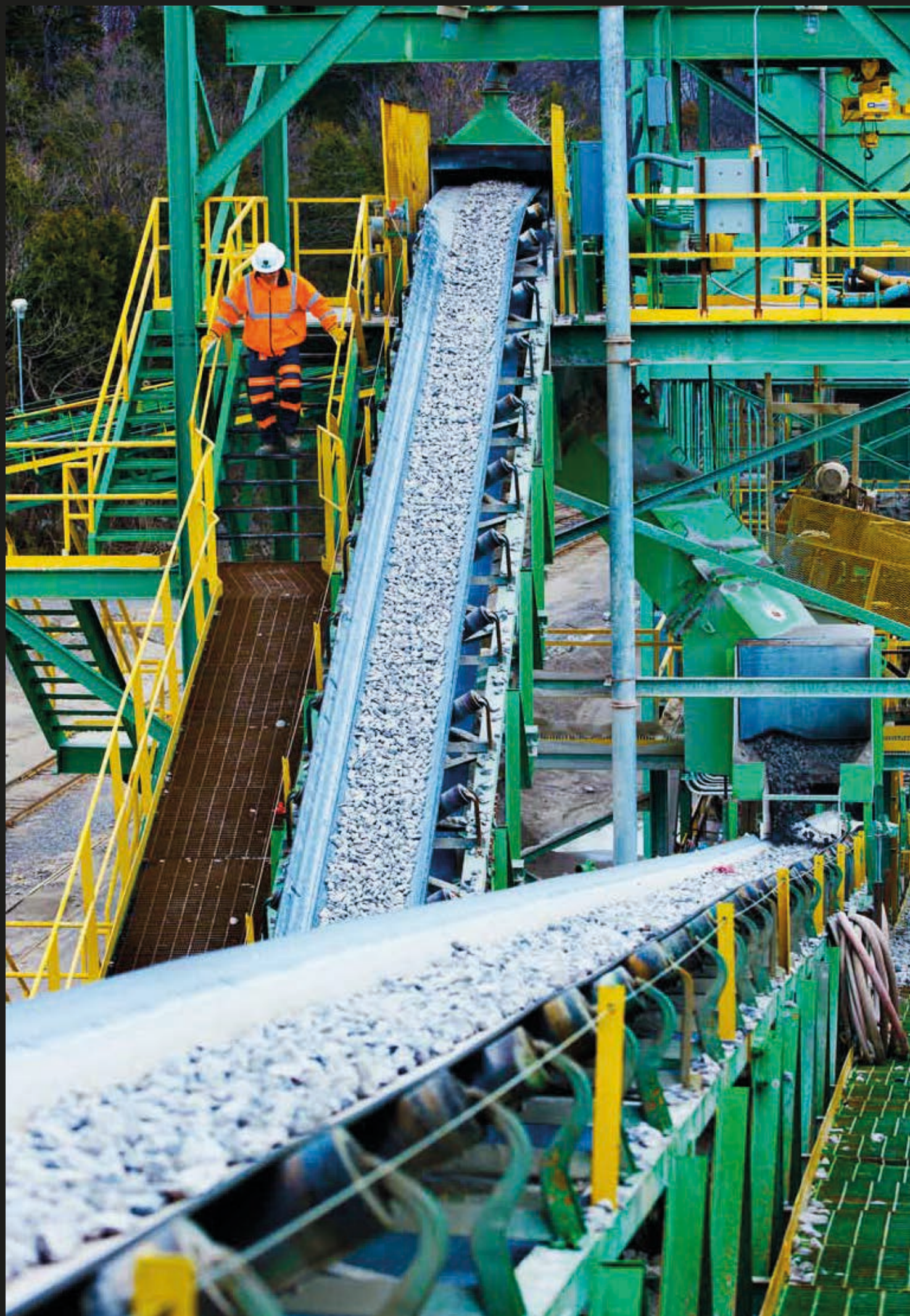
**ZincSavesKids**

- 'Zinc Saves Kids', an International Zinc Association (IZA) initiative in support of UNICEF. Zinc Saves Kids ([www.zincsavekids.org](http://www.zincsavekids.org)) is an initiative to improve the survival, growth and development of undernourished children by funding UNICEF-supported zinc supplementation programs around the world.



- 'The El Mochito mine is a founding partner of IPC (Polytechnic Institute of Central America), a leading technical training institution based in San Pedro Sula, Honduras. IPC has helped to transform the lives of many young Hondurans and has created many job opportunities for its graduates.







# Corporate Governance Statement

Nyrstar NV (the 'Company') has prepared this Corporate Governance Statement in accordance with the Belgian Code on Corporate Governance of 12 March 2009. This Corporate Governance Statement is included in the Company's report of board of directors on the statutory accounts for the financial year ended on 31 December 2011 dated 22 february 2012 in accordance with article 96 of the Belgian Company Code.

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## Corporate governance charter

The Company has adopted a corporate governance charter in line with the Belgian Code on Corporate Governance of 12 March 2009. The Company applies the nine corporate governance principles contained in the Belgian Code on Corporate Governance. The Company complies with the provisions set forth in the Belgian Code on Corporate Governance.

The corporate governance charter describes the main aspects of the corporate governance of the Company including its governance structure, the terms of reference of the board of directors and its committees and other important topics.

The corporate governance charter is available, together with the articles of association, on the Company's website, within the section about Nyrstar ([http://www.nyrstar.com/about/Documents/Nyrstar\\_Corporate\\_Governance\\_Charter](http://www.nyrstar.com/about/Documents/Nyrstar_Corporate_Governance_Charter)). The board of directors approved the initial charter on 5 October 2007. There were updated versions approved on 18 March 2008, 11 December 2009 and on 24 February 2010, and the current version was approved by the board of directors on 26 July 2011.

What constitutes good corporate governance will evolve with the changing circumstances of a company and with the standards of corporate governance globally and must be tailored to meet those changing circumstances. The board of directors intends to update the corporate governance charter as often as required to reflect changes to the Company's corporate governance.

## Code of business conduct

While Nyrstar conducts its business within the framework of applicable professional standards, laws, regulations and internal policies, it also acknowledges that these standards, laws, regulations and policies do not govern all types of behaviour. As a result, Nyrstar has adopted a code of business conduct for all of Nyrstar's personnel and sites. The code of business conduct is based on the Nyrstar Way. The code also provides a frame of reference for Nyrstar sites to establish more specific guidelines to address local and territorial issues. Nyrstar also introduced a code of business conduct development program which supports the code of business conduct and aims to increase awareness in relation to some key danger areas to Nyrstar's business. The development program includes specially designed training modules for Nyrstar employees. The training modules are conducted by Nyrstar's compliance officer with the assistance of local expertise (where required). If employees have issues or concerns (for example, they are concerned that others are not complying with the letter and the spirit of the code of business conduct), they may raise the issue or concern with their supervisor or manager or Nyrstar's compliance officer. The code of business conduct is available on Nyrstar's website ([www.nyrstar.com](http://www.nyrstar.com)).

## CORPORATE GOVERNANCE STATEMENT

### Board of directors and management committee

#### Board of directors

The table below gives an overview of the current members of the Company's board of directors and their terms of office:

Name	Principal function within the Company	Nature of directorship	Start of Term	End of Term
Julien De Wilde <sup>(1)</sup>	Chairman	Non-Executive, Independent	2007	2014
Roland Junck	CEO, Director	Executive	2007 (2009 CEO)	2015
Peter Mansell	Director	Non-Executive, Independent	2007	2013
Karel Vinck	Director	Non-Executive, Independent	2007	2012
Ray Stewart	Director	Non-Executive, Independent	2007	2014
Oyvind Hushovd	Director	Non-Executive, Independent	2009	2013

(1) ACTING THROUGH DE WILDE J. MANAGEMENT BVBA

**De Wilde J. Management BVBA**, represented by Julien De Wilde, Chairman, was appointed chairman in August 2007. He is also chairman of Agfa-Gevaert NV and a director of several Belgian listed companies, amongst others Telenet Group Holding NV. He is also former chief executive officer of Bekaert NV, a Belgian metals company. Prior to Bekaert, he held senior positions at Alcatel, where he was a member of the executive committee, and at Texaco, where he was a member of the European management board. He is chairman of the nomination and remuneration committee and a member of the safety, health and environment committee. He obtained an engineering degree from the Catholic University of Leuven, Belgium.

**Roland Junck**, chief executive officer, was appointed chief executive officer in February 2009 after 16 months as a non-executive director on the Company's board of directors. He is also director of several European companies including Agfa-Gevaert NV. He was the former chief executive officer of Arcelor Mittal. Prior to this role he was a member of the group management board of Arcelor, Aceralia and Arbed. He graduated from the Federal Polytechnic in Zurich and has a Masters of Business Administration from Sacred Heart University of Luxembourg.

**Peter Mansell**, non-executive director, is a director of several Australian companies including BWP Management Ltd and Ampella Mining Ltd. He was the former chairman of Zinifex Ltd prior to its merger with Oxiana Ltd to form OZ Minerals Ltd. He was previously a corporate and resources partner of the Australian law firm Freehills. He also holds directorships at other unlisted companies in Australia. He is chairman of the safety, health and environment committee and a member of the nomination and remuneration committee. He holds a Bachelor of Commerce degree, a Bachelor of Law degree and a Higher Diploma Tax from the University of Witwatersrand.

**Karel Vinck**, non-executive director, is the chairman of BAM NV (Beheersmaatschappij Antwerpen Mobiel), ERTMS Coordinator at the European Commission and a director of Tessenderlo Group NV and the Koninklijke Muntshouwborg. He also chairs the Flemish Science Policy Council. Formerly the chief executive officer of Umicore NV and later chairman, he was also chief executive officer of Eternit NV, Bekaert NV and the Belgian Railways. He is a member of the audit and the nomination and remuneration committees. He holds a Master's degree in Electrical and Mechanical Engineering from the Catholic University of Leuven, Belgium and a Master of Business Administration from Cornell University, United States.

**Ray Stewart**, non-executive director, is chief financial and administration officer of Belgacom Group NV. Prior to Belgacom, he was chief financial officer of Matav. He has also held senior positions with Ameritech, including chief financial officer for Ameritech International. He is chairman of the audit committee and a member of the nomination and remuneration committee. He has a Business Undergraduate degree in Accounting from Indiana University, and a Masters of Business Administration in Finance from Indiana University.

## CORPORATE GOVERNANCE STATEMENT

**Oyvind Hushovd**, non-executive director, currently serves on the boards of Cameco Corporation, Inmet Mining Corporation, Ivanhoe Nickel and Platinum Ltd. Formerly chief executive officer of Gabriel Resources Ltd from 2003 to 2005 and, from 1996 to 2002, president and chief executive officer of Falconbridge Limited (and prior to that held a number of senior positions within that company). He is a member of the audit and the safety, health and environment committees. He received a Master of Economics and Business Administration degree from the Norwegian School of Business and a Master of Law degree from the University of Oslo.

The business address of each of the directors is for the purpose of their directors' mandate, Zinkstraat 1, 2490 Balen, Belgium.

### Management committee

As at 31 December 2011, the Company's management committee consists of five members (including the CEO), as further set forth hereinafter:

Name	Title
Roland Junck	Chief Executive Officer
Heinz Eigner	Chief Financial Officer
Greg McMillan	Chief Operating Officer
Russel Murphy	Chief HR & SHE Officer
Michael Morley	Chief Corporate and Development Officer

**Roland Junck** is the chief executive officer of the Company. See his biography above under "—Board of directors".

**Heinz Eigner**, chief financial officer, was appointed in August 2007. Prior to Nyrstar he was at Umicore where he joined in 2002 as vice-president business group controller, automotive catalysts, and became vice-president business group controller, zinc specialties, in 2006. From 1987 until 2002 he worked for Honeywell, where he occupied several positions in Germany, Switzerland and the United States of America. He holds a degree in Betriebswirtschaftslehre—University degree as Diplom- Kaufmann, Justus von Liebig Universität, Giessen, Germany.

**Greg McMillan**, chief operating officer, was appointed in August 2007. Before the creation of Nyrstar he was general manager of the Zinifex Century Mine and prior to this general manager at the Hobart smelter. Before Zinifex he held several management positions at Delta Group, Boral and Brambles Limited. He holds a Certificate of Production Engineering from the Sydney Institute of Technology, a Bachelor of Commerce from Griffith University and a Master of Business Administration from the Australian Graduate School of Management, University of NSW, Australia.

**Russell Murphy**, chief HR & SHE officer, was appointed in August 2007. Before the creation of Nyrstar he was at Zinifex since 1979, where he moved from mining operations to training and on to HR management. He was the group human resources manager, Australian operations, from 2002 and acting general manager human resources since 2006. He holds a Graduate Diploma in Business Management from Charles Sturt University, Australia.

**Michael Morley**, chief corporate and development officer, was appointed in August 2007. Prior to joining Nyrstar, he was general counsel of Smorgon Steel Group Ltd, and before that a senior associate in the corporate/mergers and acquisitions team of Clayton Utz. He has also held a number of positions with Coopers & Lybrand (now PricewaterhouseCoopers) and Fosters Brewing Group Limited. He holds a Bachelor of Economics and a Bachelor of Laws from Monash University (Melbourne, Australia) and a Master of Taxation Law from Melbourne University (Melbourne, Australia).

The business address of each of the members of the management committee is Tessinerplatz 7, 8002 Zurich, Switzerland.



## CORPORATE GOVERNANCE STATEMENT

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### General information on directors and management committee

Except as may be described below, no director or member of the management committee has:

- (a) any convictions in relation to fraudulent offences or any offences involving dishonesty;
- (b) except in the case of compulsory liquidations, at any time in the previous five years, been associated with any bankruptcy, receivership or liquidation of any entity in which such person acted in the capacity of a member of an administrative, management or supervisory body or senior manager nor:
  - been declared bankrupt or has entered into an individual voluntary arrangement to surrender his or her estate;
  - been a director with an executive function of any company at the time of, or within twelve months preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
  - been a partner in a partnership at a time of, or within twelve months preceding, any compulsory liquidation, administration or voluntary arrangement of such partnership;
  - been a partner in a partnership at the time of, or within twelve months preceding, a receivership of any assets of such partnership; or
  - had any of his or her assets subject to receivership; or
  - received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an Company or from acting in the management or conduct of the affairs of any Company.

However, Karel Vinck, in his capacity as former chief executive officer of Eternit, Italy (unrelated to Nyrstar), was convicted in 2005 by a Sicilian court in connection with asbestos exposure of certain of Eternit's employees between 1973 and 1975. This conviction was overturned by the Catania (Sicily) Court of Appeals in 2009 and Mr. Vinck was acquitted in 2010.

Peter Mansell was a non-executive director of Great Southern Limited from 2005 until 2009 when the company was placed into voluntary receivership and subsequently went into liquidation.

## CORPORATE GOVERNANCE STATEMENT

### Other mandates

Other than set out in the table below, no director or member of the management committee has, at any time in the previous five years, been a member of the administrative, management or supervisory bodies or partner of any companies or partnerships. Over the five years preceding the date of this report, the directors and members of the management committee hold or have held in addition to their function within Nyrstar, the following main directorships or memberships of administrative, management or supervisory bodies and/or partnerships:

Name	Current	Past
Julien De Wilde <sup>(1)</sup>	Agfa-Gevaert NV KBC Bank NV Telenet NV Arseus NV	Bekaert NV Metris NV Van Breda International NV CTO
Peter Mansell	BWP Management Ltd Cancer Research Fund Pty Ltd Ferngrove Vineyards Ltd Ampella Mining Ltd Hanlong Mining Investments Pty Ltd Foodbank Australia Ltd Foodbank of Western Australia Inc	Hardman Resources Ltd Tethyan Copper Company Ltd The Hoyts Corporation Pty Ltd Western Power Corporation Electricity Networks Corporation Great Southern Ltd ThinkSmart Ltd West Australian Newspapers Ltd Zinifex Ltd OZ Minerals Ltd Rentsmart Pty Ltd
Karel Vinck	Beheersmaatschappij Antwerpen Mobiel Tessenderlo Group Koninklijke Muntshouwborg ERTMS coordinator at the European Commission	Eurostar Suez-Tractebel Umicore Vlaamse Raad voor Wetenschapsbeleid
Ray Stewart	The United Fund for Belgium Belgacom	
Oyvind Hushovd	Cameco Corporation Inmet Mining Corporation Ivanhoe Nickel and Platinum Ltd Libra Group Sørminering Røo-Invest	LionOre Western Oil Sands Nickel Mountain AB
Roland Junck	Agfa-Gevaert NV Interseroh SE Samhwa Steel SA	Arcelor China Holding S.à r.l. Arcelor Mittal Aceralia Arbed Talvivaara Mining Company plc
Heinz Eigner	N/A	N/A
Greg McMillan	N/A	Lawn Hill Riversleigh Pastoral Holding Company Pty Ltd Queensland Resources Council Ltd Tasmanian Minerals Council Ltd Tasmanian Chamber of Commerce & Industry Ltd Sales Punch Pty Ltd Integer Pty Ltd
Russel Murphy	N/A	N/A
Michael Morley	N/A	N/A

(1) ACTING THROUGH DE WILDE J. MANAGEMENT BVBA

## CORPORATE GOVERNANCE STATEMENT

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### Role of Board of directors

The role of the board of directors is to pursue the long-term success of the Company by providing entrepreneurial leadership and enabling risks to be assessed and managed.

The Company has opted for a "one-tier" governance structure whereby the board of directors is the ultimate decision-making body, with the overall responsibility for the management and control of the Company, and is authorized to carry out all actions that are considered necessary or useful to achieve the Company's vision. The board of directors has all powers except those reserved to the shareholders' meeting by law or the Company's articles of association.

The board of directors is assisted by a number of committees to analyze specific issues. The committees advise the board of directors on these issues, but the decision-making remains with the board of directors as a whole (see also "—Committees of the board of directors" below).

The board of directors appoints and removes the chief executive officer. The role of the chief executive officer is to implement the mission, strategy and targets set by the board of directors and to assume responsibility for the day-to-day management of the Company. The chief executive officer reports directly to the board of directors.

In order to provide a group-wide support structure, the Company has corporate offices in Balen, Belgium, Zurich, Switzerland and Vancouver, Canada. These offices provide a number of corporate and support functions including finance, treasury, human resources, safety and environment, legal and secretarial, tax, information technology, corporate development, investor relations and communications.

Pursuant to the Company's articles of association, the board of directors must consist of at least three directors. The Company's corporate governance charter provides that the composition of the board should ensure that decisions are made in the corporate interest. It should be determined on the basis of diversity, as well as complementary skills, experience and knowledge. Pursuant to the Belgian Code on Corporate Governance, at least half of the directors must be non-executive and at least three directors must be independent in accordance with the criteria set out in the Belgian Companies Code and in the Belgian Code on Corporate Governance.

The directors are appointed for a term of no more than four years by the general shareholders' meeting. They may be re-elected for a new term. Proposals by the board of directors for the appointment or re-election of any director must be based on a recommendation by the nomination and remuneration committee. In the event the office of a director becomes vacant, the remaining directors can appoint a successor temporarily filling the vacancy until the next general shareholders' meeting. The shareholders' meeting can dismiss the directors at any time.

The board of directors elects a chairman from among its non-executive members on the basis of his knowledge, skills, experience and mediation strength. If the board of directors envisages appointing a former chief executive officer as chairman, it should carefully consider the positive and negative aspects in favor of such a decision and disclose why such appointment is in the best interest of the Company. The chairman is responsible for the leadership and the proper and efficient functioning of the board of directors.

