



# Nyrstar Full Year 2010 Results

24 February 2011



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# Full Year 2010 Results

**Roland Junck**, Chief Executive Officer



- > **Highlights**
  - Financial Results
  - Operating Results
  - Outlook & Summary

## 2010 Highlights – A Year of Delivery

### Strong Financial Performance

- Underlying EBITDA of €207 million, more than double 2009 (€93 million)
- First contribution from mining segment (€24 million)
- Completed a number of important financing initiatives
- Proposed distribution of €0.15 per share via a share capital reduction
- Basic EPS at €0.74 per share more than seven times greater than in 2009 (€0.10)

### Solid Operating Performance

- Record annual zinc metal production of 1.08 million tonnes from the smelting segment
- Coricancha, Contonga and East Tennessee Mines operating at full capacity at year end 2010
- Continued improvement in health and safety performance even with the ramping-up of mining assets

### Continuing to Deliver on our Strategy

- Acquired 1.25 million tonnes of zinc in concentrate from Talvivaara in February, remaining 15% of Coricancha mine and Contonga and Pucarrajo mines in July
- Subsequently acquired Farallon Mining Ltd, owner of the Campo Morado operation in January 2011
- Exceeded 30% integration target based on full production of existing mining assets (including the Talvivaara stream and Campo Morado)
- Continue to actively explore opportunities to achieve medium term goal of a 50% integration level

