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Metal Bulletin's 12th Zinc & its Markets Seminar

Erling Sorensen, Chief Marketing Officer
Nyrstar
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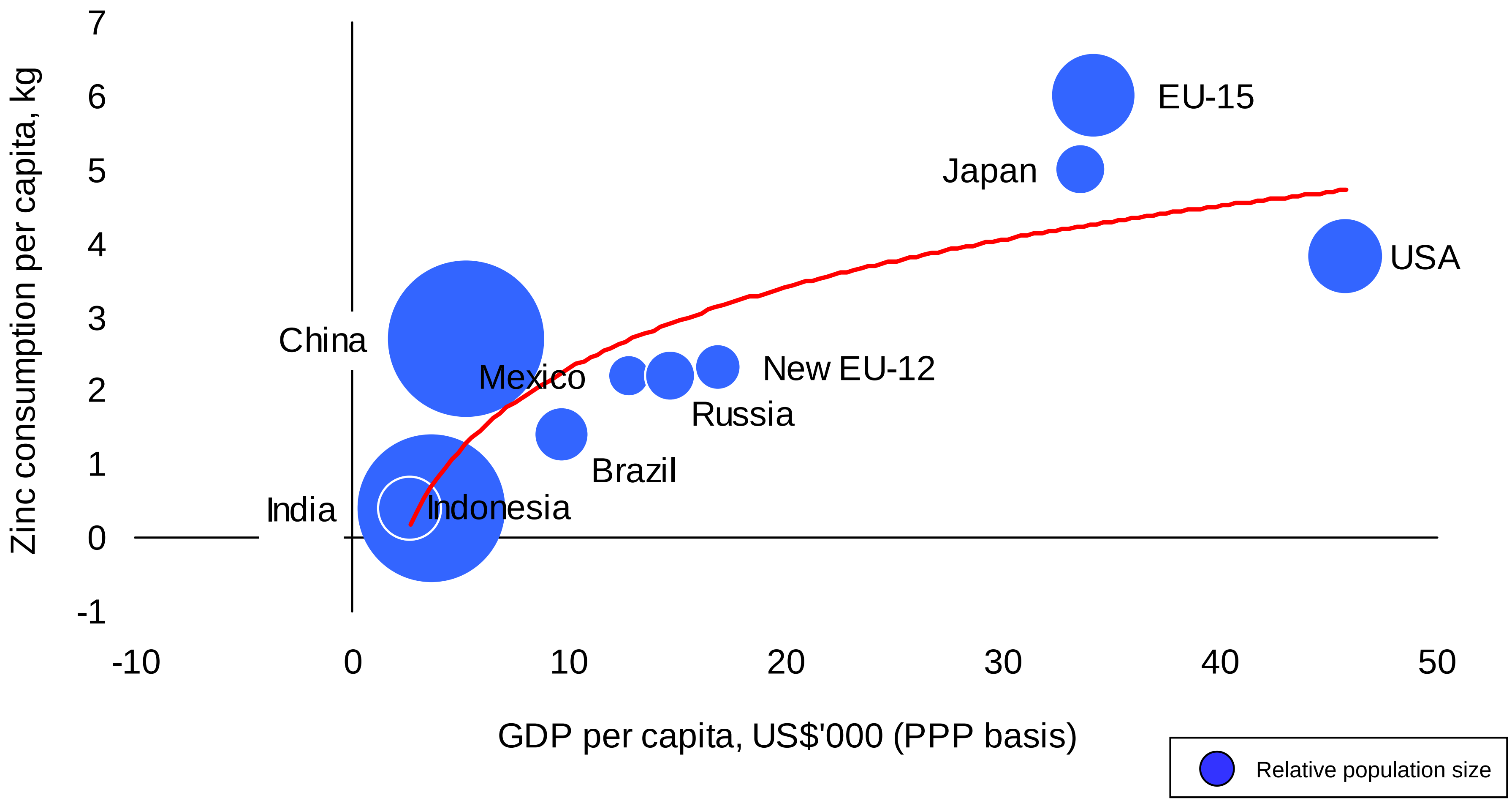
Agenda

- Zinc consumption: strong growth potential
- Substitution: risks and opportunities
- Price projections and cost pressures
- Industry structure and future investment

A country's zinc consumption per capita increases as its average income rises

Relationship between first use zinc consumption and GDP per capita (2007)