The board of directors meets whenever the interests of the Company so require or at the request of one or more directors. In principle, the board of directors will meet sufficiently regularly and at least six times per year. The decisions of the board of directors are made by a simple majority of the votes cast. The chairman of the board of directors has a casting vote.

During 2011, nine board meetings were held.



## CORPORATE GOVERNANCE STATEMENT

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### Committees of the board of directors

The board of directors has set up an audit committee, a nomination and remuneration committee and a safety, health and environment committee.

#### Audit committee

The audit committee consists of at least three directors. All members of the audit committee are non-executive directors. According to the Belgian Companies Code, at least one member of the audit committee must be independent and must have the necessary competence in accounting and auditing. The current members of the audit committee are Ray Stewart (chairman), Karel Vinck and Oyvind Hushovd. In line with the Belgian Code on Corporate Governance which requires that a majority of the members of the audit committee are independent, the current members are all independent directors.

The members of the audit committee must 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 his current role as chief financial officer of the Belgacom Group and his previous roles as chief financial officer in Matav and Ameritech International. According to the board of directors, the other members of the audit committee also satisfy this requirement, as evidenced by the different senior management and director mandates that they have held in the past and currently hold.

The role of the audit committee is to supervise and review the financial reporting process, the internal control and risk management systems and the internal audit process of the Company. The audit committee monitors the audit of the statutory and consolidated financial statements, including the follow-up questions and recommendations by the statutory auditor. The audit committee also makes recommendations to the board of directors on the selection, appointment and remuneration of the external auditor and monitors the independence of the external auditor.

In principle, the audit committee meets as frequently as necessary for the efficiency of the operation of the audit committee, but at least four times a year. The members of the audit committee must have full access to the chief financial officer and to any other employee to whom they may require access in order to carry out their responsibilities.

During 2011, four audit committee meetings were held.

#### Nomination and remuneration committee

The nomination and remuneration committee consists of at least three directors. All members of the nomination and remuneration committee are non-executive directors, with a majority of independent directors. The nomination and remuneration committee is chaired by the chairman of the board of directors or another non-executive director appointed by the committee. The following directors are currently members of the nomination and remuneration committee: Julien De Wilde (chairman), Ray Stewart, Peter Mansell and Karel Vinck.

The role of the nomination and remuneration committee is to make recommendations to the board of directors with regard to the appointment of directors, make proposals to the board of directors on the remuneration policy and individual remuneration for directors and members of the management committee and to submit a remuneration report to the board of directors. In addition, starting as from the annual general shareholders' meeting to be held in 2012, the nomination and remuneration committee will submit the remuneration report at the annual general shareholders' meeting.

In principle, the nomination and remuneration committee meets as frequently as necessary for the efficiency of the operation of the committee, but at least twice a year.

During 2011, three nomination and remuneration committee meetings were held.

## CORPORATE GOVERNANCE STATEMENT

### Safety, health and environment committee

The safety, health and environment committee consists of at least three directors. All members of the safety, health and environment committee are non-executive directors, with at least one independent director. The safety, health and environment committee is chaired by the chairman of the board of directors or another non-executive director appointed by the committee. The current members of the safety, health and environment committee are Peter Mansell (chairman), Julien De Wilde and Oyvind Hushovd.

The role of the safety, health and environment committee is to assist the board of directors in respect of safety, health and environmental matters. In particular, its role is to ensure that the Company adopts and maintains appropriate safety, health and environment policies and procedures, as well as effective safety, health and environment internal control and risk management systems, and to make appropriate recommendations to the board of directors.

In principle, the safety, health and environment committee meets as frequently as necessary for the efficiency of the operation of the committee, but at least twice a year.

During 2011, three safety, health and environment committee meetings were held.

### Activity report and attendance at board and committee meetings during 2011

Name	Board meeting attended	Audit	Nomination and Remuneration	Safety, Health and Environment
Julien De Wilde <sup>(1)</sup>	9 of 9	N/A	3 of 3	3 of 3
Roland Junck	9 of 9	N/A	N/A	N/A
Peter Mansell	9 of 9	N/A	3 of 3	3 of 3
Karel Vinck	9 of 9	2 of 4	3 of 3	N/A
Ray Stewart	9 of 9	4 of 4	3 of 3	N/A
Oyvind Hushovd	8 of 9	4 of 4	N/A	3 of 3

(1) ACTING THROUGH DE WILDE J. MANAGEMENT BVBA

## CORPORATE GOVERNANCE STATEMENT

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### Independent directors

A director will only qualify as an independent director if he meets at least the criteria set out in article 526ter of the Belgian Companies Code, which can be summarized as follows:

- Not being an executive member of the board, exercising a function as a member of the executive committee or as a person entrusted with daily management of the Company or a company or person affiliated with the Company, and not having been in such a position during the previous five years before his nomination.
- Not having served for more than three terms as a non-executive director of the board, without exceeding a total term of more than twelve years.
- Not being an employee of the senior management (as defined in article 19,2° of the Belgian Act of September 20, 1948 regarding the organization of the business industry) of the Company or a company or person affiliated with the Company and not having been in such a position for the previous three years before his nomination.
- Not receiving, or having received, any significant remuneration or other significant advantage of a financial nature from the Company or a company or person affiliated with the Company, other than any bonus or fee (*tantièmes*) he receives or has received as a non-executive member of the board.
- Not holding (directly or via one or more company under his control) any shareholder rights representing 10% or more of the Company's shares or of a class of the Company's shares (as the case may be), and not representing a shareholder meeting this condition.
- If the shareholder rights held by the director (directly or via one or more company under his control) represent less than 10%, the disposal of such shares or the exercise of the rights attached thereto may not be subject to contracts or unilateral undertakings entered into by the director. The director may also not represent a shareholder meeting this condition.
- Not having, or having had within the previous financial year, a significant business relationship with the Company or a company or person affiliated with the Company, either directly or as partner, shareholder, member of the board, member of the senior management (as defined in article 19,2° of the aforementioned Belgian Act of September 20, 1948) of a company or person who maintains such a relationship.
- Not being or having been within the last three years, a partner or employee of the current or former statutory auditor of the Company or a company or person affiliated with the Company.
- Not being an executive director of another company in which an executive director of the Company is a non-executive member of the board, and not having other significant links with executive directors of the Company through involvement in other companies or bodies.
- Not being a spouse, legal partner or close family member (by marriage or birth) to the second degree of a member of the board, a member of the executive committee, a person charged with the daily management, or a member of the senior management (as defined in article 19,2° of the aforementioned Belgian Act of September 20, 1948) of the Company or a company or person affiliated with the Company, or of a person who finds him or herself in one or more of the circumstances described in the previous bullets.

The resolution appointing the director must mention the reasons on the basis of which the capacity of independent director is granted.

In the absence of guidance in the law or case law, the board of directors has not further quantified or specified the aforementioned criteria set out in article 526ter of the Belgian Companies Code. Furthermore, in considering a director's independence, the criteria set out in the Belgian Code on Corporate Governance will also be taken into consideration. The board of directors is of the view that the current independent directors comply with each of the relevant criteria of the Belgian Companies Code and Belgian Code on Corporate Governance. The board of directors will disclose in its annual report which directors it considers to be independent directors. An independent director who ceases to satisfy the requirements of independence must immediately inform the board of directors.

According to the Company's board of directors, De Wilde J. Management BVBA, represented by Julien De Wilde, Peter Mansell, Karel Vinck, Ray Stewart and Oyvind Hushovd are independent directors.



## CORPORATE GOVERNANCE STATEMENT

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### Performance review of the board

At least once every three years, the board intends to undertake a formal evaluation of its own size, composition, performance and interaction with executive management and that of its committees. Such evaluation shall be performed by the nomination and remuneration committee at the initiative of the chairman and, if required, with the assistance of external advisors. The directors may not attend the discussions on their evaluation. The evaluation will assess how the board and its committees operate, check that important issues are effectively prepared and discussed, evaluate each director's contribution and constructive involvement, and assess the present composition of the board and its committees against the desired composition. This evaluation takes into account their general role as director, and specific roles as chairman, chairman or member of a board committee, as well as their relevant responsibilities and time commitment.

### Executive management

The Company's executive management is composed of the chief executive officer and the members of the management committee, as detailed above in "—Board of directors and management committee—Management committee".

#### Chief executive officer

The CEO leads and chairs the management committee and is accountable to the board of directors for the management committee's performance.

The role of the chief executive officer is to implement the mission, strategy and targets set by the board of directors and to assume responsibility for the day-to-day management of the Company. The chief executive officer reports directly to the board of directors.

#### Management committee

The board of directors has delegated the day-to-day management of the Company as well as certain management and operational powers to the chief executive officer. The chief executive officer is assisted by the management committee.

The management committee is composed of at least four members and includes the chief executive officer. Its members are appointed by the board of directors on the basis of a recommendation by the nomination and remuneration committee. The Company's management committee does not qualify as a "*directiecomité*" / "*comité de direction*" within the meaning of article 524*bis* of the Belgian Companies Code. The management committee is responsible and accountable to the board of directors for the discharge of its responsibilities.

The management committee is responsible for assisting the CEO in relation to:

- operating the Company;
- implementing the decisions taken by the board of directors;
- putting in place internal controls and risk management systems (without prejudice to the board of directors', the audit committee's and the safety, health and environment committee's monitoring roles) based on the framework approved by the board of directors;
- presenting the board of directors the complete, timely, reliable and accurate preparation of the Company's financial statements, in accordance with applicable accounting standards and policies;
- preparing the Company's required disclosure of the financial statements and other material, financial and non-financial information;
- presenting the board of directors with a balanced and understandable assessment of the Company's financial situation; and
- providing the board of directors in due time with all information necessary for the board of directors to carry out its duties.

## CORPORATE GOVERNANCE STATEMENT

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### Conflicts of interest

Directors are expected to arrange their personal and business affairs so as to avoid conflicts of interest with the Company. Any director with a conflicting financial interest (as contemplated by article 523 of the Belgian Companies Code) on any matter before the board of directors must bring it to the attention of both the statutory auditor and fellow directors, and take no part in any deliberations or voting related thereto. Provision 1.4 of the corporate governance charter sets out the procedure for transactions between Nyxstar and the directors which are not covered by the legal provisions on conflicts of interest. Provision 3.2.4 of the corporate governance charter contains a similar procedure for transactions between Nyxstar and members of the management committee (other than the chief executive officer). The provisions of article 523 of the Belgian Companies Code have been complied with in relation to the revised services agreement that has been entered into with Roland Junck.

There are no outstanding loans granted by the Company to any of the persons mentioned in "—Board of directors and management committee —Board of directors" and in "—Board of directors and management committee—Management committee", nor are there any guarantees provided by the Company for the benefit of any of the persons mentioned in "—Board of directors and management committee —Board of directors" and in "—Board of directors and management committee—Management committee".

None of the persons mentioned in "—Board of directors and management committee—Board of directors" and in "—Board of directors and management committee —Management committee" has a family relationship with any other of the persons mentioned in "—Board of directors and management committee— Board of directors" and in "—Board of directors and management committee—Management committee".

### Dealing code

With a view to preventing market abuse (insider dealing and market manipulation), the board of directors has established a dealing code. The dealing code describes the declaration and conduct obligations of directors, members of the management committee, certain other employees and certain other persons with respect to transactions in shares or other financial instruments of the Company. The dealing code sets limits on carrying out transactions in shares of the Company and allows dealing by the above-mentioned persons only during certain windows. The dealing code is attached to the Company's corporate governance charter.

### Disclosure policy

As a Belgian listed company and with a view to ensuring investors in shares of the Company have available all information necessary to ensure the transparency, integrity and good functioning of the market, the board of directors has established an information disclosure policy. The information disclosure policy is aimed at ensuring that inside information of which Company is aware is immediately disclosed to the public. In addition, the information disclosure policy is aimed at ensuring information that is disclosed is fair, precise and sincere, and will enable the holders of shares in Company and the public to assess the influence of the information on Company's position, business and results.

## CORPORATE GOVERNANCE STATEMENT

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### Internal Control and Enterprise Risk Management System

#### General

The Nyrstar board of directors is responsible for the assessment of the effectiveness of the internal control and the Enterprise Risk Management System. The Group takes a proactive approach to risk management. The board of directors is responsible for ensuring that nature and extent of risks, and also opportunities, are identified on a timely basis with alignment to the Group's strategic objectives and activities.

The Group believes that it is crucial for all directors to be a part of the risk management process, and as such the board of directors has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the board of directors as a whole. Each respective sub-committee further examines issues identified and reports back to the board of directors.

The Nyrstar integrated Enterprise Risk Management System incorporates the Internal Control System to satisfy the Group's internal control needs and to move towards a fuller risk management process. This Enterprise Risk Management System framework is designed to achieving the Group's objectives set forth in four categories:

- Strategic – high-level goals, aligned with and supporting the Group's mission
- Operations – effective and efficient use of its resources
- Reporting – reliability of reporting
- Compliance – compliance with applicable laws, regulations and licenses

#### Components of the integrated Enterprise Risk Management System

The Enterprise Risk Management System comprises of eight components derived from the way management runs the business and are integrated in the management process:

##### 1 *Internal Environment*

The internal environment includes the tone of the organization, and sets the basis for how risk is viewed and addressed by Nyrstar's people, including risk management philosophy, risk appetite, integrity, ethical values and the environment in which Nyrstar operates.

##### 2 *Objective Setting*

Objectives are set by management. The Enterprise Risk Management System ensures that management has a process in place to set objectives which support and align with the Group's mission. In addition these objectives are consistent with the Group's risk appetite to ensure potential events affecting their achievement will be managed proactively.

##### 3 *Event Identification*

Based on continuous monitoring of the macro and micro environment of the business, management and the board of directors identify internal and external events affecting the achievement of the Group's objectives. This process distinguishes between risks and opportunities. Opportunities are channeled back to management's strategy or objective setting process, risks are included in the Enterprise Risk Management System.

##### 4 *Risk Assessment*

Risks are analyzed, considering likelihood and consequence, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.

##### 5 *Risk Response*

In responding to risks the Group considers avoiding, accepting, reducing or sharing risk, based on a set of actions to align risks with the Group's risk tolerance and risk appetite.

##### 6 *Control Activities*

Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.



## CORPORATE GOVERNANCE STATEMENT

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### 7 *Information, communication and financial reporting systems*

Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities.

### 8 *Monitoring*

The entire Enterprise Risk Management System is monitored on a regular basis and modifications are made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

## Internal Environment and Objective Setting

The following key elements and procedures have been established to provide an effective Enterprise Risk Management and Internal Control System:

### 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.

### Policies and procedures

The Group has established internal policies and procedures at the corporate office, which 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. The general and company specific accounting principles, guidelines and instructions are summarized in the Group accounting policies available on the Nyrstar intranet-sites. The Group Standard for Risk Management is also available in the intranet.

### 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 the strictest ethical standards and principles. The Code of Business Conduct is available on [www.nyrstar.com](http://www.nyrstar.com) and sets out principles how to conduct business and behave in respect of:

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

The board of directors regularly monitors compliance with applicable policies and procedures of the Nyrstar Group.

### Whistleblowing

Nyrstar also has a whistleblower procedure in place, allowing staff to confidentially raise concerns about any irregularities in financial reporting, possible fraudulent actions, bribery and other areas.

## CORPORATE GOVERNANCE STATEMENT

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### Event Identification and Risk Assessment

The Group believes that Risk Management is a fundamental element of corporate governance. The Group's Risk Management Policy and the Internal Control System, as approved by the board of directors, have been designed to identify and manage business risks that are critical to the achievement of Nyrstar's business objectives, operational, financial reporting and compliance requirements. The internal control systems have been designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement in the financial statements.

Starting from clear strategic objectives as approved by the board of directors, management conducts a regular risk assessment of critical risks Nyrstar is exposed to. Management assesses on a gross basis, i.e. without considering any mitigating actions and controls a potential consequence of the risk to Nyrstar and the likelihood that the risk may eventuate. Based on mitigating actions and controls in place management performs a net risk assessment to ensure risks are reduced to an acceptable level according to the Group's risk appetite. This creates an understanding of the risks faced in relation to both the internal and external environment, and allows the board of directors to determine Nyrstar's overall tolerance to risk. The identification, evaluation and management of critical risks for the Group is an ongoing process. This relates, especially to critical risks around the integration of newly acquired subsidiaries or new activities of the Group.

Nyrstar maintains a global Enterprise Risk Information Management System including all identified risk which is up-dated on a regular basis. This enables the Group to actively monitor and communicate any changes related to the Group's risk environment.

### Risk response and Control Activities

Management has established mitigating actions or controls to ensure risks are managed and reduced to the Group's accepted risk appetite. In addition various management committees are established that address various risks Nyrstar is exposed to:

#### Treasury committee

Treasury Committee comprises of the Chief Financial Officer, the Group Treasurer and the Group Controller. The role of the Treasury Committee is to recommend to the CEO and to the board of directors amendments to the treasury policy. This considers all treasury transactions being reviewed before they are recommended to the CEO for review and approval by the board of directors. Explicitly this includes preparations for the following CEO and board of directors approvals:

- To approve treasury strategies and activities, as recommended by the Group Treasurer, within the constraints of the policy;
- to periodically review treasury operations and activities, approve the use of new financial instrument types and techniques for managing financial exposures;
- to approve the list of authorized counterparties for foreign exchange and money market transactions;
- to approve the use of payment term extensions and cash discounts on commercial contracts that would go beyond standard business conditions; and
- to approve the list of bank relationships.

The Treasury Committee meets at least quarterly.

#### Risk Management Committee

Nyrstar's Risk Management Committee establishes policies and procedures how Nyrstar manages its exposure to the commodity prices and foreign exchange rates. Nyrstar actively and systematically endeavors to minimize any impact on its Income Statement from metal price changes and foreign exchange movements.

## CORPORATE GOVERNANCE STATEMENT

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### Internal Audit

Internal audit is an important element in the overall process of evaluating the effectiveness of the internal control and Enterprise Risk Management Systems. 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 with the execution of the internal audits being performed by outsourced service providers. The audit committee supervises the internal audit function.

### Information, communication and financial reporting systems

The key elements and procedures that have been established in relation to the financial reporting process include Nyrstar's comprehensive planning process that encompasses detailed operational budgets for the period ahead. The board of directors reviews and approves the annual budget. The budget is prepared on the basis of consistent economic assumptions determined by Nyrstar's management. Performance is monitored and relevant action is taken throughout the year. This includes 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.

### Monitoring

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 Company is being exposed to unacceptable levels of risk and actively encourages all Nyrstar employees to communicate freely risks and opportunities identified.

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, which include strategic, financial, operational and compliance controls. The audit committee assists the board of directors in this assessment. The audit committee reviews at least once a year the effectiveness of the Internal Control and Enterprise Risk Management Systems implemented and reported by management. This includes considering the regular reports from management on key risks, mitigating actions, internal controls and management representations. Furthermore this includes the reports on risk management and internal controls from the internal audit function, the external auditors and other assurance providers that may be assisting the Company.

The audit committee also reviews the declarations relating to internal supervision and risk management included in the annual report of the Company. Last but not least 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., whistleblower 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. On an annual basis the Group publishes a Sustainability Report that addresses health and safety, environmental and people issues that Nyrstar focuses on.