# Full Year 2010 Results

Heinz Eigner, Chief Financial Officer

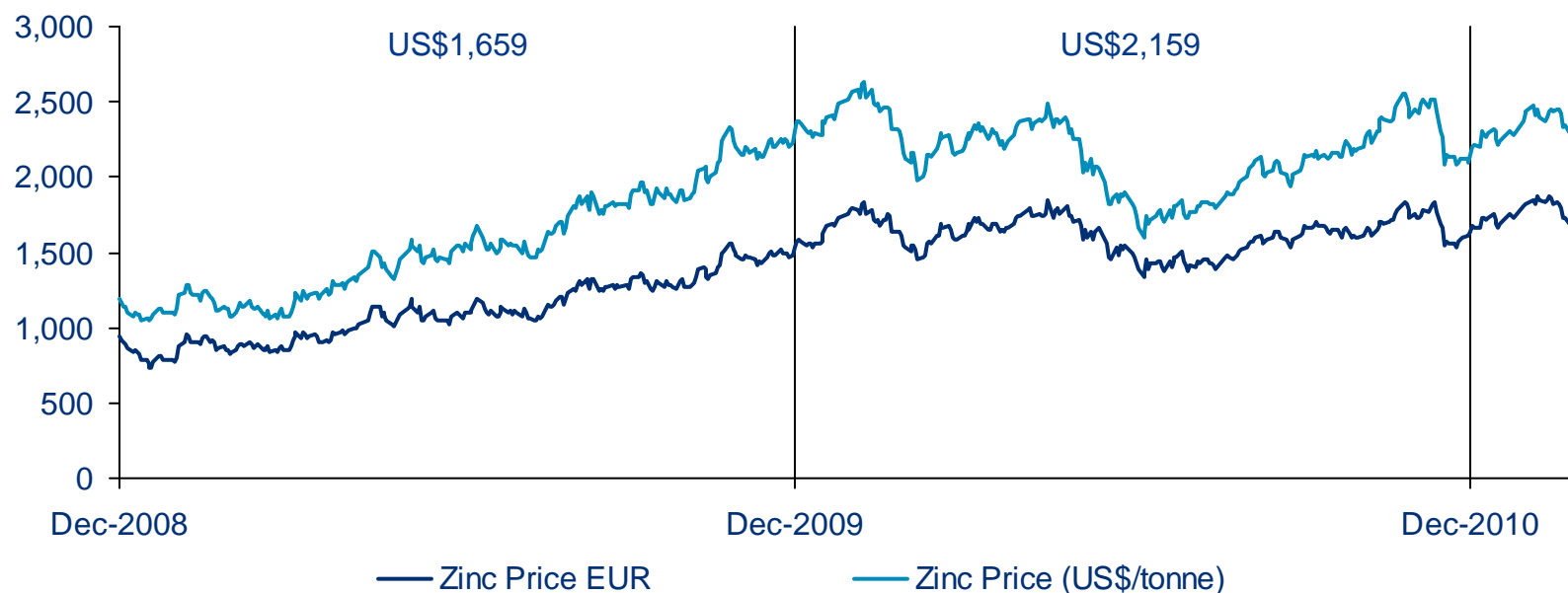


Highlights

- > **Financial Results**
- Operating Results
- Outlook & Summary

## Zinc Price Volatile But Trending Upwards

### LME Zinc Price

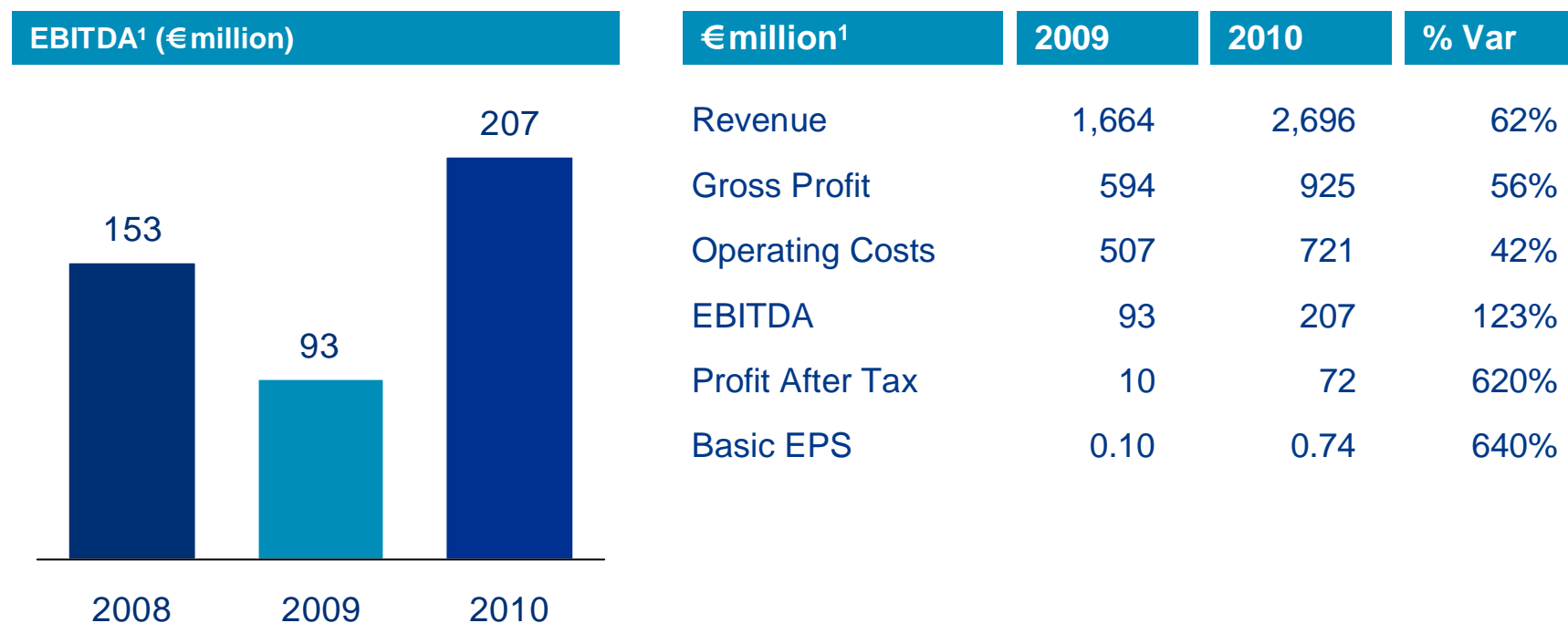


- Average LME zinc price\* was US\$2,159/tonne in 2010, up 30% on 2009
- Price peaked in January at US\$2,635/tonne and then fell to US\$1,595/tonne in June. Later the price rose to US\$2,557/tonne in October and within one month fell US\$500/tonne
- Zinc price recovered to end 2010 at US\$2,433/tonne
- Year to date 2011 average price, as at 22nd February, was US\$2,490/tonne

1 Zinc price is average of LME daily cash settlement prices

## Strong Financial Performance

- Strong EBITDA result supported by record zinc metal production, zinc price, cost control and contribution from new mines
- 2010 EBITDA of €207 million more than double compared to 2009