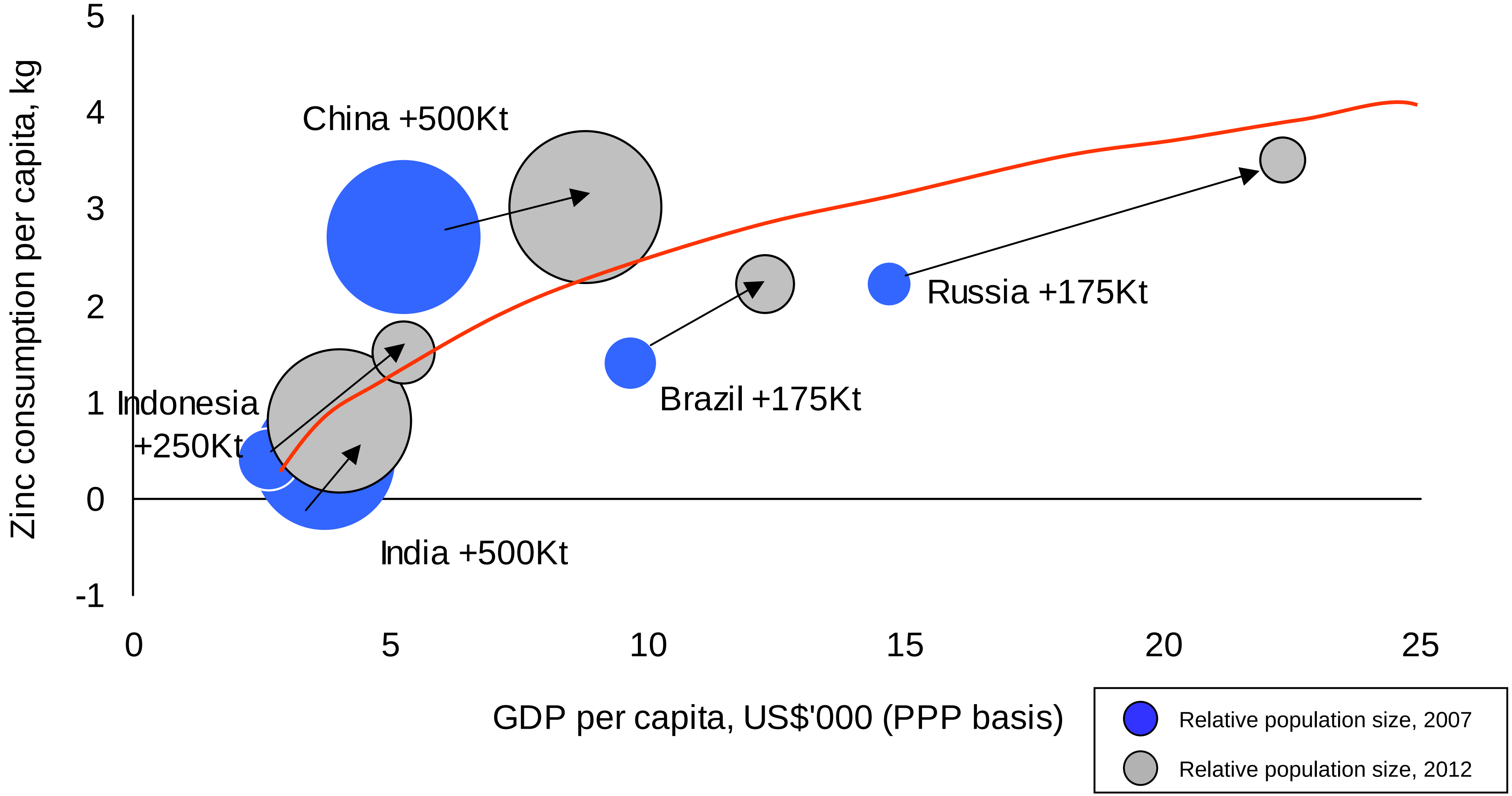


Note: Size of bubbles is proportional to size of population in each country or region. PPP is purchasing power parity

Source: Brook Hunt, IMF, US Census Bureau, Nyrstar analysis

Significant growth in population and average incomes are expected in emerging markets

Relationship between first use zinc consumption and GDP per capita (2007, 2012)