## CORPORATE GOVERNANCE STATEMENT

### Shareholders

The Company has a wide shareholder base, mainly composed of institutional investors outside of Belgium, but also comprising Belgian retail and institutional investors.

The table below provides an overview of the shareholders that filed a notification with the Company pursuant to applicable transparency disclosure rules, up to the date of this report. In addition, the Company holds a number of shares as treasury stock.

Shareholder's name	Shareholder's address	Date of notification	Number of voting rights	Share-holding
Glencore Holdings AG	Baarmattstrasse 3, 6340 Baar, Switzerland	9 February 2009	13,245,757	7.79%
BlackRock Group	33 King William Street, London EC4R 9AS, UK	31 January 2011	12,668,546	7.45%
Nyrstar NV	Zinkstraat 1, 2490 Balen, Belgium	19 September 2011	9,413,138	5.53%
Umicore NV	Broekstraat 31, 1000 Brussels, Belgium	23 March 2011	5,251,856	3.09%
Norges Bank	Bankplassen 2, Sentrum, 0107 Oslo, Norway	23 January 2012	5,174,119	3.04%
			<b>36,340,278</b>	<b>21.37%</b>

### Share capital and shares

On the date of this report, the share capital of the Company amounts to EUR 425,056,360 and is fully paid-up. It is represented by 170,022,544 shares, each representing a fractional value of EUR 2.50 or one 170,022,544th of the share capital. The Company's shares do not have a nominal value.

Pursuant to a decision of the board of directors of 30 June 2009, the Company issued 7% senior unsecured convertible bonds due 2014 (the "2014 Convertible Bonds") for an aggregate principal amount of EUR 120,000,000. The possibility to convert the 2014 Convertible Bonds into new shares of the Company was approved by the extraordinary general shareholders' meeting of the Company held on 25 August 2009. To date, the 2014 Convertible Bonds in an aggregate principal amount of EUR 100,000 have been converted.

As of the date of this report, the Company owns 9,413,138 of its own shares. These shares are held as treasury stock, with suspended dividend rights, for potential delivery to eligible employees to satisfy the Company's outstanding obligations under share based incentive plans for personnel and management under the LTIP and the Co-Investment Plan.

### Form and transferability of the shares

The shares of the Company can take the form of registered shares or dematerialized shares. All the Company's shares are fully paid-up and freely transferable.

### Currency

The Company's shares do not have a nominal value, but reflect the same fraction of the Company's share capital, which is denominated in euro.

## CORPORATE GOVERNANCE STATEMENT

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### Voting rights attached to the Shares

Each shareholder of the Company is entitled to one vote per share. Shareholders may vote by proxy, subject to the rules described in the Company's articles of association.

Voting rights can be mainly suspended in relation to shares:

- which are not fully paid up, notwithstanding the request thereto of the board of directors of the Company;
- to which more than one person is entitled, except in the event a single representative is appointed for the exercise of the voting right;
- which entitle their holder to voting rights above the threshold of 3%, 5%, 7.5%, 10%, 15%, 20% and any further multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant shareholders' meeting, in the event that the relevant shareholder has not notified the Company and the FSMA at least 20 days prior to the date of the shareholders' meeting in accordance with the applicable rules on disclosure of major shareholdings; and
- of which the voting right was suspended by a competent court or the FSMA.

Pursuant to the Belgian Companies Code, the voting rights attached to shares owned by the Company are suspended.

### Dividends and Dividend Policy

All shares entitle to an equal right to participate in the Company's profits (if any). Pursuant to the Belgian Companies Code, the shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the annual shareholders' meeting, based on the most recent statutory audited financial statements, prepared in accordance with the generally accepted accounting principles in Belgium and based on a (non-binding) proposal of the Company's board of directors. The Company's articles of association also authorize the board of directors to declare interim dividends subject to the terms and conditions of the Belgian Companies Code.

Dividends can only be distributed if following the declaration and issuance of the dividends the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory financial statements (i.e., summarized, the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities, all as summarized in accordance with Belgian accounting rules), decreased with the non-amortized costs of incorporation and extension and the non-amortized costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the issued capital), increased with the amount of non-distributable reserves. In addition, prior to distributing dividends, 5% of the net profits must be allotted to a legal reserve, until the legal reserve amounts to 10% of the Company's share capital.

The Company's ability to distribute dividends is subject to availability of sufficient distributable profits as defined under Belgian law on the basis of the Company's statutory unconsolidated financial statements rather than its consolidated financial statements.

The board of directors will propose to shareholders a gross distribution of EUR 0.16 per share at the annual shareholders' meeting to be held in Brussels on 25 April 2012 reflecting the board's confidence in Nyxstar's financial strength, and the medium to long-term prospects for the markets in which Nyxstar operates. The board of directors will propose to the shareholders to structure distribution as a capital reduction with reimbursement of paid-up capital. Such distribution via a capital reduction can take place without triggering Belgian withholding tax.

## CORPORATE GOVERNANCE STATEMENT

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### Information that have an impact in case of public takeover bids

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

- (i) The share capital of the Company amounts to EUR 425,056,360 and is fully paid-up. It is represented by 170,022,544 shares, each representing a fractional value of EUR 2.50 or one 170,022,544th 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) All awards granted to employees under the Nyrstar Employee Share Acquisition Plan will vest immediately in the event of a change of control of the Company. The awards granted to employees under the Nyrstar Long Term Incentive Plan (LTIP) and Co-Investment Plan will vest upon determination by the Nomination and Remuneration Committee.
- (v) Each shareholder of Nyrstar is entitled to one vote per share. Voting rights may be suspended as provided in the Company's articles of association and the applicable laws and articles.
- (vi) There are no agreements between shareholders which are known by the Company and may result in restrictions on the transfer of securities and/or the exercise of voting rights.
- (vii) The rules governing appointment and replacement of board members and amendment to articles of association are set out in the Company's articles of association and the Company's corporate governance charter.
- (viii) The powers of the board of directors, more specifically with regard to the power to issue or redeem shares are set out in the Company's articles of association. The board of directors was not granted the authorization to purchase its own shares "to avoid imminent and serious danger to the Company" (i.e., to defend against public takeover bids). The Company's articles of association do not provide for any other specific protective mechanisms against public takeover bids.
- (ix) 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 either 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:
  - Nyrstar's Revolving Structured Commodity Trade Finance Credit Facility;
  - 7% senior unsecured convertible bonds due 2014;
  - 5.5% senior unsecured fixed rate non-convertible bonds due 2015;
  - 5.3% senior unsecured fixed rate non-convertible bonds due 2016;
  - Nyrstar's uncommitted multi-currency CHF 50 million bilateral credit facility with Credit Suisse AG
  - Nyrstar's off-take agreement with the Glencore Group; and
  - Nyrstar's streaming agreement with Talvivaara Sotkamo Limited.
- (x) The chief executive officer is currently entitled to a 12-month salary payment in case his employment is terminated upon a change of control of the company.

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.



## CORPORATE GOVERNANCE STATEMENT

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### Annual General Meeting – 25 April 2012

The Annual General Meeting of Shareholders will take place in Brussels

(Diamond Building, A. Reyerslaan 80, 1030 Brussels)

on the last Wednesday of April, i.e. 25 April 2012 at 10.30 am.

At this meeting shareholders will be asked to approve the following resolutions:

1. Reports on the statutory financial statements
2. Approval of the statutory financial statements
3. Reports on the consolidated financial statements
4. Consolidated financial statements
5. Discharge from liability of the directors
6. Discharge from liability of the statutory auditor
7. Remuneration report
8. Re-appointment of director
9. Appointment of the auditor

### Extraordinary General Meetings – 25 April and 22 May 2012

On 25 April 2012, the Annual General Meeting shall be shortly suspended

in order to be continued as an Extraordinary General Meeting before a Notary Public.

At this meeting shareholders will be asked to approve the following resolutions:

1. Submission of special report
2. Distribution through reduction of the share capital
3. Renewal of the powers of the board of directors under the authorised capital
4. Renewal of the powers to purchase own shares

If the quorum for the Extraordinary General Meeting is not reached, a second Extraordinary General Meeting will be held on Tuesday 22 May 2012 at 10.30 am at Diamond Building, A. Reyerslaan 80, 1030 Brussels, or at such other place as will be indicated at that place at that time.

## CORPORATE GOVERNANCE STATEMENT

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### Remuneration Report

#### Introduction

The Company prepares a remuneration report relating to the remuneration of directors and the members of the management committee. This remuneration report forms part of the corporate governance statement, which is a part of the annual report. The remuneration report will be submitted to the annual general shareholders' meeting on 25 April 2012 for approval.

#### Remuneration policy

Nyrstar's remuneration policy is designed to:

- enable Nyrstar to attract and retain talented employees,
- promote continuous improvement in the business, and
- link remuneration and performance, motivating employees to deliver increased shareholder value through superior business results.

Nyrstar obtains independent advice from external professionals to ensure the remuneration structure represents industry best practice, and achieves the twin goals of retaining talented employees and meeting shareholder expectations.

The remuneration policy that has been determined in relation to the directors and members of the management committee is further described below.

The board of directors intends to maintain in 2012 the base elements and features of the current remuneration policy.

#### Nomination and remuneration committee

The nomination and remuneration committee consists of at least three directors. All members of the nomination and remuneration committee are non-executive directors, with a majority of independent directors. The nomination and remuneration committee is chaired by the chairman of the board of directors or another non-executive director appointed by the committee. The following directors are currently members of the nomination and remuneration committee: Julien De Wilde (Chairman), Ray Stewart, Peter Mansell and Karel Vinck.

The role of the nomination and remuneration committee is to make recommendations to the board of directors with regard to the appointment of directors, make proposals to the board of directors on the remuneration policy and individual remuneration for directors and members of the management committee and to submit a remuneration report to the board of directors.

#### Directors

##### General

Upon recommendation and proposal of the nomination and remuneration committee, the board of directors determines the remuneration of the directors to be proposed to the general shareholders' meeting. The proposed remuneration that the board submits to the general shareholders' meeting is in principle benchmarked against the remuneration of similar positions in companies included in the Bel20® Index. The Bel20® Index is an index composed of the 20 companies with the highest free float market capitalization having shares trading on the continuous trading segment of the regulated market of NYSE Euronext Brussels. The remuneration is set to attract, retain and motivate directors who have the profile determined by the nomination and remuneration committee.

## CORPORATE GOVERNANCE STATEMENT

The general shareholders' meeting approves the remuneration of the directors, including inter alia, each time as relevant, (i) in relation to the remuneration of executive and non-executive directors, the approval of an exemption from the rule that share based awards can only vest during a period of at least three years as of the grant of the awards, (ii) in relation to the remuneration of executive directors, the approval of an exemption from the rule that (unless the variable remuneration is less than a quarter of the annual remuneration) at least one quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least two years and that at least another quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least three years, and (iii) in relation to the remuneration of independent directors, the approval of any variable part of the remuneration.

The directors of the Company (excluding the chief executive officer) receive a fixed remuneration in consideration for their membership of the board of directors. In addition, the directors (excluding the chairman of the board of directors and the chief executive officer) receive fixed fees for their membership and/or chairmanship of any board committees. No attendance fees are paid. The chief executive officer is also a member of the board but does not receive any additional remuneration in his capacity of board member.

Non-executive directors do not receive any performance-related remuneration, stock options or other share based remuneration, or pension benefits. The remuneration of non-executive directors takes into account their general role as director, and specific roles as chairman, chairman or member of a board committee, as well as their relevant responsibilities and time commitment.

### [Remuneration and compensation in 2011](#)

During 2011 the following remuneration and compensation was paid to the directors (excluding the CEO):

#### [CHAIRMAN:](#)

- Annual fixed remuneration of EUR 200,000 per year
- No additional attendance fees

#### [OTHER DIRECTORS \(EXCLUDING THE CEO\):](#)

- Annual fixed remuneration of EUR 50,000 per year for membership of the board of directors
- Fixed fee of EUR 10,000 per year per board committee of which they are a member
- Fixed fee of EUR 20,000 per year per board committee of which they are the chairman
- No additional attendance fees

Based on the foregoing, the following remuneration was paid to the directors (excluding the CEO) in 2011:

	Remuneration (EUR)
Julien De Wilde <sup>(1)</sup>	EUR 200,000
Peter Mansell	EUR 80,000
Karel Vinck	EUR 80,000
Ray Stewart	EUR 80,000
Oyvind Hushovd	EUR 70,000

(1) ACTING THROUGH DE WILDE J. MANAGEMENT BVBA



## CORPORATE GOVERNANCE STATEMENT

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### Executive management

#### General

The remuneration of the chief executive officer and the members of the management committee is based on recommendations made by the nomination and remuneration committee.

The remuneration is determined by the board of directors. As an exception to the foregoing rule, the general shareholders' meeting must approve, as relevant, (i) in relation to the remuneration of executive directors (as well as non-executive directors), the approval of an exemption from the rule that share based awards can only vest during a period of at least three years as of the grant of the awards, (ii) in relation to the remuneration of executive directors and members of the management committee, the approval of an exemption from the rule that (unless the variable remuneration is less than a quarter of the annual remuneration) at least one quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least two years and that at least another quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least three years, and (iii) the approval of provisions of service agreements to be entered into with executive directors, members of the management committee and other executives providing (as the case may be) for severance payments exceeding twelve months' remuneration (or, subject to a motivated opinion by the remuneration committee, eighteen months' remuneration).

An appropriate portion of the remuneration is linked to corporate and individual performance. The remuneration is set to attract, retain and motivate executive management who have the profile determined by the nomination and remuneration committee.

The remuneration of the executive management consists of the following main remuneration components:

- Annual base salary (fixed)
- Participation in the Annual Incentive Plan (AIP) (bonus) (variable)
- Participation in the Executive Long Term Incentive Plan (LTIP) (variable)
- Pension benefits

For performance year 2011, the maximum entitlement under the AIP amounts to 100% of the annual base salary for the chief executive officer, and 80% of the annual base salary for the other members of the management committee. Based on the independent advice of external advisors that reviewed the executive remuneration within an international group of peer companies of Nyrstar, the board of directors increased, effective 1 January 2012, the maximum opportunity under the AIP to 150% of the annual base salary for the chief executive office and 120% of the annual base salary for the other members of the management committee. Subject to performance, the increase in opportunity will be delivered in Nyrstar shares, deferred for 12 months.

The pension benefits of each management committee member continue to amount to 20% of his fixed remuneration.

In addition to the foregoing, the board of directors has the discretion to grant spot bonuses to staff members, including members of the management committee, in exceptional circumstances. In 2011 all members of the management committee received spot bonuses to recognise their participation in growth activities during the year, including the successful purchase of the Breakwater operations.

The remuneration package for the members of the management committee is not subject to a specific right of recovery or claw back in favor of Nyrstar in case variable remuneration has been granted based on incorrect financial data.

The respective elements of the remuneration package are further described below.

## CORPORATE GOVERNANCE STATEMENT

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### [Annual base salary](#)

The annual base salary constitutes a fixed remuneration. The base salary is determined on the basis of a survey by an external expert of market trends and base salaries for various job descriptions paid by a group of peer companies of Nyrstar in several countries. On the basis of this survey, a number of grades are determined. The midpoint for each grade is the 75% percentile: 75% of the companies within the peer group pay less than the mid point, and 25% of the companies within the peer group pay more. Nyrstar's policy is to pay senior staff members at 100% of the midpoint for their grade, subject to satisfactory performance. However, there is discretion to set the fixed remuneration between 80% and 120% of the midpoint, based on experience, job, location, industry demand, unique technical skills, performance etc.

### [Annual Incentive Plan](#)

The annual incentive is a variable part of the remuneration in function of individual performance below, at or above average standard during a given year. The terms and conditions are reflected in the Annual Incentive Plan (AIP), which is subject to revision on an annual basis.

The aims of the AIP are to attract and retain talented employees, to make a connection between performance and reward, to reward achievement in line with Nyrstar's financial success, to reward employees for adhering to the Nyrstar Way, and to reward employees in a similar manner to the company's shareholders. The AIP is designed around delivering and exceeding the Nyrstar annual plan and budget. The relevant performance year for eligibility under the AIP is 1 January to 31 December, and payments, if any, are usually made in March of the following year. In order to be eligible under the AIP, the beneficiary must be employed on 31 December of the relevant performance year. The respective criteria and their relative weight to determine eligibility under the AIP are:

- individual behavior, which is assessed against the manner in which the beneficiary upholds Nyrstar's Way (5%), using a scale ranging from "unsatisfactory" to "outstanding",
- the achievement by the beneficiary of personal "stretch targets", which aim at achieving a performance by the beneficiary over and above the normal requirement of his or her function (20%),
- the achievement by the beneficiary's unit within Nyrstar of annual unit targets, which are determined by the board of directors (25%), and
- the achievement by Nyrstar of annual financial targets, which are determined by the board of directors (50%).

The maximum incentive under the AIP only becomes available if Nyrstar has an outstanding financial and operational result. In any event, the payment of the annual incentive is subject to overall acceptable personal behavior and personal job performance, as well as the company's ability to pay. The eligibility under the AIP is assessed and determined by the nomination and remuneration committee, and any payment of the annual incentive is subject to final board approval.

For performance year 2011, the maximum annual incentive for the chief executive officer amounted to 100% of his annual base salary, and the maximum annual incentive for the other members of the management committee amounted to 80% of their annual base salary.

### [Pensions](#)

The members of the management committee participate in a defined benefits pension scheme. The contributions by Nyrstar to the pension scheme amount to 20% of the annual base salary.

### [Other](#)

The management committee members participate in a medical benefit plan that includes amongst other things private hospital and dental medical care. They also receive a representation allowance, housing assistance, a car allowance, and benefit from statutory accident and disease insurance.

For further information on the LTIP and Co-Investment Plan, please see "—Description of Share plans—LTIP" and "—Description of Share plans—Co-Investment Plan"

## CORPORATE GOVERNANCE STATEMENT

### [Remuneration and compensation in 2011](#)

The following remuneration and compensation was paid to the chief executive officer and other members of the management committee in 2011:

(EUR)	CEO	Members of the management committee other than the CEO (on an aggregate basis)
Base salary	730,164	1,508,264
AIP <sup>(1)</sup>	620,639	1,129,278
Pension benefits <sup>(2)</sup>	208,435	345,694
Other components of the remuneration <sup>(3)</sup>	892,121	2,368,621
<b>Total</b>	<b>2,451,359</b>	<b>5,351,857</b>

(1) THIS AMOUNT RELATES TO PERFORMANCE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010. THE AMOUNT ALSO INCLUDES BONUS PAYMENTS MADE TO ERLING SORESENSEN (FORMERLY PART OF THE MANAGEMENT COMMITTEE) IN 2011 BASED ON PERFORMANCE IN 2010.

(2) THE PENSION INCLUDES 20% OF ANNUAL BASE SALARY AS SAVINGS CONTRIBUTIONS AND ALSO RISKS CONTRIBUTIONS.

(3) INCLUDES REPRESENTATION ALLOWANCE, HOUSING, CAR ALLOWANCE, HEALTH INSURANCE, CASH PAYMENT UNDER THE EMPLOYEE SHARE PLAN AND ONE OFF BONUS PAYMENTS MADE IN 2011.

### [Payments upon termination](#)

In 2011 each member of the management committee (including the chief executive officer) was entitled to a severance payment equivalent to twelve months of annual base salary in case of termination of his agreement by Nyrstar. In addition, 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).