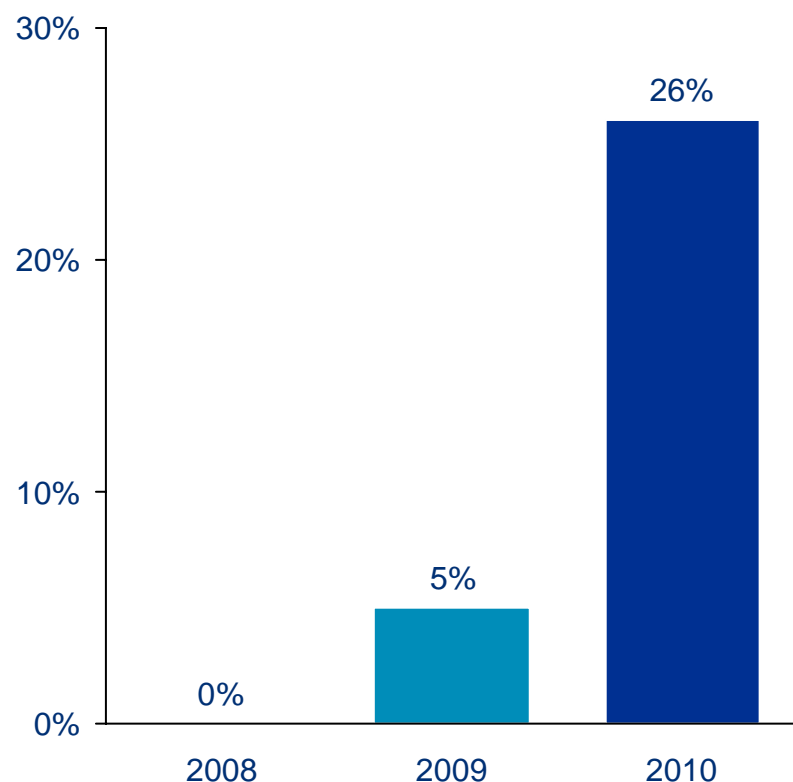


<sup>1</sup> Gross Profit, Operating Costs and EBITDA are on an underlying basis



## Strong Financial Position

### Gearing<sup>1</sup>



- Completed syndication of €400 million credit facility in March 2010
  - More than twice oversubscribed due to high demand
- Subsequently exercised accordion feature increasing facility to €500 million in November 2010
- Completed offering of bonds for total of €225 million in March 2010
  - Fully subscribed on first subscription day, increased from €100 million to €225 million due to strong demand
- Net debt of €296 million at 31 December, and gearing of approximately 26%<sup>2</sup>

<sup>1</sup> Gearing: Net debt to net debt plus equity at end of period

<sup>2</sup> Significant decrease in working capital requirements in part due to renegotiated and accelerated payment terms under the commodity grade off-take agreement (€107 million)