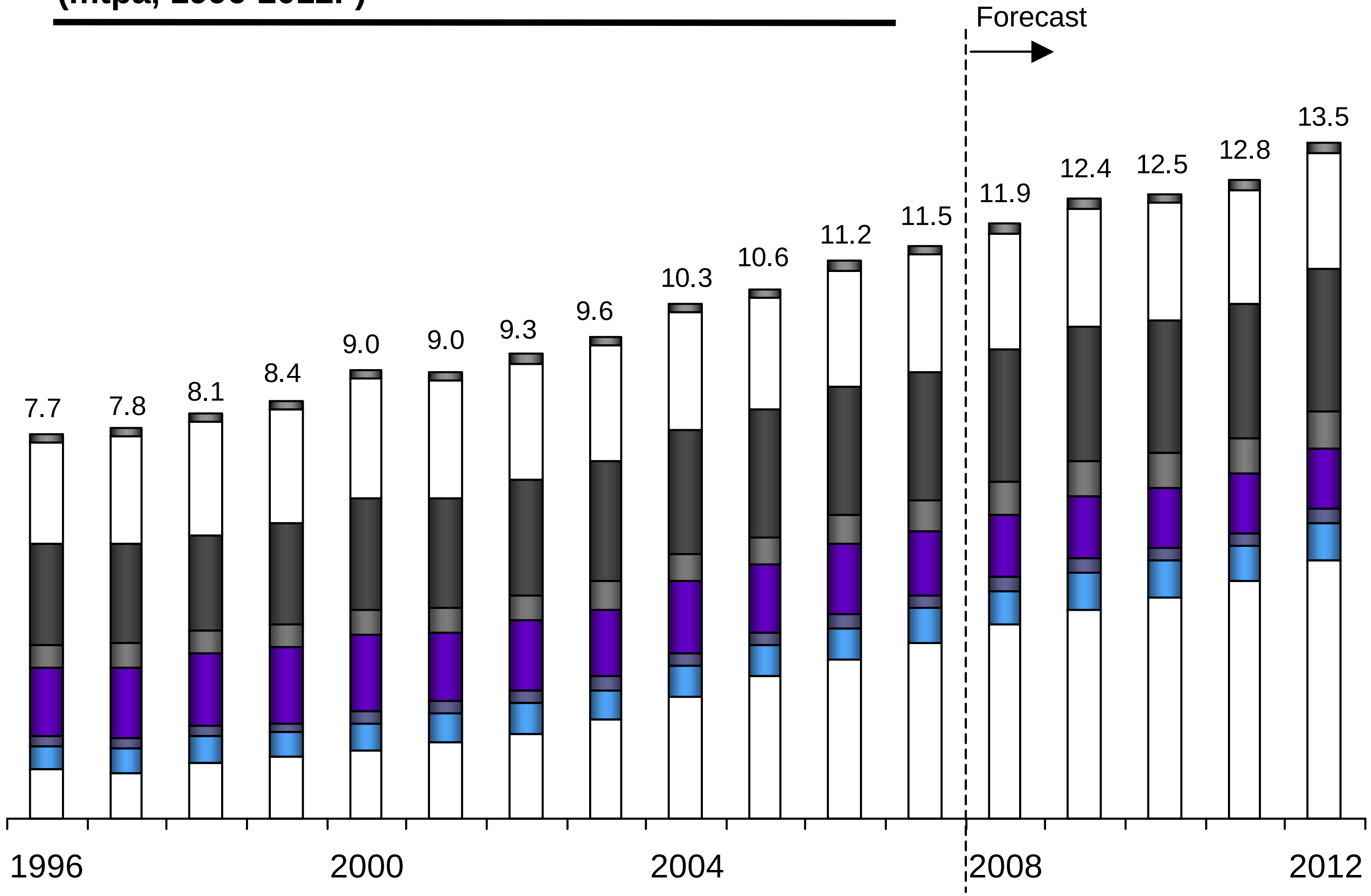


Note: Zinc Consumption per capita is an estimate based upon curve from previous slide

Source: IMF, US Census Bureau, Nyrstar analysis

Consequently, global zinc consumption is forecast to grow, driven by emerging economies

Zinc Slab Consumption (Actuals and Forecast)
(mtpa, 1996-2012F)



	CAGR 96-08	CAGR 08-12
Total	**3.7%**	**3.3%**
Africa	2.3%	1.1%
W. Europe	1.2%	0.0%
Asia	2.3%	2.0%
E. Europe/ CIS	2.1%	3.2%
N. America	-0.6%	-0.5%
Oceania	3.5%	-0.3%
L. America	3.5%	2.0%
China	12.3%	7.5%

Source: Brook Hunt Zinc Quarterly Q1 2008

Substitution risks are not expected to adversely impact zinc use to any significant extent

- Drivers of substitution
  - Cost differentials
  - Total cost of end products
  - Process technology evolution
  - End-use requirements
- Worst case substitution risks over next five years estimated only to amount to less than one conservative year’s growth in zinc consumption