### [Indemnification and insurance of directors and executive management](#)

As permitted by the Company's articles of association, the Company has entered into indemnification arrangements with the directors and relevant members of the management committee and has implemented directors' and officers' insurance coverage.

### [Description of Share plans](#)

The Company has established an ESAP, an LTIP and the Co-Investment Plan (together referred to as the "Plans") with a view to attracting, retaining and motivating the employees and executive management of the Company and its wholly owned subsidiaries. The key terms of each Plan are described below. For further information on the manner in which awards under the Plans are treated in Nyrstar's consolidated financial statements, refer to note 31 to the audited consolidated financial statements for the financial year ended on 31 December 2011.



## CORPORATE GOVERNANCE STATEMENT

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### ESAP

#### General

The ESAP is a general employee share plan pursuant to which grants may be made by the board of directors to employees (including members of the management committee of Nyrstar) (the "**Employees**") in the form of conditional awards to receive a number of ordinary shares in the Company at a future date ("**Employee Share Awards**") or their equivalent in cash ("**Employee Phantom Awards**") (Employee Share Awards and Employee Phantom Awards together referred to as "**Employee Awards**").

The terms of the ESAP may vary from country to country to take into account local tax and other regulations and requirements in the jurisdictions where eligible Employees are employed or resident.

Employee Awards are granted at times determined by the board of directors.

The nomination and remuneration committee makes recommendations to the board of directors in relation to the operation and administration of the ESAP.

#### Eligibility

The board of directors will determine which Employees will be eligible to participate in the ESAP (the "**Participating Employees**").

In general, it is intended that all full-time and permanent part-time Employees (as the case may be having completed a minimum length of service, if specified by the board) will be eligible to be granted Employee Awards under the ESAP on the terms and conditions determined by the board of directors.

No more than 10% of the Company's issued share capital will be allotted to satisfy Employee Awards granted under the ESAP or any other awards under any other Share plans operated by the Company (including the LTIP) in any ten-year period.

#### Vesting

In principle, Employee Awards will not vest until three years after the grant date. If a Participating Employee leaves Nyrstar prior to the vesting date, he or she will either forfeit his or her rights under the Employee Award or, if the Participating Employee is a "good leaver", his or her Employee Awards will vest pro rata to the period elapsed since the grant date. The award will vest in full immediately in case the Participating Employee dies before his award has vested or in case the Participating Employee leaves Nyrstar by reason of official retirement before his award has vested.

Employees will not be entitled to dividends, voting or other ownership rights in respect of the Employee Awards until they vest and are settled in shares.

No amount will be payable by Participating Employees to the Company on the granting or vesting of any Employee Awards.

## CORPORATE GOVERNANCE STATEMENT

### Awards

Under the ESAP Grant 1, eligible Employees who were employed by Nyrstar at the grant date or six months thereafter were awarded, subject to vesting, a right to receive shares of the Company. The performance period under the ESAP Grant 1 expired on 29 October 2010. In November 2010, eligible Employees received the cash equivalent (less applicable taxes and charges) of 50 shares. The closing share price on 29 October 2010 of EUR 10.58 was used to calculate the cash equivalent of the shares.

Under the ESAP Grant 2 eligible Employees who were employed by Nyrstar at the grant date or three months thereafter were awarded, subject to vesting, a right to receive shares in the Company. The performance period under the ESAP Grant 2 expired on 29 October 2011. In November 2011, eligible Employees received the cash equivalent (less applicable taxes and charges) of 60 shares. The number of shares in Grant 2 were adjusted from 50 shares to 60 shares to take into account the dilutive impact of the rights issue in March 2011. The closing share price on 29 October 2010 of EUR 6.68 was used to calculate the cash equivalent of the shares.

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

	Grant 1	Grant 2
Effective grant date	October 29, 2007	October 29, 2008
Performance period	Three years to October 29, 2010	Three years to October 29, 2011
Performance criteria	Employee remains in service to October 29, 2010	Employee remains in service to October 29, 2011
Vesting date	October 29, 2010	October 29, 2011
Settlement	Cash	Cash
Shares awarded per employee (1)	50	60

(1) THE NUMBER OF SHARES IN GRANT 2 WERE ADJUSTED FROM 50 SHARES TO 60 SHARES TO TAKE INTO ACCOUNT THE DILUTIVE IMPACT OF THE RIGHTS ISSUE IN MARCH 2011.

### Movement of ESAP shares awarded

The following table sets out the movement in the number of equity instruments granted during the specified periods in relation to the ESAP:

Date	Movement	Grant 1	Grant 2	Total
1 January 2011	Opening balance		130,350	130,350
15 March 2011	Dilutive adjustment		25,330	25,330
29 October 2011	Shares paid as cash		(151,980)	(151,980)
31 December 2011	Forfeitures		(3,700)	(3,700)
<b>31 December 2011</b>	<b>Closing balance</b>	<b>—</b>	<b>0</b>	<b>0</b>
1 January 2010	Opening balance	135,500	140,850	276,350
29 October 2010	Shares paid as cash	(125,150)		(125,150)
31 December 2010	Forfeitures	(10,350)	(10,500)	(20,850)
<b>31 December 2010</b>	<b>Closing balance</b>	<b>0</b>	<b>130,350</b>	<b>130,350</b>

## CORPORATE GOVERNANCE STATEMENT

### LTIP

#### General

Under the LTIP, senior executives of Nyrstar (the "**Executives**") selected by the board of directors may be granted conditional awards to receive ordinary shares in the Company at a future date ("**Executive Share Awards**") or their equivalent in cash ("**Executive Phantom Awards**") (Executive Share Awards and Executive Phantom Awards together referred to as "**Executive Awards**").

The terms of the LTIP may vary from country to country to take into account local tax and other regulations and requirements in the jurisdictions where eligible Executives are employed or resident.

The nomination and remuneration committee makes recommendations to the board of directors in relation to the operation and administration of the LTIP.

#### Eligibility

The board of directors determines which Executives are eligible to participate in the LTIP (the "Participating Executives").

The value of the conditional Executive Awards under the LTIP varies, depending on the role, responsibility and seniority of the relevant Participating Executive. The maximum value of the conditional Executive Awards granted to any Participating Executive in any financial year of the Company will not exceed 150% of his or her base salary at the time of the grant (except that in 2007, the financial year in which the Company's flotation took place, this limit was increased to 400%).

#### Vesting

Executive Awards will vest over a three-year rolling performance period.

In the event of cessation of employment before the normal vesting due to certain "good leaver reasons", the board of directors may determine that a number of Executive Awards will vest, taking into account such factors as the board of directors determines, including the proportion of the performance period which has elapsed and the extent that performance conditions have been satisfied up to the date of leaving.

The board of directors determines the LTIP performance conditions. The board of directors has set two performance conditions, which are weighted equally at 50%. For an award to vest, Nyrstar's annual share price performance is measured relative to the implied change in a notional share price that is based upon the historical performance of the price of zinc (first performance condition) and the MSCI World Metals and Mining Index (second performance condition). An equal number of awards is granted under each condition. Executive Awards are made to the extent that predetermined scaling thresholds for each of the performance conditions are met. The vesting schedule is set out in the table below:

<b>Price of zinc (50%)</b>		<b>MSCI World Metals and Mining Index (50%)</b>	
<b>Annual performance of the Nyrstar share price compared to the share price implied by the price of zinc</b>	<b>% vesting</b>	<b>Annual performance of the Nyrstar share price compared to the share price implied by this index</b>	<b>% vesting</b>
> 500 bp	100	> 500 bp	100
> 400 bp	80	> 400 bp	80
> 300 bp	60	> 300 bp	60
> 200 bp	40	> 200 bp	40
> 100 bp	20	> 100 bp	20
> 000 bp	0	> 000 bp	0

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

The LTIP rules provide for various circumstances in which unvested Executive Awards lapse, including failure to satisfy performance conditions.



## CORPORATE GOVERNANCE STATEMENT

### Awards

In April 2008, an initial grant (Grant 1) was made in accordance with the rules and conditions of the LTIP. This 2008 Grant consists of three tranches. The performance period for tranches 1, 2 and 3 has ended. The Grant 1 share awards were delivered in the course of 2011. During the first half of 2009, a second grant (Grant 2) was made in accordance with the rules and conditions of the LTIP as set out below. During the first half of 2010, a third grant (Grant 3) was made in accordance with the rules and conditions of the LTIP, as set out below. During the first half of 2011, a fourth grant (Grant 4) was made in accordance with the rules and conditions of the LTIP, as set out below.

	Grant 2	Grant 3	Grant 4
Effective Grant Date	30 June 2009	30 June 2010	30 June 2011
Performance Period	1 January 2009 to 31 December 2011	1 January 2010 to 31 December 2012	1 January 2011 to 31 December 2013
Performance Criteria	–zinc price 50% –MSCI 50% Executive remains in service to 31 December 2011	–zinc price 50% –MSCI 50% Executive remains in service to 31 December 2012	–zinc price 50% –MSCI 50% Executive remains in service to 31 December 2013
Vesting Date	31 December 2011	31 December 2012	31 December 2013

During the period between the satisfaction of the performance condition and when the Participating Employee receives the relevant payment, the employee will be entitled to a payment equal to the cash equivalent of any dividends paid.

### Movement of LTIP shares awarded

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

	Grant 1			Grant 2	Grant 3	Grant 4	Total
	Tranche 1	Tranche 2	Tranche 3				
Opening balance at 1 January 2011	292,845	179,756	237,837	2,105,305	560,516		3,376,259
Initial allocation at 30 June 2011						1,149,398	1,149,398
Dilutive adjustment at 15 March 2011	57,784	35,469	46,930	415,415	110,600		666,198
(Forfeitures)/Additions				244,097	152,127	46,770	442,994
Settlements	(350,629)	(215,225)	(284,767)				(850,621)
<b>Closing balance at 31 December 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,764,817</b>	<b>823,243</b>	<b>1,196,168</b>	<b>4,784,228</b>

	Grant 1			Grant 2	Grant 3	Total
	Tranche 1	Tranche 2	Tranche 3			
Opening balance at 1 January 2010	292,737	221,955	234,532	2,003,351		2,752,575
Initial allocation at 30 June 2010					604,407	604,407
(Forfeitures)/Additions	108	(42,199)	3,305	101,954	(43,891)	19,277
Settlements						
<b>Closing balance at 31 December 2010</b>	<b>292,845</b>	<b>179,756</b>	<b>237,837</b>	<b>2,105,305</b>	<b>560,516</b>	<b>3,376,259</b>

## CORPORATE GOVERNANCE STATEMENT

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### Co-Investment Plan

#### General

The annual general shareholders' meeting of the Company held on 28 April 2010 approved the Co-Investment Plan. Under the Co-Investment Plan, for each ordinary Share in the Company that a member of the management committee (including the chief executive officer) (the "**Participant**") purchased between 30 April 2010 and 28 June 2010 (a "**Co-investment Share**"), the Company will grant (for no consideration) the respective Participant on the Vesting Date, a number of additional ordinary shares in the Company (the "**Matching Shares**") provided that (a) the Participant is still employed by Nyrstar (unless the board of directors qualifies his departure prior to such date as a "good leaver situation" (ill health resulting in the incapacity to perform professional activities for a period of more than twelve months, voluntary resignation, retirement or any similar event which the Nomination and Remuneration Committee may qualify as being a "good leaver situation" on the Vesting Date) and (b) the Participant still holds the Co-investment Shares on the Vesting Date.

#### Eligibility

The persons eligible to participate in the Co-Investment Plan were the six members of the management committee at the time (including the chief executive officer). The participation to the Co-Investment Plan was offered in May 2010. Erling Sorensen was in 2010 part of the management committee but did not participate in the Co-investment Plan given his departure on 30 June 2010.

#### Vesting

The Co-investment Plan has one vesting date, 15 July 2013.

The Co-Investment Plan has three measurement dates, i.e. 1 July 2011 ("**Measurement Date 1**"), 1 July 2012 ("**Measurement Date 2**") and 1 July 2013 ("**Measurement Date 3**").

The number of Matching Shares is the product of (a) the highest of Multiple A, Multiple B and Multiple C and (b) the total number of the Co-Investment Shares which the respective Participant has continuously held as of 28 June 2010 up to and including the vesting date.

The initial thresholds were adjusted to take into account the economic impact of the Company's rights offering that closed in March 2011. Reference is also made to note 31 to the audited consolidated financial statements for the financial year ended on 31 December 2011.

"**Multiple A**" will be equal to:

- zero, if the highest average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2010 and 1 July 2011 has been less than EUR 16.70;
- four, if the highest average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2010 and 1 July 2011 has been equal to or higher than EUR 25.06; or
- a number between two and four, to be determined on a straight line basis, if the highest average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2010 and 1 July 2011 has been between EUR 16.70 and EUR 25.06, whereby factor two coincides with the EUR 16.70 threshold and factor four coincides with the EUR 25.06 threshold.

"**Multiple B**" will be equal to:

- zero, if the highest average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2011 and 1 July 2012 has been less than EUR 16.70;
- four, if the highest average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2011 and 1 July 2012 has been equal to or higher than EUR 25.06; or
- a number between two and four, to be determined on a straight line basis, if the highest average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2011 and 1 July 2012 has been between EUR 16.70 and EUR 25.06, whereby factor two coincides with the EUR 16.70 threshold and factor four coincides with the EUR 25.06 threshold.

## CORPORATE GOVERNANCE STATEMENT

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"Multiple C" will be equal to:

- zero, if the highest average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2012 and 1 July 2013 has been less than EUR 16.70,
- four, if the highest average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2012 and 1 July 2013 has been equal to or higher than EUR 25.06, or
- a number between two and four, to be determined on a straight line basis, if the average closing price of an ordinary share of the Company during any given period of five consecutive trading days between 1 July 2012 and 1 July 2013 has been between EUR 16.70 and EUR 25.06, whereby factor two coincides with the EUR 16.70 threshold and factor four coincides with the EUR 25.06 threshold.

The Matching Shares will consist of ordinary shares of the Company which the Company intends to redeem in accordance with the respective statutory powers granted to the board of directors. If the Company is unable to deliver the respective Matching Shares to a Participant, the Company will be able to settle its respective obligations by granting such Participant a cash amount equal to the product of the number of Matching Shares to be delivered to such Participant and the average closing price of the ordinary shares of the Company during the twenty trading days preceding the vesting date.

The underlying philosophy of the vesting is to provide a long-term component to the remuneration package of the management committee members, while at the same time aligning their interests with those of the Company and its shareholders, by requiring a personal investment by the members of the management committee and at the same time linking this remuneration component to the long-term evolution of price of the Company's shares.

### [Awards](#)

Subject to the vesting conditions, the number of Co-investment Shares of a Participant was capped as follows:

- with respect to the chief executive officer, the maximum number of Co-investment Shares is equal to 50,000; and
- with respect to the each of the four current members of the management committee, the maximum number of Co-investment Shares is equal to 35,000.

The members of the management committee purchased a total number of 190,000 shares as participation in the Co-Investment Plan.

In line with the above general principles, the board of directors further determined and elaborated the rules of the Co-Investment Plan. The board of directors also administers the Co-Investment Plan.

In the context of the Co-Investment Plan, in addition to this conditional right to receive shares, Nyrstar granted each Participant an unconditional cash bonus, the net amount of which – to be calculated for each respective Participant separately – will be equal to the product of (a) the number of Co-investment Shares of the Participant and (b) the difference between the average purchase price paid by the Participant for his respective Co-investment Shares and EUR 10.00.

## CORPORATE GOVERNANCE STATEMENT

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### Adjustments to the Plans

The annual general shareholders' meeting of the Company held on 27 April 2011 granted the board of directors of the Company the power to amend and restate the Co-Investment Plan in order to reflect the consequences and amendments that may be required in the context of certain corporate actions engaged by the Company. In the context of the Company's rights offering that closed in March 2011, the following amendments to the Co-Investment Plan were made:

- the shares of the Company subscribed by the Participants in the Co-Investment Plan in the Company's rights offering that closed in March 2011 on the basis of the preference rights of their existing Co-investment Shares are also considered as Co-Investment Shares for purposes of the Co-Investment Plan. As a consequence, an additional 133,000 shares subscribed for by the participants in the Co-Investment Plan are considered "Co-investment Shares" for purposes of the Co-Investment Plan;
- the list of Participants in the Co-Investment Plan can be extended beyond the chief executive officer and the four other members of the Company's management committee to include other managers of the Company and its subsidiaries;
- the objective performance based targets (determined by the board of directors and relating to the stock exchange price of the Shares of the Company during the term of the Co-Investment Plan) that need to be achieved in order for the Matching Shares to vest can be adjusted in order to take into account the economic impact of the Company's rights offering that closed in March 2011. Reference is made to note 31 to the audited consolidated financial statements for the financial year ended on 31 December 2011 and
- the general vesting date under the Co-Investment Plan can be shorter than three years.

In addition, the annual general shareholders' meeting of the Company held on 27 April 2011 approved and ratified, as far as needed and applicable, in accordance with Article 556 of the Belgian Company Code, any clauses or features included in the Plans that (automatically or not) result in, or permit the board of directors (or a committee or certain members of the board of directors) to approve or allow an accelerated or immediate vesting or acquisition of awards made under such Plans in the event of a public takeover bid or change of control over the Company, and any other clause or feature which in accordance with Article 556 of the Belgian Company Code entail rights to third parties that have an impact on the Company's equity or give rise to a liability or obligation of the Company, whereby the exercise of such rights is dependent upon a public takeover bid on the Company's shares or a change of the control over the Company.



## CORPORATE GOVERNANCE STATEMENT

### Directors' and other interests

#### Shares and Share awards

On 30 June 2011, the following share awards had been granted under the LTIP and the ESAP to the members of the management committee:

Name	Title	ESAP		LTIP	
		Share Awards granted under ESAP paid in November 2010 <sup>(1)</sup>	Share Awards granted under ESAP paid in November 2011 <sup>(2)</sup>	Share Awards granted and delivered under LTIP which the performance conditions have been met	Share Awards granted under LTIP of which the performance conditions have not been met <sup>(3)</sup>
Roland Junck	Chief Executive Officer	—	—	31,929	467,433
Greg McMillan	Chief Operating Officer	50	60	65,951	269,780
Heinz Eigner	Chief Financial Officer	50	60	53,961	222,031
Russell Murphy	Chief HR & SHE Officer	50	60	45,566	205,679
Michael Morley	Chief Corporate and Development Officer	50	60	36,636	198,416
Erling Sorensen <sup>(4)</sup>				35,792	73,764

(1) THE AWARDS WERE PAID AS A CASH EQUIVALENT IN NOVEMBER 2010 AT EUR 10.58 PER SHARE.

(2) THE NUMBER OF SHARES IN GRANT 2 WERE ADJUSTED FROM 50 SHARES TO 60 SHARES TO TAKE INTO ACCOUNT THE DILUTIVE IMPACT OF THE RIGHTS ISSUE IN MARCH 2011. THE AWARDS WERE PAID AS A CASH EQUIVALENT IN NOVEMBER 2011 AT EUR 6.68 PER SHARE.

(3) VESTING IS SUBJECT TO PERFORMANCE CONDITIONS.

(4) ERLING SORESEN WAS IN 2010 PART OF THE MANAGEMENT COMMITTEE, AND LEFT AS A "GOOD LEAVER" UNDER THE RULES OF THE LTIP. SHARE AWARDS HAVE BEEN PRO-RATED BASED ON A DEPARTURE DATE OF 30 JUNE 2010.