# Full Year 2010 Results

**Greg McMillan**, Chief Operating Officer

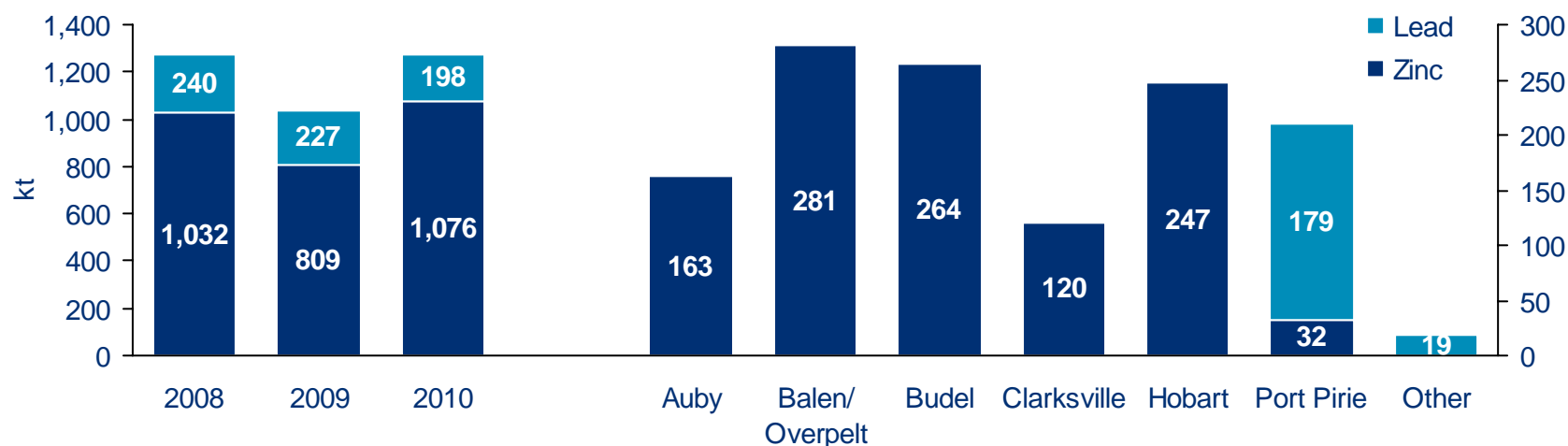


- Highlights
- Financial Results
- > **Operating Results**
- Outlook & Summary

## Record Smelter Production

### Smelting Production

2010



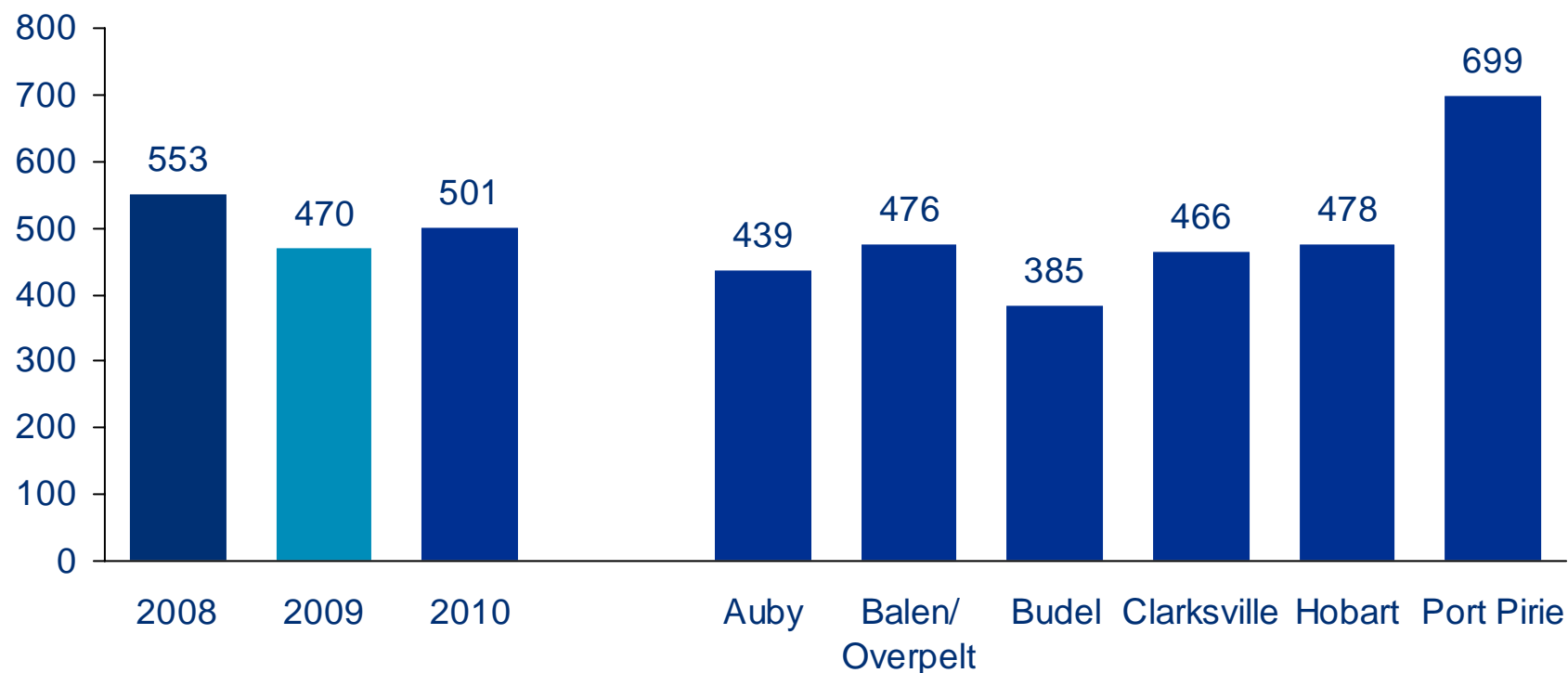
- Record zinc production in 2010, up 33% from 2009, primarily due to the Balen, Budel and Clarksville smelters returning to full production
- Zinc production down 6% at Hobart due to minor cast-house equipment failures in Q1, and damage to transformer rectifiers in May 2010
  - Damage was largely repaired in H1 and restored to 100% capacity by year end
- Lead production at Port Pirie down 14% due to sinter plant reliability issues in Q1 and a planned blast furnace shutdown in July that has restored production performance and reliability

*Note: Individual smelter production incorporates internal transfers of cathode for subsequent melting and casting (approx. 30,000 tonnes in 2010 and 106,000 tonnes in 2009), but eliminated from total smelting production.*  
*Total smelting production in 2008 and 2009 re-stated to exclude Nyrstar Yunnan Zinc Alloys (disposed of in August 2009)*