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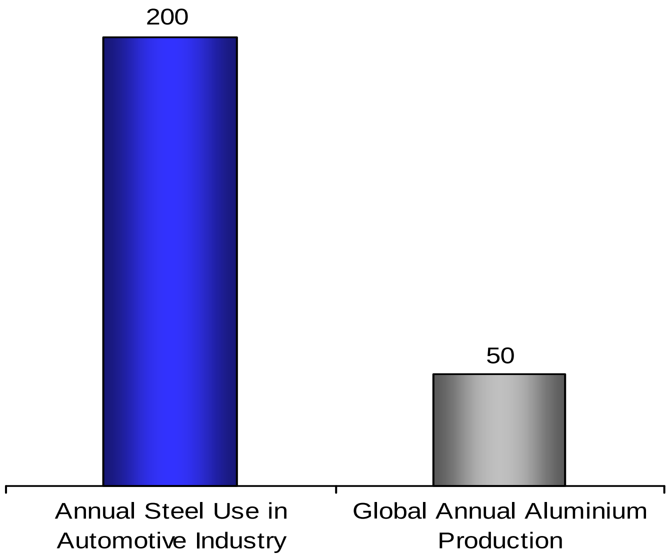
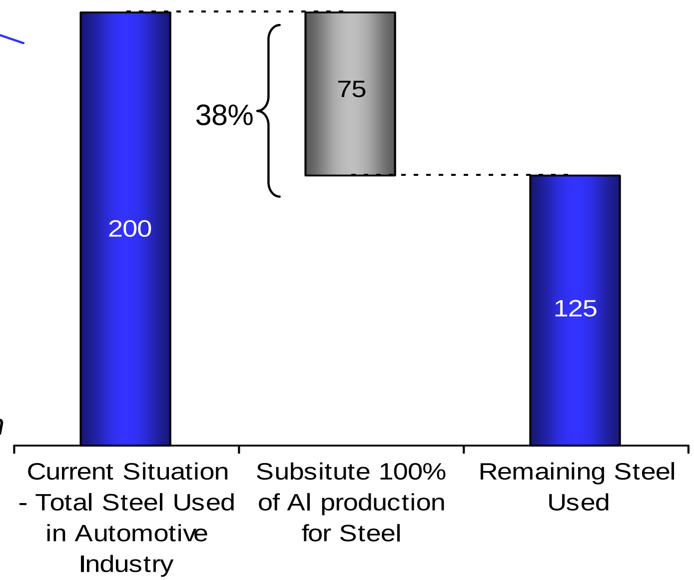
The scope to substitute away from (galvanised) steel in automotive production is limited

Case Study – Automotive Industry Metal Consumption (million tonnes)



- If 100% of world aluminium production was used to replace steel in cars it would displace only 38% of the steel used
- Anyway this is not practical as:
  – Aluminium has other uses for which it is required
  – Aluminium prices would rise while steel prices would fall