The following number of shares were held by members of the management committee as at 31 December 2011:

Name	Title	Shares held
Roland Junck	Chief Executive Officer	320,269
Greg McMillan	Chief Operating Officer	125,451
Heinz Eigner	Chief Financial Officer	163,461
Russell Murphy	Chief HR & SHE Officer	105,066
Michael Morley	Chief Corporate and Development Officer	96,136

The Company also received notification that Karel Vinck, independent director, holds 5,100 shares.

# 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 Nyrstar Group with respect to the financial year ended on 31 December 2011.

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.

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## 1. Comments to the Financial Statements

Nyrstar's consolidated financial statements as at and for the year ended 31 December 2011 comprise Nyrstar NV (the "Company") and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

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

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

Please refer to the relevant pages in the 2011 Annual Report for the consolidated financial statements.

### 1.1 Overview of activities and finance overview

The Company delivered a strong financial performance in 2011, with a result from operational activities before exceptional items amounting to EUR 122.0 million (compared to EUR 112.4 million in 2010). The Group generated revenue for the 2011 year amounting to EUR 3,347.6 million, an increase of 24% compared to 2010, and recorded a net profit after tax of EUR 36.1 million for the 2011 year (2010 : EUR 72.2 million).

Nyrstar continued to deliver on its growth strategy, focussing selectively on pursuing opportunities in mining, favoring mines that support its existing smelting assets and markets where it has expertise and proven capability. In 2011, Nyrstar acquired Campo Morado Operation (Mexico) in January and the Breakwater Mines, consisting of El Toqui (Chile), El Mochito (Honduras), Myra Falls (Canada) and Langlois (Canada) in August.

The Group's continued focus on improving safety, health and environment led to a further decrease in the Lost Time Injury Rate (LTR) per million hours worked and recordable environmental incidents.

## REPORT OF THE BOARD OF DIRECTORS

### 1.2 Non-financial key-performance indicators

#### Production

	Financial year 2011	Financial year 2010
<b>Mining production</b>		
Zinc in concentrate ('000 tonnes)	207	84
Gold in concentrate ('000 troy ounces)	49.9	5
Silver in concentrate ('000 troy ounces)	3,673	271
Lead in concentrate ('000 tonnes)	7.8	0.7
Copper in concentrate ('000 tonnes)	7.7	0.2
<b>Smelting production</b>		
Zinc metal ('000 tonnes)	1,125	1,076
Lead metal ('000 tonnes)	211	198
Sulphuric acid ('000 tonnes, gross)	1,400	1,444
Silver ('000 troy ounces)	18,563	13,399
Gold ('000 troy ounces)	36	22

Nyrstar achieved record zinc metal production in 2011 of approximately 1,125,000 tonnes, up 5% on 2010 which was the previous record year. Equally important, as Nyrstar focuses on value rather than volume, were record production levels of high-value silver and gold by-products at multi-metals Port Pirie smelter (Australia). Record zinc, silver and gold production is a direct result of Nyrstar's Operational Excellence programme. Having commenced in Q4 2010, operational excellence aligns with Nyrstar strategic priority of achieving excellence in everything we do, by embedding a lean thinking and value focus across Nyrstar's mines and smelters, supported by a continuous KPI driven culture.

Nyrstar's mining segment produced approximately 207,000 tonnes of zinc in concentrate in 2011, up 146% on 2010, achieving the revised production guidance issued in the Second 2011 Interim Management Statement. Equally important was the significant increase in the production of copper, lead, silver and gold across the portfolio of mining assets in 2011. For instance, copper in concentrate production and gold production increased by 39-fold and 11-fold respectively.

#### Safety, health and environment

Nyrstar's recordable injury rate was relatively flat in 2011, with a slight increase of 6% to 13.1 compared to 12.4 in 2010, while the lost time injury further decreased by 7% to 4.3 in 2011, compared to 4.6 in 2010. The recordable injury rate and lost time injury rate at Nyrstar's smelters is currently at record low levels, whilst there has only been a modest increase in both rates in the mining segment despite the acquisition of new mines and the growing mining workforce. Tragically and despite the significant amount of work conducted by Nyrstar to improve safety standards and practices across all operations, two employees were fatally injured in separate incidents at the Coricancha mine in April and August 2011.

As a response to these fatalities, and in conjunction with Nyrstar's commitment to prevent harm within our operations and to achieve world class safety standards, a global underground safety audit was initiated in November. Using external mining safety specialists, in collaboration with internal health and safety managers, an on-the-ground review of practices, policies and procedures is currently in progress and will report to Nyrstar's board and management committee during H1 2012. The goal of this review is to create a safety framework and set in motion activities that will enable Nyrstar to achieve world class underground mining safety standards. Several improvements have already been identified and new standards and actions implemented across our mining operations. As part of this review, a global mining safety manager has been appointed and will be located in the new Vancouver corporate office together with our mining management team.

## REPORT OF THE BOARD OF DIRECTORS

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There were 24 minor recordable environmental incidents in 2011, compared to 27 in 2010. This 11% improvement from 2010 is even more commendable when the acquisition and operation of five new mining operations in 2011 is taken into consideration.

### 1.3 Operating results, financial position and cash flows

The Group recorded a net profit after tax of EUR 36.1 million for the 2011 year. The 2011 profit before tax includes a benefit of EUR 78.4 million from the identification, recovery and sale of the silver bearing material recognised as revenue in the income statement for the period. Revenue for 2011 of EUR 3,347.6 million, 24% higher than 2010. Consequently, gross profit increased by 39% to EUR 1,286.2 million in 2011.

Compared to 2010, employee benefits expense increased by 29% to EUR 339.3 million, energy expenses increased by 13% to EUR 303.6 million, stores and consumables increased by 48% to EUR 152.1 million, and contracting and consulting expenses increased by 76% to EUR 145.8 million. The increase of the operating costs compared to previous year was mainly influenced by the acquisitions by the Group, the ramp-up of the mining activities and the higher production volume.

Restructuring costs of EUR 9.0 million were recognised in 2011 as the Group continued its global organisational restructuring program, with the objective of reducing costs and positioning the Company for a long-term sustainable future.

The Group recorded a net financial expense of EUR 55.5 million, compared to EUR 12.5 million in 2010. This net expense is mainly influenced by higher interest charges on external debt financing and a lower net foreign exchange gain for 2011, compared to 2010.

An income tax expense for the year 2011 of EUR 8.1 million (2010: EUR 16.6 million) was recognised by the Group representing a weighted average effective tax rate of 18%.

The Company capital expenditure in 2011 increased by approximately 56% to approximately EUR 228.7 million.

### 1.4 Liquidity Position and Capital Resources

As at 31 December 2011, cash and cash equivalents were EUR 177.4 million, an increase of EUR 16.8 million from 31 December 2010. Cash flows from operating activities in 2011 generated an inflow of EUR 121.2 million, due to strong sales in the mining and smelting segments in H2 2011. Although there was a sharp decline in zinc, lead and silver prices in Q4 2011, leading to a reduction in the value of metal inventories, there was only a relatively small working capital cash inflow of EUR 21.0 million in 2011 due to the strong sales performance at the end of the year.

Cash outflows from investing activities in 2011 of EUR 890.7 million, mainly relate to the acquisition of Farallon Mining for EUR 280.5 million (net of cash) and Breakwater Resources for EUR 389.5 million (net of cash). These outflows in 2011 compare to EUR 272.1 million in 2010 invested in the acquisition of mines and the Talvivaara streaming agreement. In addition the acquisition of property, plant and equipment and intangible assets was EUR 228.7 million in 2011, compared to 147.0 million in 2010.

Cash inflows from financing activities in 2011 amounted to EUR 775.2 million. Included in this amount are the EUR 474.1 million proceeds (including associated fees) of the rights offering that closed in March 2011, and the EUR 525.0 million (excluding transaction costs) raised in May 2011 with the placement of 5.375% bonds due 2016. As of 31 December 2011, the full amount of Nyrstar's EUR 500 million revolving structured commodity trade finance facility was undrawn (EUR 107 million as of 31 December 2010). During 2011, Nyrstar acquired 6,265,000 shares to hold in treasury, for EUR 52.1 million, in accordance with the Board of Director's authorisation to acquire Nyrstar's own shares, renewed at the Extraordinary General Meeting on 26 May 2009. As at 31 December 2011, Nyrstar held a total of 9,413,138 of the Company's shares (31 December 2010: 3,631,558). These shares are being held with suspended dividend rights, for potential delivery to eligible Nyrstar employees in 2012, 2013 and 2014 to satisfy Nyrstar's outstanding obligations under an Executive Long Term Incentive Plan and Management Committee Co-Investment Plan.



## REPORT OF THE BOARD OF DIRECTORS

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

#### General

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

The Group believes that it is crucial for all directors to be a part of the risk management process, and as such the Board of Directors has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board of Directors as a whole. Each respective sub-committee further examines issues identified and reports back to the Board of Directors.

The Nyrstar integrated Enterprise Risk Management System incorporates the Internal Control System to satisfy the Groups internal control needs and to move towards a fuller risk management process. This Enterprise Risk Management System framework is designed to achieving the Group's objectives set forth in four categories:

- Strategic – high-level goals, aligned with and supporting the Group's mission
- Operations – effective and efficient use of its resources
- Reporting – reliability of reporting
- Compliance – compliance with applicable laws, regulations and licenses

#### Components of the integrated Enterprise Risk Management System

The Enterprise Risk Management System comprises of eight components derived from the way management runs the business and are integrated in the management process:

##### 1. Internal Environment

The internal environment includes the tone of the organization, and sets the basis for how risk is viewed and addressed by Nyrstar's people, including risk management philosophy, risk appetite, integrity, ethical values and the environment in which Nyrstar operates.

##### 2. Objective Setting

Objectives are set by management. The Enterprise Risk Management System ensures that management has a process in place to set objectives which support and align with the Group's mission. In addition these objectives are consistent with the Group's risk appetite to ensure potential events affecting their achievement will be managed proactively.

##### 3. Event Identification

Based on continuous monitoring of the macro and micro environment of the business, management and the Board of Directors identify internal and external events affecting the achievement of the Groups objectives. This process distinguishes between risks and opportunities. Opportunities are channeled back to management's strategy or objective setting process, risks are included in the Enterprise Risk Management System.

##### 4. Risk Assessment

Risks are analyzed, considering likelihood and consequence, as a basis for determining how they should be managed. Risks are assessed on an inherent and a residual basis.

##### 5. Risk Response

In responding to risks the Group considers avoiding, accepting, reducing or sharing risk, based on a set of actions to align risks with the Group's risk tolerance and risk appetite.

##### 6. Control Activities

Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.

## REPORT OF THE BOARD OF DIRECTORS

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### *7. Information, communication and financial reporting systems*

Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities.

### *8. Monitoring*

The entire Enterprise Risk Management System is monitored on a regular basis and modifications are made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.

## Internal Environment and Objective Setting

The following key elements and procedures have been established to provide an effective Enterprise Risk Management and Internal Control System:

### 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.

### Policies and procedures

The Group has established internal policies and procedures at the corporate office, which 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. The general and company specific accounting principles, guidelines and instructions are summarized in the Group accounting policies available on the Nyrstar intranet-sites. The Group Standard for Risk Management is also available in the intranet.

### 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 the strictest ethical standards and principles. The Code of Business Conduct is available on [www.nyrstar.com](http://www.nyrstar.com) and sets out principles how to conduct business and behave in respect of:

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

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

### Whistleblowing

Nyrstar also has a whistleblower procedure in place, allowing staff to confidentially raise concerns about any irregularities in financial reporting, possible fraudulent actions, bribery and other areas.

## REPORT OF THE BOARD OF DIRECTORS

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### Event Identification and Risk Assessment

The Group believes that Risk Management is a fundamental element of corporate governance. The Group's Risk Management Policy and the Internal Control System, as approved by the Board of Directors, have been designed to identify and manage business risks that are critical to the achievement of Nyrstar's business objectives, operational, financial reporting and compliance requirements. The internal control systems have been designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement in the financial statements.

Starting from clear strategic objectives as approved by the Board of Directors, management conducts a regular risk assessment of critical risks Nyrstar is exposed to. Management assesses on a gross basis, i.e. without considering any mitigating actions and controls a potential consequence of the risk to Nyrstar and the likelihood that the risk may eventuate. Based on mitigating actions and controls in place management performs a net risk assessment to ensure risks are reduced to an acceptable level according to the Group's risk appetite. This creates an understanding of the risks faced in relation to both the internal and external environment, and allows the Board of Directors to determine Nyrstar's overall tolerance to risk. The identification, evaluation and management of critical risks for the Group is an ongoing process. This relates, especially to critical risks around the integration of newly acquired subsidiaries or new activities of the Group. Nyrstar maintains a global Enterprise Risk Information Management System including all identified risk which is up-dated on a regular basis. This enables the Group to actively monitor and communicate any changes related to the Group's risk environment.

### Risk response and Control Activities

Management has established mitigating actions or controls to ensure risks are managed and reduced to the Group's accepted risk appetite. In addition various management committees are established that address various risks Nyrstar is exposed to:

#### Treasury committee

Treasury Committee comprises of the Chief Financial Officer, the Group Treasurer and the Group Controller. The role of the Treasury Committee is to recommend to the CEO and to the Board of Directors amendments to the treasury policy. This considers all treasury transactions being reviewed before they are recommended to the CEO for review and approval by the Board of Directors. Explicitly this includes preparations for the following CEO and Board of Directors approvals:

- To approve treasury strategies and activities, as recommended by the Group Treasurer, within the constraints of the policy;
- to periodically review treasury operations and activities, approve the use of new financial instrument types and techniques for managing financial exposures;
- to approve the list of authorized counterparties for foreign exchange and money market transactions;
- to approve the use of payment term extensions and cash discounts on commercial contracts that would go beyond standard business conditions; and
- to approve the list of bank relationships.

The Treasury Committee meets at least quarterly.

#### Risk Management Committee

Nyrstar's Risk Management Committee establishes policies and procedures how Nyrstar manages its exposure to the commodity prices and foreign exchange rates. Nyrstar actively and systematically endeavors to minimize any impact on its income statement from metal price changes and foreign exchange movements.

## REPORT OF THE BOARD OF DIRECTORS

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### Internal Audit

Internal audit is an important element in the overall process of evaluating the effectiveness of the internal control and Enterprise Risk Management Systems. 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 with the execution of the internal audits being performed by outsourced service providers. The audit committee supervises the internal audit function.

### Information, communication and financial reporting systems

The key elements and procedures that have been established in relation to the financial reporting process include Nyrstar's comprehensive planning process that encompasses detailed operational budgets for the period ahead. The Board of Directors reviews and approves the annual budget. The budget is prepared on the basis of consistent economic assumptions determined by Nyrstar's management. Performance is monitored and relevant action is taken throughout the year. This includes 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.

### Monitoring

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 Company is being exposed to unacceptable levels of risk and actively encourages all Nyrstar employees to communicate freely risks and opportunities identified.

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, which include strategic, financial, operational and compliance controls. The audit committee assists the Board of Directors in this assessment. The audit committee reviews at least once a year the effectiveness of the Internal Control and Enterprise Risk Management Systems implemented and reported by management. This includes considering the regular reports from management on key risks, mitigating actions, internal controls and management representations. Furthermore this includes the reports on risk management and internal controls from the internal audit function, the external auditors and other assurance providers that may be assisting the Company.

The audit committee also reviews the declarations relating to internal supervision and risk management included in the annual report of the Company. Last but not least 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., whistleblower 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. On an annual basis the Group publishes a Sustainability Report that addresses health and safety, environmental and people issues that Nyrstar focuses on.



## REPORT OF THE BOARD OF DIRECTORS

### 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:

#### FINANCIAL RISKS

Description	Impact	Mitigation
<b>Commodity price risk</b>  Nyrstar's results are largely dependent on the market prices of commodities and raw materials, which are cyclical and volatile.	Profitability will vary with the volatility of metals prices.	Nyrstar currently engages only in transactional hedging which means that it will undertake short-term hedging transactions to cover the timing risk between raw material purchases and sales of metal and to cover its exposure on fixed-price forward sales of metal to customers.
<b>Forward price risk</b>  Nyrstar is exposed to the shape of the forward price curve for underlying metal prices.	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.	Nyrstar currently engages only in transactional hedging which means that it will undertake short-term hedging transactions to cover the timing risk between raw material purchases and sales of metal and to cover its exposure on fixed-price forward sales of metal to customers.
<b>Foreign Currency Exchange rate risk</b>  Nyrstar is exposed to the effects of exchange rate fluctuations.	Movement of the U.S. Dollar, the Australian Dollar, Canadian Dollar, Swiss Franc, the Peruvian Sol, the Mexican Peso or other currencies in which Nyrstar's costs are denominated against the Euro could adversely affect Nyrstar's profitability and financial position.	Nyrstar has not entered and does not currently intend to enter into transactions that seek to hedge or mitigate its exposure to exchange rate fluctuations, other than short-term hedging transactions to cover the timing risk between concentrate purchases and sales of metal and to cover its exposure on fixed-price forward sales of metal to customers.
<b>Interest rate risk &amp; leverage risk</b>  Nyrstar is exposed to interest rate risk primarily on loans and borrowings.  Nyrstar is exposed to risks inherent with higher leverage and compliance with debt covenants.	Changes in interest rates may impact primary loans and borrowings by changing the levels of required interest payments.  Nyrstar's indebtedness has recently increased significantly in order to finance its expansion into mining and is now subject to risks inherent with higher leverage and compliance with debt covenants. Breaches in debt covenants will jeopardize the financing structure of Nyrstar.	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. Debt covenants and required head room are monitored by Nyrstar on an on-going basis.