## Focusing on Smelting Operating Costs

### Smelting Cost per Tonne<sup>1</sup>

2010



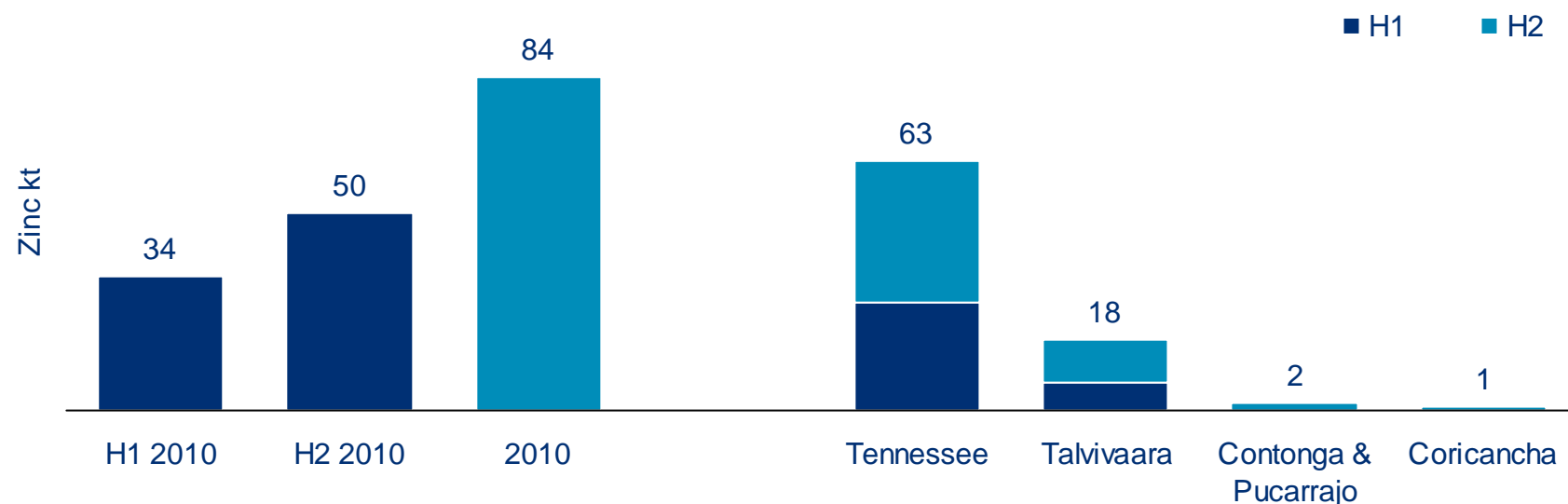
- Smelting cost per tonne increased (in Euro terms) as a result of the weaker Euro and temporary production issues at Hobart and Port Pirie

<sup>1</sup> Smelting segment underlying operating cost per tonne of primary market metal (zinc and lead, excludes ARA). 2009 operating costs per tonne have been restated to be consistent with the 2010 operating costs per tonne calculations

## Ramping-up Mines

### Mining Production

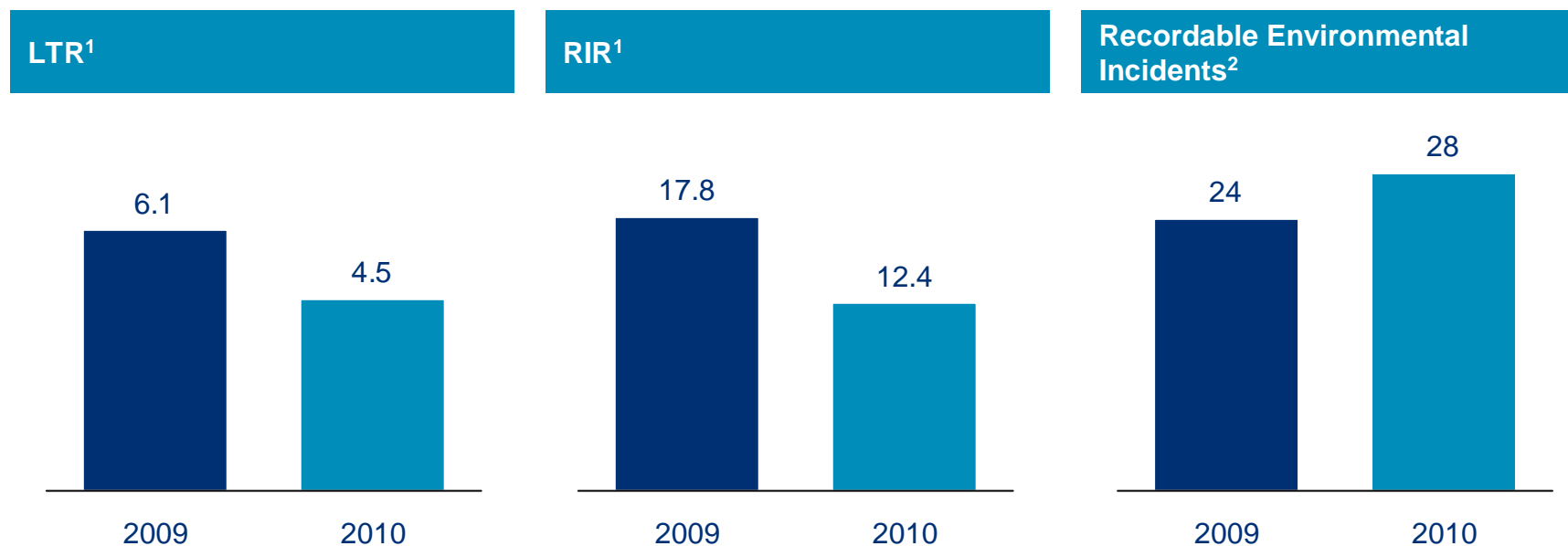
2010



- East Tennessee, Contonga<sup>1</sup> and Coricancha mines operating at full production at the end of 2010
- Mid Tennessee at 35% of capacity with the successful commissioning of a new ball mill in January 2011. Full production is expected in early 2011
- Deliveries ramping-up from Talvivaara zinc stream, with 60Kt of zinc in concentrate expected in 2011 and full production rate of 90Kt by the end of 2012