Assuming 1 tonne of aluminium can replace ~1.5 tonnes of steel

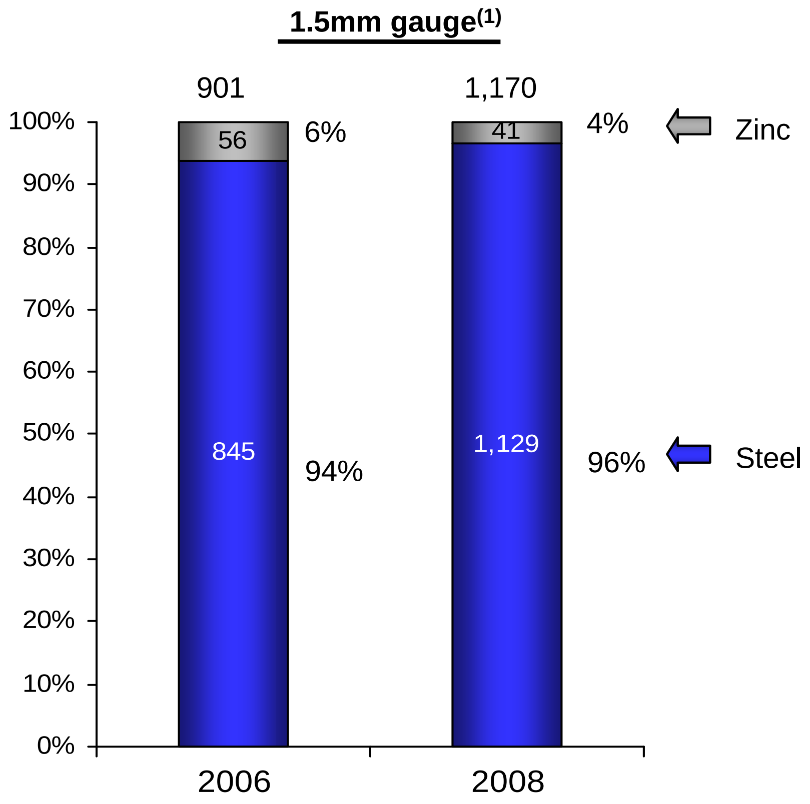


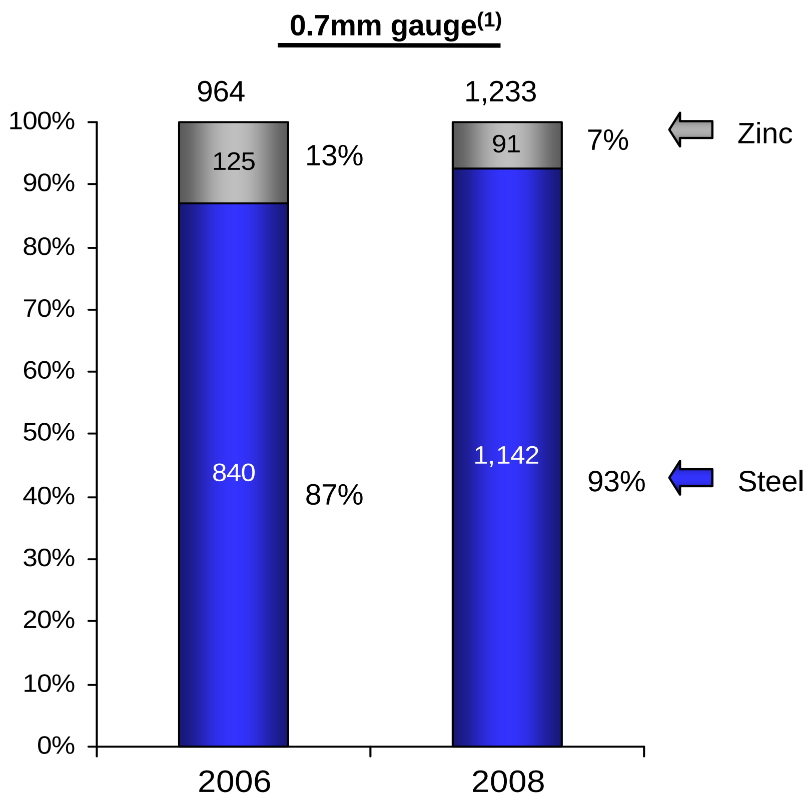
- Aluminium has poor reparability characteristics further limiting its ability to be substituted in place of galvanised steel in the automotive industry
  – Aluminium is not easily welded
  – Lack of repair shops set up to handle aluminium

Source: http://www.kastenmarine.com/alumVSsteel.htm

Furthermore, zinc is only a small part of the cost of galvanised sheet steel

Case Study – Automotive Industry
Zinc cost per tonne of Hot Dipped Galvanised Steel
(US$ per tonne)





Ability to save costs in automotive industry through substituting zinc in galvanising with other coatings or no coatings is minimal – particularly given galvanised steel is only a modest proportion of the cost of a car

Note: 1. Basis Z100 coatings. 0.7mm and 1.5mm gauge galvanised steel is typically used in automotive and construction industries, respectively.
Source: CRU, Producer Price Lists

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And there are growth opportunities for expanding galvanised steel use, for example in construction

Case Example – Residential Homes

Generally, galvanised steel has not been widely used in housing. However, there are many housing applications that can use galvanised steel

How much galvanised steel is used in this house?

Tonnes of galvanised steel used in this house[(1)]

- Roof -1.1
- Wall framing - 1.7
- Roof trusses - 1.1
- Flooring - 1.0
- Privacy fence - 0.4
- Rain Water Goods - 0.35
- Balustrade - 0.3
- Garage Door - 0.05
- Others ?