## REPORT OF THE BOARD OF DIRECTORS

### FINANCIAL RISKS

Description	Impact	Mitigation
<p><b>Credit risk</b></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, approval procedures, continuous monitoring of the credit exposure and dunning procedure in case of delays.</p>
<p><b>Liquidity risk</b></p> <p>Nyrstar requires a significant amount of cash to finance its debt, and fund its acquisitions, 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>Liquidity is negatively impacted and this may have a material adverse effect on the funding of operations, capital investments, the growth strategy and the financial condition of the company.</p>	<p>Liquidity risk is addressed by maintaining, what management considers to be, a sufficient degree of diversification of funding sources. Nyrstar has strong balance sheet as of 31 December 2011.</p>
<p><b>Treatment charge (TC) risk</b></p> <p>Despite its further integration into mining, 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 Nyrstar's implementation of its strategy of selectively integrating its smelting business by expanding into mining.</p>
<p><b>Energy price risk</b></p> <p>Nyrstar's operating sites 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>

## REPORT OF THE BOARD OF DIRECTORS

### OPERATIONAL RISKS

Description	Impact	Mitigation
<p><b>Operational risks</b></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; community outrages, strikes, workforce limitations, technical failures, fires, explosions and other accidents; delays and other problems in major investment projects (such as the ramping-up of mining assets).</p>	<p>Nyrstar's business could be adversely affected if Nyrstar fails to obtain, maintain or renew necessary licenses and permits, or fails to comply with the terms of its licenses or permits.</p> <p>The impact of these risks could result in damage to, or destruction of, properties or processing or production facilities, may reduce or cause production to cease at those properties or production facilities. The risks may further result in personal injury or death, environmental damage, business interruption, monetary losses and possible legal litigation and liability. Negative publicity, including that generated by non governmental bodies, may further harm Nyrstar's operations.</p> <p>Nyrstar may become subject to liability against which Nyrstar has not insured or cannot insure, including those in respect of past activities. Should Nyrstar suffer a major uninsured loss, future earnings could be materially adversely affected.</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 with respect to its smelters), operational and product liability, marine stock and transit and directors' and officers' liability.</p>
<p><b>Supply risk</b></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. In addition Nyrstar's mining and smelting operations in developing or emerging countries are depending on reliable energy supply.</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. These steps include Nyrstar's vertical integration into mining, its entry into off-take agreements with new mines that are due to commence production over the next several years, and its continuation of existing supply contracts.</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>

## REPORT OF THE BOARD OF DIRECTORS

### OPERATIONAL RISKS

Description	Impact	Mitigation
<p><b>Environmental, health &amp; safety risks</b></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><b>International operations risk</b></p> <p>Nyrstar's mining and smelting operations are located in jurisdictions, including developing countries and emerging markets 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, war, terrorism, kidnappings, civil disturbances and activities of governments which limit or disrupt markets and restrict the movement of funds or suppliers. 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><b>Reserves and resource risk</b></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 properties containing economically recoverable reserves.</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 engages the services of independent experts to ascertain and verify the quantum of reserves and resources including ore grade and other geological characteristics.</p>
<p><b>Acquisition risk</b></p> <p>Nyrstar's growth strategy relies in part on acquisitions, which involve risks.</p>	<p>Recent and future acquisitions, mergers or strategic alliances may affect Nyrstar's financial condition. In addition, the integration of acquired businesses involves several risks.</p>	<p>Nyrstar focuses on selectively pursuing opportunities in mining, favouring mines that support its smelting assets and where it has expertise and proven capabilities. Nyrstar carries out a due diligence review prior to doing acquisition as well as post acquisition reviews after or during integration of the acquired assets.</p>



## REPORT OF THE BOARD OF DIRECTORS

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### 3. Important events which occurred after the end of the financial year

Please refer to note 40 (subsequent events) in the IFRS Financial Statements.

### 4. Information regarding the circumstances that could significantly affect the development of the Group

No information regarding the circumstances that could significantly affect the development of the Company are to be mentioned.

The principal risks and uncertainties facing the Group are covered in section 2 of this report.

### 5. Research and development

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

### 6. Financial risks and information regarding the use by the company of financial instruments to the extent relevant for the evaluation of its assets, liabilities, financial position and results.

Please refer to note 3 (Significant accounting policies) and note 33 (Financial instruments) in the IFRS Financial Statements.

## REPORT OF THE BOARD OF DIRECTORS

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### 7. Information provided in accordance with Article 523 and 524 of the Belgian Company Code

Directors are expected to arrange their personal and business affairs so as to avoid conflicts of interest with the Company. Any director with a conflicting financial interest (as contemplated by Article 523 of the Belgian Companies Code) on any matter before the board of directors must bring it to the attention of both the statutory auditor and fellow directors, and take no part in any deliberations or voting related thereto. Provision 1.4 of the corporate governance charter sets out the procedure for transactions between Nyrstar and the directors which are not covered by the legal provisions on conflicts of interest. Provision 3.2.4 of the corporate governance charter contains a similar procedure for transactions between Nyrstar and members of the management committee (other than the chief executive officer).

The provisions of Article 523 of the Belgian Companies Code have been complied with in relation to the changes to the services agreement to be entered into between Mr Junck and the Company effective 1 January 2012 at the board meeting dated 6 December 2011 as set out below:

Prior to the deliberation and approval of the changes to the services agreement to be entered into between Mr Junck and the Company comprising (i) a 10% annual base salary increase and (ii) an increase of the maximum opportunity under the AIP from 100% to 150% of the annual base salary, subject to performance, to be delivered in Company's shares, deferred for twelve months (the "**Revised Services Agreement**"), Mr Junck explained that pursuant to the Revised Services Agreement effective 1 January 2012 he has an interest of a financial nature that could be in conflict with the proposed approval by the Board of the Revised Services Agreement under Article 523 of the Belgian Company Code. Mr Junck further stated that he believed that the terms of the proposed Revised Services Agreement are not unusual or uncustomary, especially within the context of listed companies in the global resource market. Mr Junck also stated that he would advise the Company's Statutory Auditor of the potential conflict of interest.

Subsequently, Mr Junck left the meeting of the Board so as not to take part in the further deliberation and decision relating to the Revised Services Agreement to be entered into with him.

The remaining directors of the Board noted Mr Junck's declaration and subsequently, in accordance with Article 523 of the Belgian Company Code, proceeded with the deliberations on this declaration. The Board noted that the purpose of the Revised Services Agreement is to ensure continued competitiveness within the global resources market. In order to attract and retain qualified individuals, the Board believed it is reasonable and necessary for the Company to reward executive talent for successfully transitioning the Company from a predominantly smelting company to a truly global integrated resources organisation and to retain executive talent that become increasingly attractive to global competitors. In addition, the Board noted the Revised Services Agreement is consistent with market practice as evidenced by the objective data from three independent, globally recognised executive benchmarking organisations. Accordingly the Board deemed the Revised Services Agreement to be in the interest of the Company.

Following discussion, the Board (with the exclusion of Mr Junck) **RESOLVED** that the Revised Services Agreement be **APPROVED**.

There is no information regarding a conflict of interest in accordance with article 524 of the Belgian Company Code.

### 8. Audit Committee

The audit committee consists of three non-executive members of the board, all of which are independent members. 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 his current role as Chief Financial Officer of the Belgacom and his previous roles as Chief Financial Officer in Matav and Ameritech International.

## REPORT OF THE BOARD OF DIRECTORS

### 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 November 14, 2007:


- (i) The share capital of the Company amounts to EUR 425,056,360 and is fully paid-up. It is represented by 170,022,544 shares, each representing a fractional value of EUR 2.50 or one 170,022,544th 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) All awards granted to employees under the Nyrstar Employee Share Acquisition Plan will vest immediately in the event of a change of control of the Company. The awards granted to employees under the Nyrstar Long Term Incentive Plan and Co-Investment Plan will vest upon determination by the Nomination and Remuneration Committee.
- (v) Each shareholder of Nyrstar is entitled to one vote per share. Voting rights may be suspended as provided in the Company's articles of association and the applicable laws and articles.
- (vi) There are no agreements between shareholders which are known by the Company and may result in restrictions on the transfer of securities and/or the exercise of voting rights.
- (vii) The rules governing appointment and replacement of board members and amendment to articles of association are set out in the Company's articles of association and the Company's corporate governance charter.
- (viii) The powers of the board of directors, more specifically with regard to the power to issue or redeem shares are set out in the Company's articles of association. The board of directors was not granted the authorization to purchase its own shares "to avoid imminent and serious danger to the Company" (i.e., to defend against public takeover bids). The Company's articles of association do not provide for any other specific protective mechanisms against public takeover bids.
- (ix) 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 either 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:
  - Nyrstar's Revolving Structured Commodity Trade Finance Credit Facility;
  - 7% senior unsecured convertible bonds due 2014;
  - 5.5% senior unsecured fixed rate non-convertible bonds due 2015;
  - 5.3% senior unsecured fixed rate non-convertible bonds due 2016;
  - Nyrstar's (uncommitted) multi-currency CHF 50 million bilateral credit facility with Credit Suisse AG
  - Nyrstar's off-take agreement with the Glencore Group; and
  - Nyrstar's streaming agreement with Talvivaara Sotkamo Limited.
- (x) The CEO is currently entitled to a 12-month salary payment in case his employment is terminated upon a change of control of the Company.

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 22 February 2012.

On behalf of the Board of Directors,

  
**Roland Junck**  
Director

  
**Ray Stewart**  
Director

# Statement of Responsibility




## STATEMENT OF RESPONSIBILITY

The undersigned, Roland Junck, Chief Executive Officer and Heinz Eigner, Chief Financial Officer, declare that, to the best of their knowledge, the consolidated financial statements for the year ended 31 December 2011, which has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of Nyrstar NV and the entities included in the consolidation, and that the consolidated management report includes a true and fair overview of the development and the performance of the business and of the position of Nyrstar NV, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

Brussels, 22 February 2012



**Roland Junck**  
Chief Executive Officer



**Heinz Eigner**  
Chief Financial Officer



# Consolidated Financial Statements

For the year ended 31 December 2011

## CONSOLIDATED INCOME STATEMENT

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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	Dec 31, 2011	Dec 31, 2010 <sup>(a)</sup>
Property, plant and equipment	14	1,716.7	759.2
Intangible assets	15	166.4	18.7
Investments in equity accounted investees	16	47.9	50.9
Investments in equity securities	17	32.1	9.8
Zinc purchase interest	18	249.2	247.3
Deferred income tax assets	19	56.1	13.5
Other financial assets	20	41.4	23.7
Other assets	22	0.1	-
<b>Total non-current assets</b>		<b>2,309.9</b>	<b>1,123.1</b>
Inventories	21	569.9	556.6
Trade and other receivables	23	313.9	209.6
Prepayments		22.8	9.5
Current income tax assets		4.6	7.2
Other assets	22	15.3	-
Other financial assets	20	52.3	36.8
Cash and cash equivalents	24	177.4	160.6
<b>Total current assets</b>		<b>1,156.2</b>	<b>980.3</b>
<b>Total assets</b>		<b>3,466.1</b>	<b>2,103.4</b>
Share capital and share premium	25	1,704.1	1,255.4
Reserves	25	(184.9)	(258.3)
Accumulated losses		(204.8)	(169.0)
<b>Total equity attributable to equity holders of the parent</b>		<b>1,314.4</b>	<b>828.1</b>
Non-controlling interest		4.3	4.2
<b>Total equity</b>		<b>1,318.7</b>	<b>832.3</b>

EUR million	Note	Dec 31, 2011	Dec 31, 2010 <sup>(a)</sup>
Loans and borrowings	26	864.4	443.4
Deferred income tax liabilities	19	225.9	54.0
Provisions	27	176.6	115.3
Employee benefits	28	75.1	52.2
Other financial liabilities	20	0.1	-
Other liabilities	22	47.4	12.1
<b>Total non-current liabilities</b>		<b>1,389.5</b>	<b>677.0</b>
Trade and other payables	29	416.4	314.0
Current income tax liabilities		40.0	13.9
Loans and borrowings	26	31.3	13.4
Provisions	27	32.1	43.3
Employee benefits	28	52.2	44.7
Other financial liabilities	20	38.6	30.2
Deferred income	30	127.4	107.0
Other liabilities	22	19.9	27.6
<b>Total current liabilities</b>		<b>757.9</b>	<b>594.1</b>
<b>Total liabilities</b>		<b>2,147.4</b>	<b>1,271.1</b>
<b>Total equity and liabilities</b>		<b>3,466.1</b>	<b>2,103.4</b>

(A) ADJUSTED FOR REVISIONS TO THE PROVISIONAL ACCOUNTING FOR THE ACQUISITION OF THE CONTONGA AND PUCARRAJA MINES (NOTE 8).

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# Notes to the Consolidated Financial Statements

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1 Reporting entity

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

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

### 2 Basis of preparation

#### (a) Statement of compliance

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

#### (b) Basis of measurement

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

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

#### (c) Reporting period

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

#### (d) Functional and presentational currency

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

#### (e) Use of estimates and judgements

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (f) Standards, amendments and interpretations

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

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

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

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

## 3 Significant accounting policies

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

### (a) Basis of consolidation

#### Subsidiaries

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

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

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

#### Investments in associates and jointly controlled entities

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

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

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### [Non-controlling interests](#)

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

### [Transactions eliminated on consolidation](#)

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

### [\(b\) Foreign currency](#)

#### [Foreign currency transactions](#)

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

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

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

#### [Foreign operations](#)

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

- Assets and liabilities are translated at the closing exchange rate at the end of the financial period;
- Income and expenses are translated at rates approximating the exchange rates ruling at the dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of equity.

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

### [\(c\) Financial instruments](#)

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

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

Hedge accounting requires the relationship between the hedging instrument and the underlying hedged item, as well as the risk management objective and strategy for undertaking the hedging transaction to be

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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documented at the inception of the hedge. Furthermore, throughout the life of the hedge, the derivative is tested (with results documented) to determine if the hedge has been or will continue to be highly effective in offsetting changes in the fair value or cash flows associated with the underlying hedged item.

### [Fair value hedges](#)

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

### [Cash flow hedges](#)

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

### [Derivatives that do not qualify for hedge accounting](#)

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

## [\(d\) Property, plant and equipment](#)

### [Recognition and measurement](#)

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

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

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

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

### [Depreciation](#)

#### [STRAIGHT-LINE BASIS](#)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### UNIT OF PRODUCTION BASIS

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

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

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

### Assets under construction

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

### Mineral properties and mine development costs

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

### Major cyclical maintenance expenditure

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

### (e) Intangible assets

#### Goodwill

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

### Research and development costs

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

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

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

### Exploration and evaluation assets

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### [Other intangible assets](#)

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

- Concessions, patents, licenses: are amortised over the period of their legal protection;
- Software and related internal development costs: are typically amortised over a period of five years;
- CO<sub>2</sub> emission rights: are amortised over the period of the granted emission right, based on the usage of the emission rights. Furthermore the rights can be impaired to the prevailing lower market price; and
- Land use rights: are typically amortised over the contractual period.

### [Subsequent expenditure](#)

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

### [\(f\) Leased assets](#)

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

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

### [\(g\) Investments in equity securities](#)

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

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

### [\(h\) Inventories](#)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (i) Impairment

#### Financial assets

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

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

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

All impairment losses are recognised in the income statement.

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

#### Non-financial assets

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

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

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

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

### (j) Employee benefits

#### Short term benefits

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### [Long-term employee benefits other than pension plans](#)

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

### [Defined contribution plans](#)

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

### [Defined benefit plans](#)

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

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

### [Employee bonuses](#)

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

### [Termination benefits](#)

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

### [Share-based payment compensation](#)

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (k) Provisions

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

#### Workers' compensation

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

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

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

#### Restoration obligations

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

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

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

#### Restructuring

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (l) Compound financial instruments

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

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

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

### (m) Revenue

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

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

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

### (n) Finance income and expense

Finance income includes:

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

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

Finance costs include:

- Interest on short-term and long-term borrowings;
- Amortisation of discounts or premiums relating to borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- Finance lease charges; and
- The impact of the unwind of discount on long-term provisions for restoration and workers' compensation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

### (o) Income tax

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

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

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

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

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

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

### (p) Cash and cash equivalents

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

### (q) Trade and other payables

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (r) Deferred income

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

### (s) Trade receivables

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

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

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

### (t) Share capital

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

### (u) Earnings per share

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

### (v) Segment reporting

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

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

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

### (w) Treasury shares

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

### (x) Zinc purchase interests

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (y) Borrowings

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

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

### (z) Exceptional items

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

### (aa) Comparatives

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

## 4 Critical accounting estimates and judgements

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

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

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

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

### Determination of fair values in business combination

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

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

### Determination of ore reserves and resources estimates

Estimated recoverable reserves and resources are used to determine the depreciation of mine production assets, in accounting for deferred costs and in performing impairment testing. Estimates are prepared

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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by appropriately qualified persons, but will be impacted by forecast commodity prices, exchange rates, production costs and recoveries amongst other factors. Changes in assumptions will impact the carrying value of assets and depreciation and impairment charges recorded in the income statement.

### [Restoration obligations](#)

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

### [Retirement benefit obligations](#)

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

### [Impairment of assets](#)

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

### [Recovery of deferred tax assets](#)

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

## 5 Financial risk management

### [\(a\) Overview](#)

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

#### Trade and other receivables

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

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

#### Guarantees

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

### **(c) Liquidity risk**

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

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

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

#### Commodity price risk

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

#### Foreign Currency Exchange Risk

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (e) Interest rate risk

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

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

### (f) Capital management

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

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

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

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

## 6 Exchange rates

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 Segment reporting

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

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

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

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

EUR million	Mining	Smelting	Other and eliminations	Total 2011
Revenue from external customers	229.6	3,096.4	21.6	<b>3,347.6</b>
Inter-segment revenue	128.4	-	(128.4)	-
<b>Total segment revenue</b>	<b>358.0</b>	<b>3,096.4</b>	<b>(106.8)</b>	<b>3,347.6</b>
Raw materials used	-	(2,109.6)	109.0	<b>(2,000.6)</b>
Freight expense	(13.0)	(50.1)	2.3	<b>(60.8)</b>
<b>Gross profit</b>	<b>345.0</b>	<b>936.7</b>	<b>4.5</b>	<b>1,286.2</b>
Employee benefits expense	(76.7)	(201.5)	(61.1)	<b>(339.3)</b>
Energy expenses	(28.6)	(273.9)	(1.1)	<b>(303.6)</b>
Other income / (expenses)	(167.7)	(222.9)	14.5	<b>(376.1)</b>
Depreciation, amortisation and depletion	(74.0)	(66.4)	(4.8)	<b>(145.2)</b>
<b>Result from operating activities before exceptional items</b>	<b>(2.0)</b>	<b>172.0</b>	<b>(48.0)</b>	<b>122.0</b>
M&A related transaction expense				(14.6)
Restructuring expense				(9.0)
Impairment loss				-
<b>Result from operating activities</b>				<b>98.4</b>
Finance income				5.2
Finance expense				(66.3)
Net foreign exchange gain				5.6
<b>Net finance expense</b>				<b>(55.5)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Share of profit of equity accounted investees	1.3
<b>Profit before income tax</b>	<b>44.2</b>
Income tax expense	(8.1)
<b>Profit for the period</b>	<b>36.1</b>

Capital expenditure	(103.5)	(111.7)	(13.5)	<b>(228.7)</b>
Total assets	1,463.8	1,812.0	190.3	<b>3,466.1</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Geographical information

#### (a) Revenues from external customers

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

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

#### (b) Non-current assets

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Acquisition of business

#### Acquisitions in 2011

##### Acquisition of subsidiary: Breakwater Resources Ltd

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

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

EUR million	Recognised fair values at acquisition
Property, plant and equipment	433.5
Intangible assets	6.5
Deferred income tax assets	18.2
Inventories	55.0
Trade receivables	12.8
Cash and cash equivalents	53.8
Other financial assets	0.8
Investments in equity securities	23.1
Provisions	(69.8)
Employee benefits	(17.8)
Loans and borrowings	(7.3)
Deferred income tax liabilities	(96.1)
Trade and other payables	(23.8)
<b>Net identifiable assets and liabilities</b>	<b>388.9</b>
Goodwill on acquisition	54.4
<b>Total</b>	<b>443.3</b>
Consideration	
Consideration paid, satisfied in cash	442.2
Hedge loss	1.1
Cash acquired	(53.8)
<b>Net cash outflow</b>	<b>389.5</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Acquisition of subsidiary: Farallon Mining Limited

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

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

EUR million	Provisional fair values on acquisition as previously reported	Fair value adjustments	Fair values on acquisition
Property, plant and equipment	372.0	5.0	377.0
Inventories	11.3	(1.6)	9.7
Trade receivables	7.0	-	7.0
Deferred income tax assets	10.3	-	10.3
Cash and cash equivalents	15.9	-	15.9
Other current assets	2.4	-	2.4
Provisions	(3.1)	(3.4)	(6.5)
Other non-current liabilities	(78.9)	-	(78.9)
Loans and borrowings	(23.8)	-	(23.8)
Deferred income tax liabilities	(74.4)	-	(74.4)
Trade and other payables	(13.2)	-	(13.2)
<b>Net identifiable assets and liabilities</b>	<b>225.5</b>	<b>-</b>	<b>225.5</b>
Goodwill on acquisition	70.9	-	70.9
<b>Total</b>	<b>296.4</b>	<b>-</b>	<b>296.4</b>
Consideration			
Consideration paid, satisfied in cash			299.7
Hedge gain			(3.3)
Cash acquired			(15.9)
<b>Net cash outflow</b>			<b>280.5</b>

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 January 2011. The goodwill balance is a result of the recognised deferred taxes which solely relate to the total fair value adjustments on net assets within the acquisition accounting.