<sup>1</sup> At full production the Contonga & Pucarrajo mines are expected to produce 40Kt of zinc in concentrate

## Safety, Health and Environment



### ■ Safety

- Lost Time Injury Rate reduced 26% and Recordable Injury Rate (RIR) reduced 31% in 2010 compared to 2009
- Despite a strong focus on safety, an employee was fatally injured in an incident related to the Coricancha mine commissioning in 2010

### ■ Environment

- Recordable incidents increased by only 4 (all minor) in 2010 despite the acquisition and ramping up of mines

<sup>1</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

<sup>2</sup> The total number of recordable environmental incidents in 2009 for all sites owned by Nyrstar as of December 31 2010 was 38

# Full Year 2010 Results

Roland Junck, Chief Executive Officer



Highlights

Financial Results

Operating Results

> **Outlook & Summary**

## Actively Pursuing Our Strategy

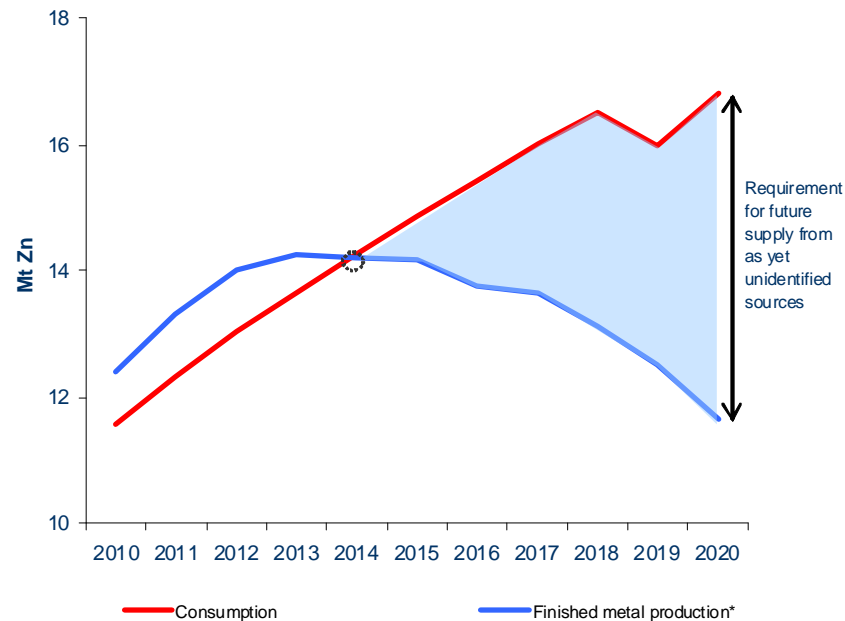
- Continued strong progress with implementation of strategy
- Acquired 1.25 million tonnes of zinc in concentrate from Talvivaara in February, remaining 15% of Coricancha mine and Contonga and Pucarrajo mines in July
- Subsequently acquired Farallon Mining Ltd, owner of the Campo Morado operation, in January 2011
  - Expect production post ramp-up of 70kt per annum of zinc in concentrate by end 2012 (8kt copper and 7kt lead in concentrate, 3 million oz silver, and 35k oz gold)
  - Expected first quartile C1 cash costs <US\$500/tonne due to strong by-product credits
- Exceeded 30% integration target (including Talvivaara stream and Campo Morado) based on full production of existing mining assets
- **Zinc production from the mining segment targeted to reach 50% integration in the medium term**
- Continuing to actively explore additional opportunities to deliver on our strategy