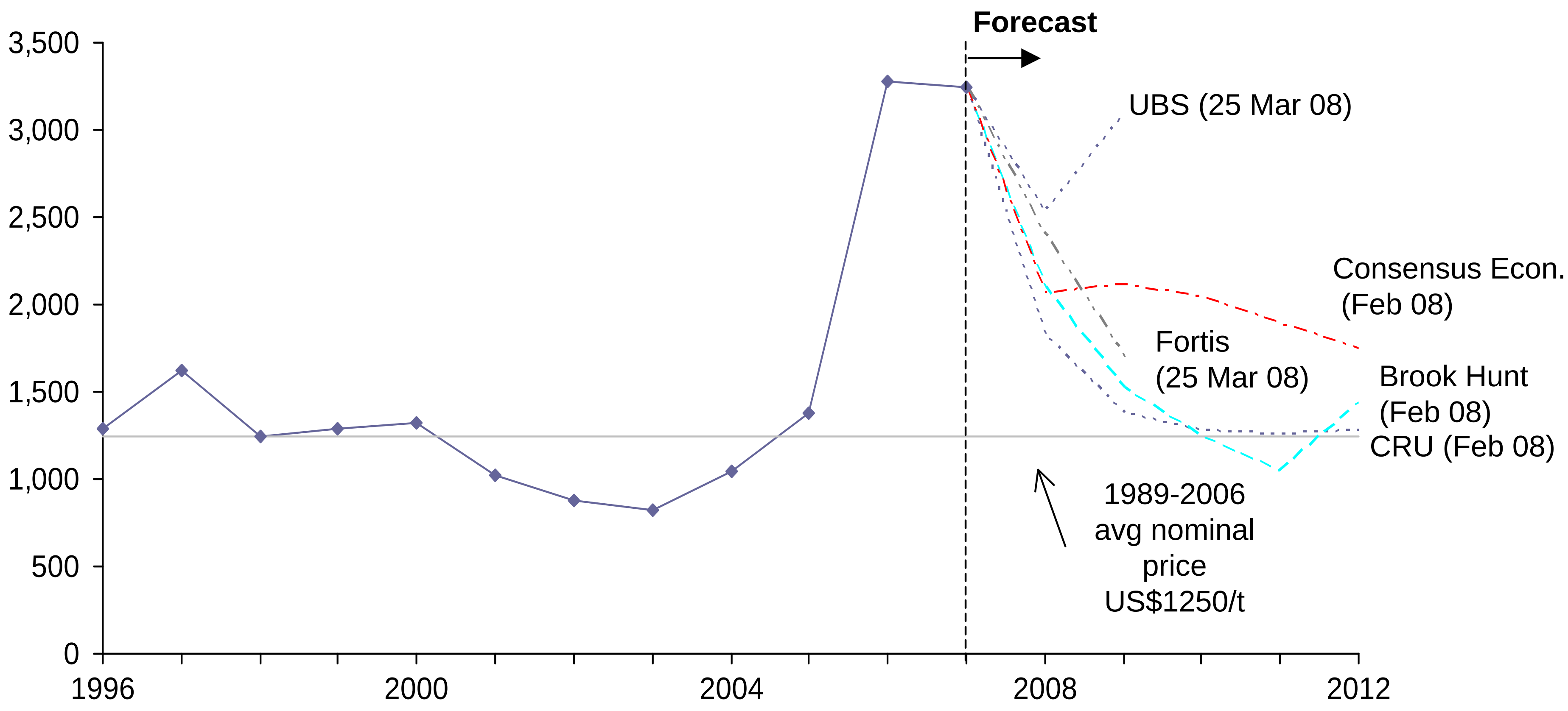
TOTAL 6.00t

Other opportunities are also available – internal walls & ceilings, stairs, home improvements, window frames etc

Note: (1) Indicative numbers based upon Australian experience with thin gauge High Tensile, Zincalume® or galvanised coated steels
Source: BlueScope Steel

Many zinc price forecasts typically revert to long term historical levels… but what might they be missing?

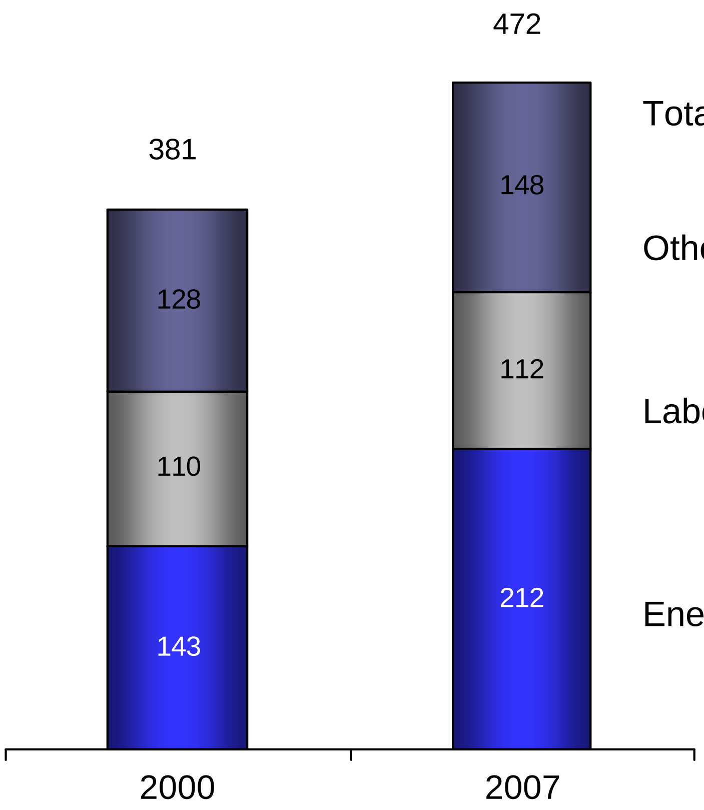
Zinc Price Forecasts
(US$ / tonne, 1996 – 2012F)