### Acquisitions in 2010

#### Acquisition of Contonga and Pucarrajo mines

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

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

EUR million	Provisional fair values on acquisition as previously reported	Fair value adjustments	Fair values on acquisition
Property, plant and equipment	47.7	0.4	48.1
Inventories	2.1	-	2.1
Trade receivables	4.3	-	4.3
Other current assets	3.8	-	3.8
Deferred tax asset	0.6	-	0.6
Cash and cash equivalents	0.1	-	0.1
Provisions	(16.9)	(0.6)	(17.5)
Loans and borrowings	(4.1)	-	(4.1)
Deferred tax liabilities	(7.0)	0.2	(6.8)
Trade and other payables	(11.8)	-	(11.8)
<b>Net identifiable assets and liabilities</b>	<b>18.8</b>	<b>-</b>	<b>18.8</b>
Goodwill on acquisition	7.0	-	7.0
<b>Total</b>	<b>25.8</b>	<b>-</b>	<b>25.8</b>
Consideration:			
Consideration paid, satisfied in cash	25.8		25.8
Cash acquired	0.1		0.1
<b>Net cash outflow</b>	<b>25.7</b>		<b>25.7</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 M&A related transaction expenses

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

### 10 Employee benefits expense

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

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

### 11 Finance income and expense

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 Income tax expense

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

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

#### (b) Reconciliation of effective tax rate

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

### 13 Other expense

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

### 14 Property, plant and equipment

EUR million	Note	Land and buildings	Plant and equipment	Mining properties and development	Under construction	Cyclical maintenance and other	Total
Cost or deemed cost		169.9	1,539.0	759.4	147.1	157.8	2,773.2
Accumulated depreciation and impairment		(45.8)	(833.6)	(77.6)	-	(99.5)	(1,056.5)
<b>Carrying amounts</b>		<b>124.1</b>	<b>705.4</b>	<b>681.8</b>	<b>147.1</b>	<b>58.3</b>	<b>1,716.7</b>

#### Reconciliation of carrying amounts:

As at 1 January 2011		78.3	454.0	129.6	61.4	35.9	759.2
Acquired in business combination	8	27.6	185.8	541.1	29.9	26.1	810.5
Additions		3.2	75.5	31.4	91.9	13.8	215.8
Transfers		14.9	56.1	(30.8)	(39.1)	4.4	5.5
Disposals		(0.1)	(1.2)	-	(0.5)	(0.1)	(1.9)
Depreciation expense		(3.9)	(72.8)	(35.9)	-	(22.8)	(135.4)
Currency translation effects		4.1	8.0	46.4	3.5	1.0	63.0
<b>As at 31 December 2011</b>		<b>124.1</b>	<b>705.4</b>	<b>681.8</b>	<b>147.1</b>	<b>58.3</b>	<b>1,716.7</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	Note	Land and buildings	Plant and equipment	Mining properties and development	Under construction	Cyclical maintenance and other	Total
Cost or deemed cost		90.7	858.6	136.8	61.4	102.9	1,250.4
Accumulated depreciation and impairment	(12.4)	(404.6)	(7.2)	-	(67.0)	(491.2)	
<b>Carrying amounts</b>		<b>78.3</b>	<b>454.0</b>	<b>129.6</b>	<b>61.4</b>	<b>35.9</b>	<b>759.2</b>

### Reconciliation of carrying amounts:

As at 1 January 2010		70.3	423.3	62.5	45.3	9.9	611.3
Acquired in business combination	8	-	5.8	41.6	-	0.7	48.1
Additions		2.8	37.0	27.3	53.3	24.9	145.3
Transfers		4.8	11.1	10.7	(37.7)	11.2	0.1
Disposals		(2.5)	(0.1)	-	(1.8)	(0.1)	(4.5)
Depreciation expense		(2.4)	(52.2)	(11.0)	-	(9.7)	(75.3)
Impairment		-	-	-	-	(0.9)	(0.9)
Currency translation effects		5.3	29.1	(1.5)	2.3	(0.1)	35.1
<b>As at 31 December 2010</b>		<b>78.3</b>	<b>454.0</b>	<b>129.6</b>	<b>61.4</b>	<b>35.9</b>	<b>759.2</b>

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

### Impairment

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

## 15 Intangible assets

EUR million	Note	Goodwill	Exploration & evaluation <sup>(a)</sup>	Emission rights	Software and other	Total
Cost or deemed cost		143.7	11.5	4.0	24.1	183.3
Accumulated amortisation and impairment		-	(0.8)	(3.4)	(12.7)	(16.9)
<b>Carrying amounts</b>		<b>143.7</b>	<b>10.7</b>	<b>0.6</b>	<b>11.4</b>	<b>166.4</b>

### Reconciliation of carrying amounts:

As at 1 January 2011		12.1	-	3.0	3.6	18.7
Additions		-	4.4	-	8.5	12.9
Acquired in business combination	8	125.3	5.5	-	1.0	131.8
Transfers		-	0.1	(1.4)	0.1	(1.2)
Amortisation expense		-	-	(1.0)	(2.0)	(3.0)
Currency translation effects		6.3	0.7	-	0.2	7.2
<b>As at 31 December 2011</b>		<b>143.7</b>	<b>10.7</b>	<b>0.6</b>	<b>11.4</b>	<b>166.4</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(A) EXPLORATION AND EVALUATION: USEFUL LIFE NOT DETERMINED UNTIL TRANSFERRED TO PROPERTY, PLANT AND EQUIPMENT

### Goodwill

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

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

EUR million	Dec 31, 2011	Dec 31, 2010
Coricancha	5.1	5.1
Huallanca Mines	7.0	7.0
Campo Morado	72.5	-
El Toqui	10.9	-
El Mochito	8.8	-
Myra Falls	4.9	-
Langlois	34.5	-
<b>Total Goodwill</b>	<b>143.7</b>	<b>12.1</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The key assumptions used in the FVLCS calculations are:

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

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 Investments in equity accounted investees

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 Investments in equity securities

#### Investment in Herencia Resources Plc

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

#### Investment in Exeltium SAS

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

#### Ironbark Zinc Limited

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

#### Qualified Environmental Trust

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

#### Other investments

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

### 19 Deferred tax assets and liabilities

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

#### Recognised deferred income tax assets and liabilities

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Unrecognised deferred tax assets

Expiration of tax effected unrecognised temporary differences and tax losses

EUR million	Dec 31, 2011	Dec 31, 2010
Deductible temporary differences	42.5	90.4
Tax losses	153.4	90.8
<b>Total unrecognised deferred tax assets</b>	<b>195.9</b>	<b>181.2</b>

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

## 20 Other financial assets and liabilities

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

### (b) Embedded derivatives

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

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

### (c) Deferred debt issuance cost

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

### (d) Restricted cash

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

## 21 Inventories

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Other assets and liabilities

EUR million	Dec 31, 2011	Dec 31, 2010
Fair value of underlying hedged risk - current	15.3	-
Fair value of underlying hedged risk - non-current	0.1	-
<b>Total other assets</b>	<b>15.4</b>	<b>-</b>
Fair value of underlying hedged risk - current	-	27.6
Fair value of underlying hedged risk - non-current	-	12.1
Commodity deliver obligation - current	19.9	-
Commodity deliver obligation - non-current	47.4	-
<b>Total other liabilities</b>	<b>67.3</b>	<b>39.7</b>

#### (a) Other assets

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

#### (b) Other liabilities

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

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

### 23 Trade and other receivables

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Cash and cash equivalents

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

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

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

### 25 Capital and reserves

#### Share capital and share premium

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

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

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

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

#### Distribution to shareholders (capital decrease)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Reconciliation of movement in reserves

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

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

#### (a) Treasury shares

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

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

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

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

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

#### (b) Translation reserve

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

#### (c) Reverse acquisition reserve

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

#### (d) Cash flow hedge reserve

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (e) Convertible bond

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

### (f) Investments in equity securities

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 Loans and borrowings

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

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

#### Convertible bonds

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

EUR million

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

### SCTF credit facility

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Fixed rate bonds

In March 2010, the Company completed a EUR 225 million public offering of 5.5 % fixed rate bonds due in April 2015. Directly attributable transaction costs have been deducted at initial recognition and are amortized over the term of the bond. Transaction cost not yet amortized as at the 31 December 2011 amount to EUR 0.3 million (31 December 2010: EUR 0.3 million). The bonds are listed on the Luxembourg Stock Exchange's regulated market.

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

### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

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

<sup>1</sup>) THE COMPANY MAY, AT ANY TIME ON OR AFTER 10 JULY 2012, REDEEM THE BONDS TOGETHER WITH ACCRUED BUT UNPAID INTEREST, IF ON NOT LESS THAN 20 OUT 30 DAYS CONSECUTIVE DEALING DAYS, THE VOLUME WEIGHTED AVERAGE PRICE OF THE SHARES EXCEEDS 150 % OF THE CONVERSION PRICE.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 Provisions

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

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

#### Restoration provisions

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

#### Restructuring provisions

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

#### Workers' compensation and other provisions

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 28 Employee benefits

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

#### (a) Long service leave

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

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

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

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

#### Defined benefit plans

- Nyrstar Clarksville Inc: Hourly Employees' Pension Plan, Salaried Employees' Retirement Plan, Pension Plan for Bargaining Unit Employees, NCI/JCZ Pension Plan for Bargaining Unit Employees, Supplemental Executive Retirement Plan reviewed as at 31 December 2011.
- Employees of Nyrstar Budel BV are members of a multi-employer Metal and Electricity industry defined benefit pension plan (PME). PME are unable to provide the necessary information for defined benefit accounting to be applied and consequently the PME plan has been accounted for as a defined contribution plan.
- Nyrstar Budel BV Excedent Pension Plan reviewed as at 31 December 2011.
- Nyrstar Belgium SA/NV: Staff Old Defined Benefit plan funded through pension fund, Staff Cash Balance Plan, Staff Complementary Savings Plan, Staff Insured Old Defined Benefit plan, Staff "appointements continués", Salaried Employees Old Defined Benefit Plan, Salaried Employees "appointements continués", reviewed as at 31 December 2011.
- Nyrstar NV: Staff Cash Balance Plan, Staff Complementary Savings Plan, reviewed as at 31 December 2011.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Nyrstar France Régime d'Indemnités de Fin de Carrière and Régime du Mutuelle, reviewed as at 31 December 2011.
- Nyrstar Germany GmbH, closed Defined Benefit plan, reviewed as at 31 December 2011.
- Galva 45 SA Régime d'Indemnités de Fin de Carrière, reviewed as at 31 December 2011.
- Nyrstar Sales & Marketing AG: Pension Plan Staff and Pension Plan Staff NMC funded through the Helvetia Group Foundation, reviewed as at 31 December 2011.
- Nyrstar Finance International AG : Pension Plan funded through the Helvetia Group Foundation, reviewed as at 31 December 2011.
- NVI Mining Ltd., Myra Fall Operations : Hourly-Paid Employees' Pension Plan, Thirty-Year Retirement Supplement and Voluntary Early retirement Allowance, reviewed as at 31 December 2011.

### Medical benefit plans

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

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

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

Plan assets comprise:

EUR million	Dec 31, 2011	Dec 31, 2010
Cash	0.9	0.7
Equity instruments	34.4	15.4
Debt instruments	25.4	15.1
Other assets	21.7	13.8
<b>Total plan assets</b>	<b>82.4</b>	<b>45.0</b>

The majority of other assets consists of insured plans (Group insurances).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The expense recognised in the income statement is as follows:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

EUR million	Dec 31, 2011	Dec 31, 2010
Cumulative at start of period	(1.8)	(1.7)
Recognised during the period	(8.5)	(0.1)
<b>Cumulative at end of period</b>	<b>(10.3)</b>	<b>(1.8)</b>

### Principal actuarial assumptions

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

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

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

### History of funded status and experience adjustments

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 Trade and other payables

EUR million	Dec 31, 2011	Dec 31, 2010
Trade payables	378.9	290.7
Other payables	37.5	23.3
<b>Total trade and other payables</b>	<b>416.4</b>	<b>314.0</b>

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

### 30 Deferred income

EUR million	Dec 31, 2011	Dec 31, 2010
Current	127.4	107.0
<b>Total deferred income</b>	<b>127.4</b>	<b>107.0</b>

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

### 31 Share-based payments

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

#### Employee Share Acquisition Plan

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

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

### Executive Long Term Incentive Plan

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Grant 1 Tranche 1	Grant 1 Tranche 2	Grant 1 Tranche 3	Grant 2	Grant 3	Grant 4
Effective Grant Date	23 Apr 2008	23 Apr 2008	23 Apr 2008	30 Jun 2009	30 Jun 2010	30 Jun 2011
Performance Period	12 months to 31 Dec 2008	1 Jan 2008 to 31 Dec 2009	1 Jan 2008 to 31 Dec 2010	1 Jan 2009 to 31 Dec 2011	1 Jan 2010 to 31 Dec 2012	1 Jan 2011 to 31 Dec 2013
Performance Criteria (a)		zinc price 50% MSCI 50%	zinc price 50% MSCI 50%	zinc price 50% MSCI 50%	zinc price 50% MSCI 50%	zinc price 50% MSCI 50%
	Executive remains in service to the 31 Dec 2008	Executive remains in service to the 31 Dec 2009	Executive remains in service to the 31 Dec 2010	Executive remains in service to the 31 Dec 2011	Executive remains in service to the 31 Dec 2012	Executive remains in service to the 31 Dec 2013
Vesting Date	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013
Settlement (b)	Cash	Cash	Share	Share / cash	Share / cash	Share / cash

### Fair Value of LTIP at grant date (EUR per share)

- remains in service	11.11	n/a	n/a	n/a	n/a	n/a
- ROCE	n/a	10.69	10.28	n/a	n/a	n/a
- TSR	n/a	5.30	5.65	n/a	n/a	n/a
- Price of zinc	n/a	n/a	n/a	2.67	5.14	6.77
- MSCI	n/a	n/a	n/a	2.88	3.37	5.68

SHARE PRICES HAVE BEEN ADJUSTED FOR DILUTIVE IMPACT FROM CAPITAL INCREASE

The significant inputs into the Monte Carlo valuation model for the LTIP plans granted in 2011 were weighted average share price of Euro 7.47 (2010: Euro 11.10) at the grant date, exercise price shown above, volatility of Nyrstar share price of 46% (2010: 57%), volatility of zinc price of 34% (2010: 43%), volatility of MSCI Metals and Mining Index of 25% (2010: 39%), dividend yield of 3.0% (2010: 3.6%), expected forfeiture rate of 0% (2010: 0%), and an annual risk-free interest rate of 2.1% (2010: 3.1%). The volatilities are measured based on the statistical analysis of the related movements during the 15 months prior to the grant date. The performance conditions are both market-related and were accounted for in calculating the fair value of the awards.

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (a) Performance criteria

The performance conditions are set out below.

#### SERVICE CONDITION

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

#### PRICE OF ZINC / MSCI

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

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

- Price of zinc
- MSCI World Metals and Mining Index

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

<b>Price of zinc (50%)</b> <b>Annual performance of the Nyrstar</b> <b>share price compared to the share price</b> <b>implied by the price of zinc</b>		<b>MSCI World Metals and Mining Index (50%)</b> <b>Annual performance of the Nyrstar</b> <b>share price compared to the share price</b> <b>implied by this index</b>	
	<b>vesting</b>		<b>vesting</b>
> 500 bp	100%	> 500 bp	100%
> 400 bp	80%	> 400 bp	80%
> 300 bp	60%	> 300 bp	60%
> 200 bp	40%	> 200 bp	40%
> 100 bp	20%	> 100 bp	20%

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

### (b) Settlement

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### MOVEMENT OF LTIP SHARES AWARDED

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

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

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

### MANAGEMENT COMMITTEE CO-INVESTMENT PLAN

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

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

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

"Multiple A" will be equal to:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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"Multiple B" will be equal to:

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

"Multiple C" will be equal to:

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

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

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

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



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### 32 Earnings per share

#### (a) Basic earnings per share

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

The basic EPS is calculated as follows:

EUR million	2011	2010
Profit / (loss) attributable to ordinary shareholders (basic)	36.0	72.2
Weighted average number of ordinary shares (basic, in million) <sup>1</sup>	149.2	117.1
<b>Earnings per share (basic, in EUR)</b>	<b>0.24</b>	<b>0.62</b>

#### (b) Diluted earnings per share

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

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

The diluted EPS is calculated as follows:

EUR million	2011	2010
Profit / (loss) attributable to ordinary shareholders (basic)	36.0	72.2
Interest expense on convertible bond, net of tax	-	10.3
<b>Profit / (loss) attributable to ordinary shareholders (diluted)</b>	<b>36.0</b>	<b>82.5</b>
Weighted average number of ordinary shares (basic, in million) <sup>1</sup>	149.2	117.1
Effect of long term incentive plan	2.9	2.5
Effect of conversion of convertible bond (in million)	-	19.0
<b>Weighted average number of ordinary shares (diluted, in million)<sup>1</sup></b>	<b>152.1</b>	<b>138.6</b>
<b>Earnings per share (diluted, in EUR)</b>	<b>0.24</b>	<b>0.60</b>

<sup>1</sup>) IN RELATION TO THE RIGHTS OFFERING, THE COMPARATIVE EARNINGS PER SHARE FOR 31 DECEMBER 2010 HAVE BEEN RESTATED TO RETROACTIVELY REFLECT THE IMPACT OF THE MARCH 2011 RIGHTS ISSUE. AS THE RIGHTS ISSUE WAS OFFERED AT A DISCOUNT (EUR 7.00) TO MARKET VALUE (EUR 11.54), THE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR 31 DECEMBER 2011 AND 31 DECEMBER 2010 WERE ADJUSTED IN ACCORDANCE WITH IAS 33 EARNINGS PER SHARE. THE ADJUSTMENT RESULTED IN AN INCREASE IN THE WEIGHTED AVERAGE SHARES OUTSTANDING, BOTH BASIC AND DILUTED, IN 2011 AND 2010 OF APPROXIMATELY 20 %. FURTHER DETAILS OF THE RIGHTS ISSUE AND INTERNATIONAL OFFERING ARE DISCLOSED IN NOTE 25 CAPITAL AND RESERVES.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 Financial instruments

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

#### (a) Credit risk

##### (i) Exposure to credit risk

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

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

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

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

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

EUR million	Dec 31, 2011	Dec 31, 2010
Wholesale customers	276.3	180.2
End-user customers	37.6	29.4
<b>Total</b>	<b>313.9</b>	<b>209.6</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (ii) Aging analysis