# Well Positioned to Leverage Strong Zinc Market Fundamentals

## Projected Tightness in Concentrate Market in Medium Term



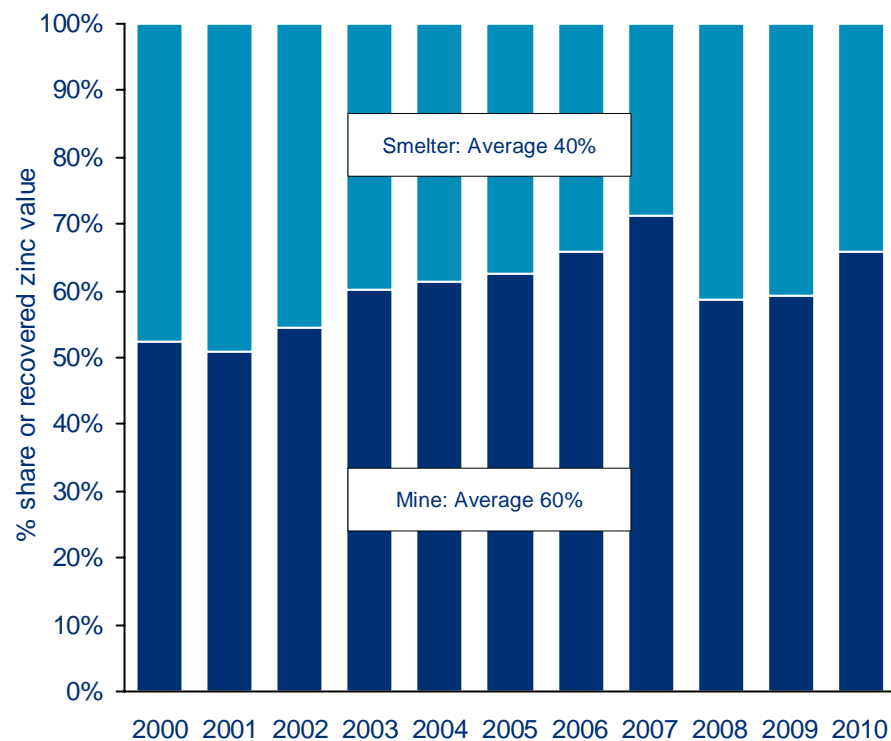
## Observations

- Global Zinc consumption forecast to increase to 14.9Mt p.a. by 2015
- Supply constraints will increase in the medium term and impact prices
- It is estimated that by 2020, 7Mt p.a. of additional and replacement mine capacity will be required to meet demand
- Value split expected to continue to favour zinc miners

\* Based on 94.8% smelter recovery and mine production including probable projects and secondary production (assuming secondaries represent on average 7% of global zinc smelter raw material)  
Source: Brook Hunt

## Strategy to Expand into Mining

### Share of Recovered Zinc Value in Concentrate



- Mining is structurally more profitable per tonne than smelting
  - Brook Hunt estimates that producing one tonne of zinc in concentrate is on average **more than two times** more profitable than smelting one tonne of zinc
- Mines have historically captured approximately 60% of zinc price revenues
- Upstream integration provides greater exposure to metal prices throughout the cycle
- Nyrstar is seeking to capture incremental zinc revenue by moving upstream into mining

*Note: Revenue split between miners and smelters based on LME annual average prices, premiums and "benchmark" treatment charges  
Source: Brook Hunt*

## 2010 Summary & Outlook

### Strong Financial and Operating Performance

- Strong growth in Underlying EBITDA with €207 million, more than double 2009
- Record annual zinc metal production, smelting costs per tonne contained despite euro depreciation
- First contribution from mining segment (€24 million)

### Delivering on Strategy

- Significant progress with mining acquisitions in 2010 and acquisition of the Campo Morado operation in January 2011
- Exceeded 30% integration target based on full production of existing mining assets
- Zinc production from mining assets expected to reach 50% of zinc metal production in medium term

### Outlook

- Continued earnings growth from mining expected as new mines ramp-up to full production
- Continued focus on smelting costs/tonne and mining C1 cash costs in 2011
- Continuing to actively explore opportunities to deliver on our strategy
- **Fundamental market outlook is positive and will provide opportunities for further growth**