Source: LME Website, UBS and Fortis analyst reports, CRU & Brook Hunt

Cash conversion costs have risen by about 24% since 2000

Average smelter cash conversion costs[1]
(US$ / tonne, 2000 & 2007)



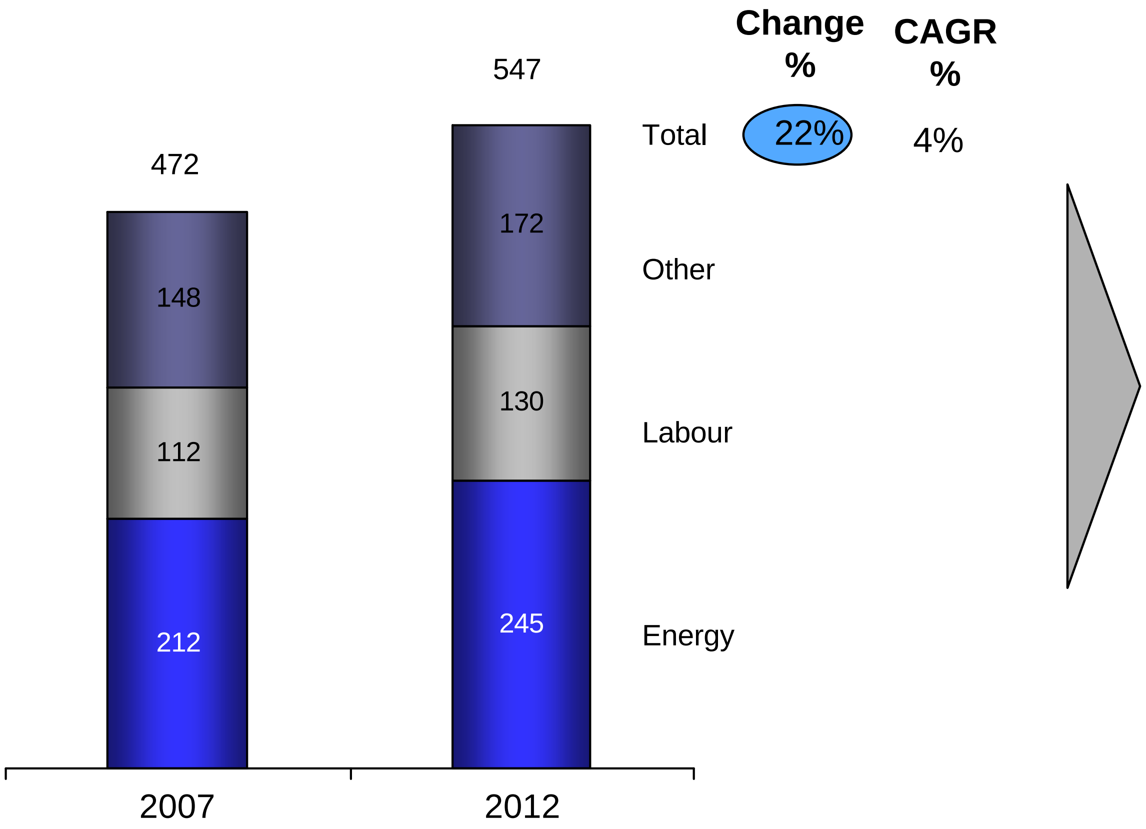
	Change %	CAGR %
Total	24%	3.1%
Other	15%	2%
Labour	2%	0.3%
Energy	49%	6%

- In simple terms this has meant the cash conversion cost for **one tonne** of zinc has **increased** by approximately **US$90**
  - However, forecast prices for zinc (reverting to long term averages) do not seem to account for this underlying cost increase