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

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

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

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

### (iii) Banks and financial institutions

For banks and financial institutions, only independently rated parties with a minimum 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
<b>Non-derivative financial liabilities as at 31 December, 2011</b>							
Finance lease liabilities	(3.3)	(3.4)	(0.4)	(0.4)	(0.8)	(1.8)	-
Loans and borrowings	(892.4)	(1,085.2)	(40.1)	(4.2)	(49.3)	(987.7)	(3.9)
Trade and other payables	(416.4)	(416.4)	(403.6)	(10.1)	(0.2)	(2.4)	(0.1)
<b>Derivative financial liabilities as at 31 December, 2011</b>							
Commodity contracts - fair value hedges	(20.2)	(20.2)	(17.0)	(3.1)	(0.1)	-	-
Foreign exchange contracts - held for trading	(18.5)	(18.5)	(18.5)	-	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### (c) Currency risk

#### [Exposure to currency risk](#)

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

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

EUR million	EUR	USD	AUD	CAD	Other	Total Dec 31, 2010
Trade and other receivables	107.3	92.5	7.4	-	2.4	<b>209.6</b>
Loans and borrowings	(336.4)	(119.9)	(0.5)	-	-	<b>(456.8)</b>
Trade and other payables	(127.4)	(140.7)	(40.6)	-	(5.3)	<b>(314.0)</b>
<b>Gross balance sheet exposure</b>	<b>(356.5)</b>	<b>(168.1)</b>	<b>(33.7)</b>	<b>-</b>	<b>(2.9)</b>	<b>(561.2)</b>
Foreign exchange contracts	179.9	(310.6)	152.0	-	(14.6)	<b>6.7</b>
Commodity contracts	-	23.7	-	-	-	<b>23.7</b>
<b>Net exposure</b>	<b>(176.6)</b>	<b>(455.0)</b>	<b>118.3</b>	<b>-</b>	<b>(17.5)</b>	<b>(530.8)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Sensitivity analysis

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

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

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

### (d) Commodity price risk management

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

### [Sensitivity analysis](#)

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (e) Financial Instruments by category

EUR million	Loans and receivables	Fair value through profit and loss	Available for sale	Derivatives used for hedging	At amortised costs	Total Dec 31, 2011
Derivative financial instruments	-	4.2	-	76.4	-	<b>80.6</b>
Trade and other receivables excl prepayments	313.9	-	-	-	-	<b>313.9</b>
Cash and cash equivalents	177.4	-	-	-	-	<b>177.4</b>
Restricted cash	8.2	-	-	-	-	<b>8.2</b>
Investments in equity securities	-	-	32.1	-	-	<b>32.1</b>
Borrowings excl finance lease liabilities	-	-	-	-	(892.4)	<b>(892.4)</b>
Finance lease liabilities	-	-	-	-	(3.3)	<b>(3.3)</b>
Derivative financial instruments	-	-	-	(38.7)	-	<b>(38.7)</b>
Trade and other payables	-	-	-	-	(416.4)	<b>(416.4)</b>
<b>Net position</b>	<b>499.5</b>	<b>4.2</b>	<b>32.1</b>	<b>37.7</b>	<b>(1,312.1)</b>	<b>(738.6)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

EUR million Interest rate risk exposures	31 December 2010			Sensitivity analysis, in 100 bp			
	Interest rate		Total	Income statement		Equity	
	Floating	Fixed		increase	decrease	increase	decrease
Financial assets							
Cash and cash equivalents	160.6	-	160.6	1.6	(0.8)	1.6	(0.8)
Financial liabilities							
Loan facility	-	(13.1)	(13.1)	-	-	-	-
Borrowings - fixed rate bonds	-	(224.7)	(224.7)	-	-	-	-
Borrowings - SCTF credit facility	(107.0)	-	(107.0)	(1.1)	0.3	(1.1)	0.3
Borrowings - convertible bonds	-	(111.5)	(111.5)	-	-	-	-
Finance lease liabilities	-	(0.5)	(0.5)	-	-	-	-
<b>Net interest bearing financial assets / (liabilities)</b>	<b>53.6</b>	<b>(349.8)</b>	<b>(296.2)</b>	<b>0.5</b>	<b>(0.5)</b>	<b>0.5</b>	<b>(0.5)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

### 31 December 2011

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

## 34 Capital commitments

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

EUR million	Dec 31, 2011	Dec 31, 2010
Within one year	17.1	15.0
Between one and five years	-	-
More than five years	-	-
<b>Total</b>	<b>17.1</b>	<b>15.0</b>

## 35 Operating leases

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

EUR million	Dec 31, 2011	Dec 31, 2010
Within one year	3.5	2.1
Between one and five years	11.5	6.8
More than five years	5.2	4.4
<b>Total</b>	<b>20.2</b>	<b>13.3</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Contingencies

#### Guarantees

EUR million	Dec 31, 2011	Dec 31, 2010
Workers' compensation	8.9	5.3
Environmental	55.0	42.0
Supplier	8.9	7.7
Other	5.7	4.2
<b>Total guarantees provided by Nyrstar</b>	<b>78.4</b>	<b>59.2</b>
Supplier	-	0.2
<b>Total guarantees received by Nyrstar</b>	<b>-</b>	<b>0.2</b>

#### Legal actions

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

### 37 Related parties

#### (a) Transactions with related parties

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

#### (b) Key management compensation

Board of Directors

EUR million	2011	2010
Salaries and other compensation	0.5	0.5

Nyrstar Management Committee

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

EUR thousand	<b>2011</b>	<b>2010</b>
Audit services	246.0	282.5
Audit related services	398.1	407.3
<b>Total PricewaterhouseCoopers Bedrijfsrevisoren</b>	<b>644.1</b>	<b>689.8</b>

EUR thousand	<b>2011</b>	<b>2010</b>
Audit services	523.0	390.9
Audit related services	152.3	116.0
<b>Total other offices in the PricewaterhouseCoopers network</b>	<b>675.3</b>	<b>506.9</b>

### 39 Group entities

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

Entity	Belgian company number	Country of incorporation	Ownership
Nyrstar NV	RPR 0888.728.945	Belgium	Holding entity
Nyrstar Australia Pty Ltd		Australia	100%
Nyrstar Hobart Pty Ltd		Australia	100%
Nyrstar Port Pirie Pty Ltd		Australia	100%
Nyrstar Trading GmbH		Austria	100%
Nyrstar Resources (Barbados) Ltd		Barbados	100%
Nyrstar Belgium NV	RPR 0865.131.221	Belgium	100%
Nyrstar Finance International NV	RPR 0889.716.167	Belgium	100%
Nyrstar Sales & Marketing NV	RPR 0811.219.314	Belgium	100%
Breakwater Resources Ltd		Canada	100%
BSM Partnership		Canada	100%
Canzinc Ltd		Canada	100%
Nyrstar Mining Ltd		Canada	100%
Nyrstar Canada (Holdings) Ltd		Canada	100%
NVI Holdings Ltd		Canada	100%
NVI Mining Ltd		Canada	100%
Sociedad Contractual Minera El Toqui		Chile	100%
Galva 45 SA		France	66%
GM-Metal SAS		France	100%
Nyrstar France SAS		France	100%
Nyrstar France Trading SAS		France	100%
Nyrstar Germany GmbH		Germany	100%
American Pacific Honduras SA de CV		Honduras	100%
Servicios de Logistica de Centroamerica SA de CV		Honduras	100%
Farallon Minera Mexicana SA de CV		Mexico	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Entity	Belgian company number	Country of incorporation	Ownership
Nyrstar Budel BV		The Netherlands	100%
Nyrstar International BV		The Netherlands	100%
Nyrstar Netherlands (Holdings) BV		The Netherlands	100%
Compania Minera San Juan (Peru) S.A.		Peru	100%
Minera Huallanca S.A.		Peru	100%
Nyrstar Peru S.A.		Peru	100%
Nyrstar Spain & Portugal S.L.		Spain	100%
Nyrstar Finance International AG		Switzerland	100%
Nyrstar Sales & Marketing AG		Switzerland	100%
Breakwater Tunisia SA		Tunisia	100%
Nyrstar Clarksville Inc		United States	100%
Nyrstar Holdings Inc		United States	100%
Nyrstar IDB LLC		United States	100%
Nyrstar Tennessee Mines - Gordonsville LLC		United States	100%
Nyrstar Tennessee Mines - Strawberry Plains LLC		United States	100%
Nyrstar US Inc		United States	100%
Nyrstar US Trading Inc		United States	100%

### 40 Subsequent events

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

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

# Statutory auditor's report on the consolidated financial statements

as at 31 December 2011

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**NYRSTAR NV**

**Report of the statutory auditor to the general  
meeting of shareholders of Nyrstar NV on the  
consolidated financial statements as of and for  
the year ended 31 December 2011**

22 February 2012



## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF NYRSTAR NV ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2011

In accordance with legal and statutory requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the consolidated financial statements together with the required additional comment.

### Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Nyrstar NV ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the statement of financial position as of 31 December 2011 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory notes. The total of the consolidated statement of financial position amounts to € 3,466.1 million and the consolidated statement of income shows a profit for the period (Equity holders of the parent) of € 36.0 million.

The board of directors of the Company is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

*PwC Bedrijfsrevisoren vba, burgerlijke vennootschap met handelsvorm - PwC Réviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services  
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RBS BE89 7205 4043 3185 - BIC ABNABEBR*

## STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from management and responsible officers of the Group the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net worth and financial position as of 31 December 2011 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

### Additional comment

The preparation of the management report and its content are the responsibility of the board of directors.

Our responsibility is to supplement our report with the following additional comment, which does not modify our audit opinion on the financial statements:

- The management report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the Group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Sint-Stevens-Woluwe, 22 February 2012

PwC Bedrijfsrevisoren Bvba  
Represented by

A handwritten signature in black ink, appearing to read 'P. Van den Eynde'.

Peter Van den Eynde  
Bedrijfsrevisor



# Nyrstar NV summarised (non-consolidated) financial statements

as at 31 December 2011

The annual accounts prepared under Belgian GAAP are presented below in summarised form. In accordance with the Belgian Company Code, the annual accounts of Nyrstar NV together with the management report and the statutory auditor's report will be deposited with the National Bank of Belgium.

These documents may also be obtained on request from: Nyrstar NV, Zinkstraat 1, B- 2490 Balen (Belgium).

The statutory auditor, PricewaterhouseCoopers Reviseurs d'Enterprises represented by Peter Van den Eynde has expressed an unqualified opinion on the annual statutory accounts of Nyrstar NV.

## Balance sheet

EUR thousand

As at 31 December 2011 As at 31 December 2010

<b>ASSETS</b>		
<b>Non-current assets</b>	<b>2,206,253</b>	<b>1,936,826</b>
Formation expenses	11,954	-
Intangible assets	-	3,438
Property, plant and equipment	612	3,058
Financial assets	2,193,687	1,930,330
<b>Current assets</b>	<b>862,186</b>	<b>73,986</b>
<b>Total assets</b>	<b>3,068,439</b>	<b>2,010,812</b>
<b>LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>2,138,295</b>	<b>1,626,938</b>
Issued share capital	425,056	1,490,760
Share premium	1,539,183	8,818
Legal reserve	12,107	9,772
Undistributable reserves	57,420	31,012
Retained earnings	104,529	86,576
<b>Provisions for risks and charges</b>	<b>1,416</b>	<b>9,805</b>
<b>Liabilities</b>	<b>928,728</b>	<b>374,069</b>
Non-current Liabilities	861,983	336,114
Current Liabilities	66,745	37,955
<b>Total equity and liabilities</b>	<b>3,068,439</b>	<b>2,010,812</b>

## Income Statement

EUR thousand

As at 31 December 2011 As at 31 December 2010

Operating income	12,484	50,745
Operating charges	(24,630)	(50,431)
<b>Operating result</b>	<b>(12,146)</b>	<b>314</b>
Financial income	104,225	97,883
Financial charges	(58,552)	(23,490)
<b>Ordinary result before taxes</b>	<b>33,527</b>	<b>74,707</b>
Exceptional result	15,615	9,600
Income taxes	(2,446)	(122)
<b>Net result</b>	<b>46,696</b>	<b>84,185</b>
Result allocation		
Retained earnings from prior year	86,576	35,879
Addition to the legal reserves	2,335	4,209
Addition to the other reserves	26,408	29,278
Profit/loss to be carried forward	104,529	86,576

# Glossary of key industry terms

**Alloy** Metal containing several components.

**Backwardation** Market condition where price of a forward or futures contract is trading below the expected spot price

**Base Metal** Non precious metal, usually refers to copper, lead, and zinc.

**Blast furnace** A tall shaft furnace used to smelt sinter and produce crude lead bullion and a slag.

**Bullion** Crude metal that contains impurities; needs to be refined to make market quality metal.

**Cadmium** A soft bluish white ductile malleable toxic bivalent metallic element; occurs in association with zinc ores.

**C1 cash costs** The costs of mining, milling and concentrating, onsite administration and general expenses, property and production royalties not related to revenues or profits, metal concentrate treatment charges, and freight and marketing costs less the net value of the by-product credits.

**CAGR** Compound Annual Growth Rate.

**Calcine** Product of roasting zinc sulphide concentrates; mainly zinc oxide, also with silica and iron compounds, lead compounds, minor elements and residual combined sulphur.

**Casting** Manufacturing method in which a molten metal is poured into a mould to form an object of the desired shape; typically ingots or blocks (jumbos)

**Cathode** Negatively charged electrode in electrolysis; in zinc and cadmium electrolysis, the cathode is a flat sheet of aluminum.

**Cell house** The location in the production process where zinc metal is electrolytically plated onto aluminum cathodes.

**CGG** Continuous Galvanizing Grade zinc; contains alloying agents such as aluminum, lead and selenium in specific qualities desired by customers; used in continuous strip galvanizing plants.

**Cobalt** A hard, lustrous, silver-grey metal.

**Coke** Product made by devolatilization of coal in the absence of air at high temperature.

**Commodity grade metal** Nyrstar produces two types of commodity grade metal, see CGG and SHG

**Concentrate** Material produced from metalliferous ore by mineral processing or beneficiation; commonly based on sulphides of zinc, lead and copper; in a concentrate, the abundance of a specific mineral is higher than in the ore.

**Contango** Market condition where price of a forward or futures contract is trading above the expected spot price

**Continuous galvanizing** A system for providing a continuous supply of material to be galvanized.

**Conversion Price** Operating cost for a smelter to produce market quality metal, not including the cost of raw materials.

**Copper cementate** Metallic copper obtained by cementation.

**Copper sulphate** A copper salt made by the action of sulphuric acid on copper oxide.

**Die casting** A process for producing parts in large quantities, by injecting molten metal under pressure into a steel die.

**dmt** Dry metric tonne.

**doré** Unrefined gold and silver bullion bars, usually consisting of approximately 90% precious metals, which are to be further refined to almost pure metal.

**Electrolysis** The process by which metals (here zinc, cadmium, and copper) are 'won' or deposited from solution onto a cathode by the passage of an electric current through the solution between anode and cathode.

**Electrolyte** Solution containing metals (here zinc, cadmium, copper and silver) circulating in an electrolysis cell.

**Electrolytic smelting** Smelting that roasts and then leaches concentrates to produce a zinc bearing solution. Zinc is subsequently recovered from the solution using electro winning and then melted and cast into slabs.

**Electrowinning** The process of removing metal from a metal bearing solution by passing an electric current through the solution.

**EPA** Environment Protection Authority of a state, provincial or federal government.

**Flotation** A method of mineral concentration, usually of sulphide ores, by which valuable mineral particles adhere to froth bubbles for collection as a concentrate; waste particles remain in the slurry for eventual disposal as a tailing.

**Fuming, fume** A process for recovering of zinc and lead from molten lead blast furnace slag by injecting coal; the metals are removed as vapors in the gas stream, and are deoxidized to form a fume that is collected.

**glt** Grams per tonne

**Galvanizing** Process of coating steel sheet or fabricated products with a thin layer of zinc for corrosion protection.

**Germanium** A brittle grey crystalline element that is a semiconducting metalloid (resembling silicon).

**Grade** Quantity of metal per unit weight of host rock.

**Greenhouse gases** Gaseous components of the atmosphere that contribute to the greenhouse effect.

**Grinding** Size reduction to relatively fine particles.

**Gypsum** Calcium sulphate, hydrated.

**Indium** A rare, soft silvery metallic element.

**JORC Code** The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

**kt** Thousand tonnes.

**lb** Pound.

**LBMA** London Billion Market Association

**Leaching** A process using a chemical solution to dissolve solid matters.

**Life-of-mine** Number of years that an operation is planning to mine and treat ore, taken from the current mine plan.

**LME** London Metal Exchange.

**Lost time injury rate (LTR)** Twelve month rolling averages of the number of lost time injuries per million hours worked, and include all employees and contractors across all operations.

**NI 43-101** The Canadian Securities Administrators National Instrument 43-101 Standards of Disclosure for Mineral Projects.

**Ore** Mineral bearing rock.

**Oxidation** The process by which minerals are altered by the addition of oxygen in the crystal structures.

**Oxide washing** Process to remove halides from zinc secondaries.

**Recordable environmental incident** An event at any operation (including Nyrstar's joint ventures) requiring reporting to a relevant environmental authority relating to non-compliance with license conditions. Statistics are correct as of the date an accident is reported, but may be subject to adjustment based on subsequent internal audit or regulatory review.

**Recordable injuries** Any injury requiring medical treatment beyond first aid.

**Recordable injury rate (RIR)**

Twelve month rolling averages of the number of recordable injuries per million hours worked, and include all employees and contractors across all operations.

**Refining Charge or RC** An annually negotiated fee that may be linked to metal prices, paid by the miner or seller of precious metals to a smelter as a concession on the cost of the metal concentrate or secondary feed materials that the smelter purchases.

**RLE process** Roast Leach Electrowin; technology used for the production of zinc and which combines the roasting, leaching and electrowinning processes. See also definition of each individual process.

**Roaster** In zinc production, a fluid-bed furnace used to oxidize zinc sulphide concentrates; operates typically at 930-970°C; air injected through the furnace bottom 'fluidizes' the bed of fine combusting solids.

**Roasting** The process of burning concentrates in a furnace to convert the contained metals into a more readily recovered form.

**Secondaries** See: Secondary feed materials.

**Secondary feed materials**

Byproducts of industrial processes such as smelting and refining that are then available for further treatment/recycling. It also includes scrap from metal machining processes and from end-of-life materials.

**SHFE** Shanghai Futures Exchange

**SHG** Special High Grade Zinc; minimum 99.995% zinc; premium quality, used by die casters; traded on the LME; attracts a price margin over lower grades.

**Slag** Mixture of oxides produced in molten form in a furnace at high temperature. Smelting Chemical reduction of a metal from its ore by fusion.

**Sulphides** Minerals consisting of a chemical combination of sulphur with metals.

**t** Metric tonne.

**t oz** Troy ounce

**Tailings** Material rejected from a treatment plant after the recoverable valuable minerals have been extracted.

**Treatment Charge or TC** An annually negotiated fee that may be linked to metal prices, paid by the miner or seller to a smelter as a concession on the cost of the metal concentrate or secondary materials that the smelter purchases.



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Greenteam / Comfi

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#### IMAGES

Nyrstar

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#### ANNUAL REPORT

An interactive version of this report is available on the [Nyrstar website: www.nyrstar.com](http://www.nyrstar.com)

This report is also available as free download in the [App Store](#) : [Nyrstar Annual report 2011](#)

This report can also be downloaded from the [Nyrstar website: www.nyrstar.com](http://www.nyrstar.com)

Dit rapport is ook beschikbaar in het Nederlands.

Ce rapport est aussi disponible en français.

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