Source: Brook Hunt Zinc Smelters Database 2007. Note: 1. To convert feed material to metal, excluding depreciation

And cash conversion costs are expected to continue rising in the future

Average smelter cash conversion costs - conservative scenario (US$ / tonne, 2007 & 2012 example)



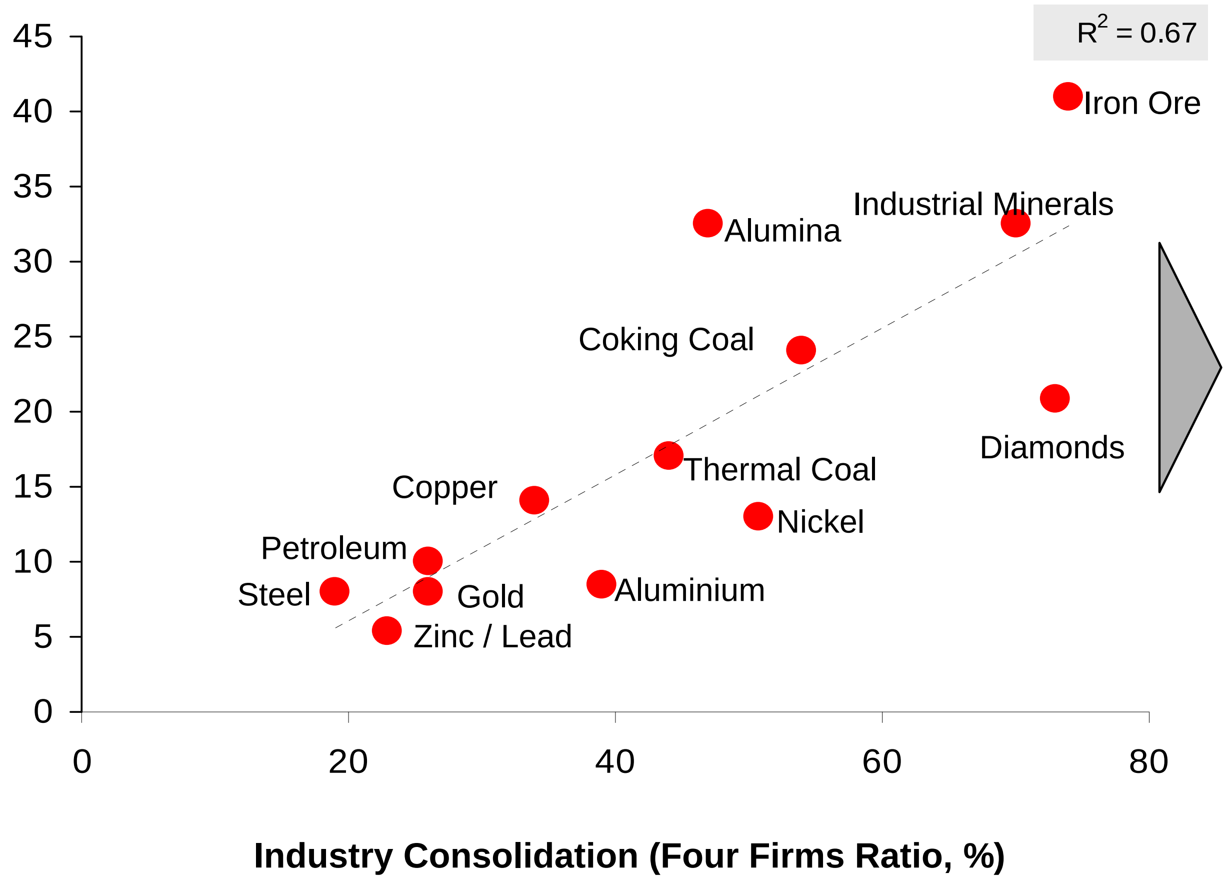
- Assumes that all costs just **increase at 4% (CPI)**
- This adds **US$75** in costs for production of 1 tonne of zinc

Rising costs will influence future zinc prices

Source: Brook Hunt Zinc Smelters Database 2007. Note: 1. To convert feed material to metal, excluding depreciation

… and provide the basis for securing the investment necessary in future zinc supplies

Sector Returns vs. Global Consolidation
(ROE% vs. CR4 Score, Average for 1995, 2000, 2005)



- Nyrstar firmly believes in the benefits of global consolidation for the zinc smelting industry
- Nyrstar will be a leading player in industry consolidation

Note: Four Firms Ratio consists of the market share, as a percentage, of the four largest firms in the industry

Source: Citigroup analysis - March 2008

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Questions