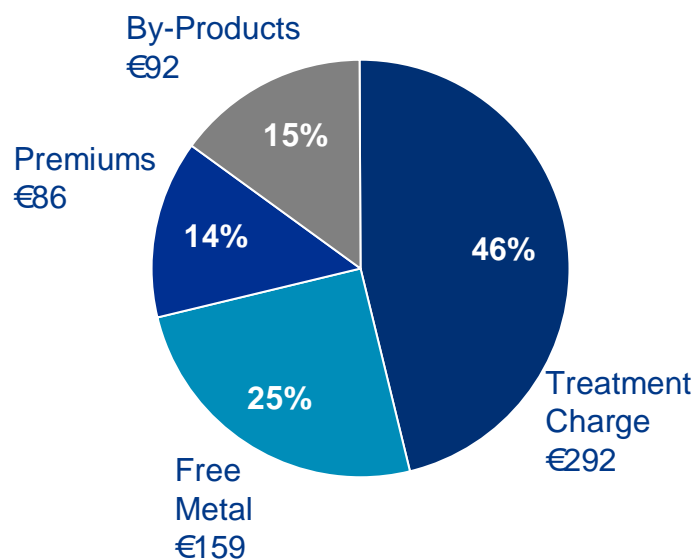
# Questions

# Appendix

## Gross Profit

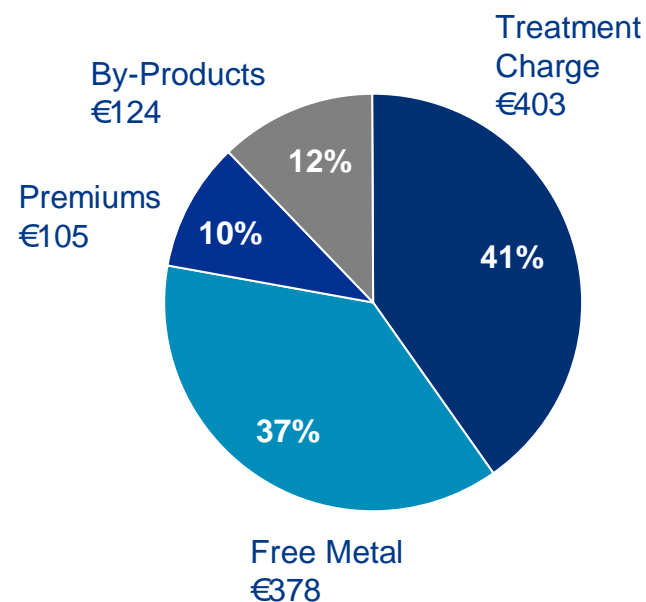
**2009**

€594 million



**2010**

€925 million



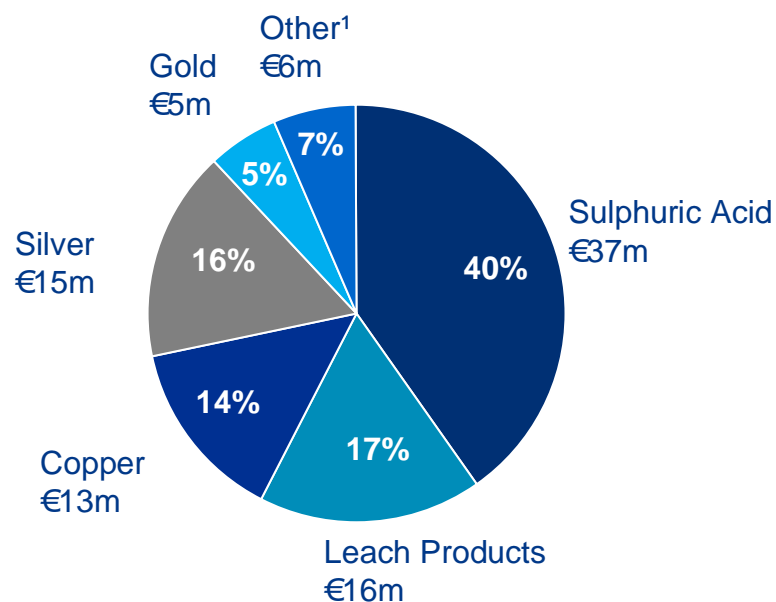
- Gross profit increased 56% primarily due to increased production volumes and higher average metal prices
- Increasing proportion from Free Metal with ramp-up of mines

<sup>1</sup> Excludes "Other Gross Profit" which includes realisation expenses, costs of alloying materials and contribution from smaller sites: €(83)m 2010, €(35)m 2009

## Smelting By-products

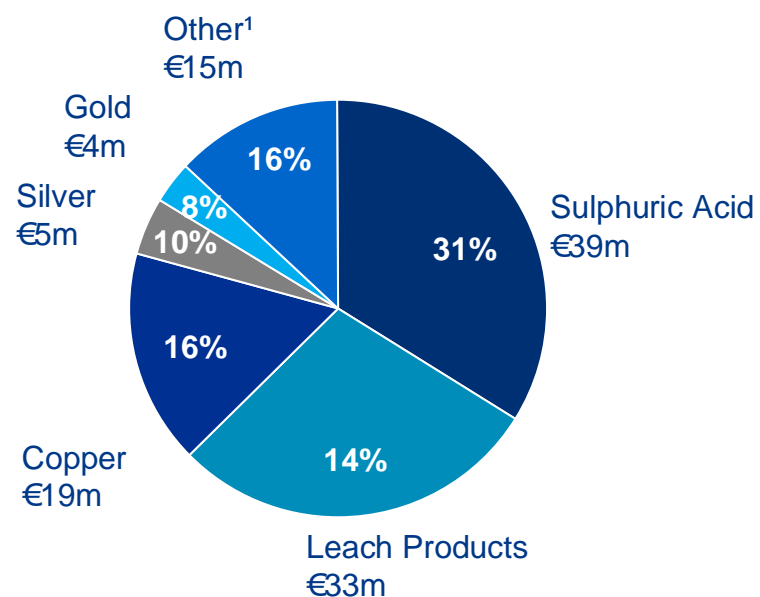
**2009**

€92 million



**2010**

€115 million



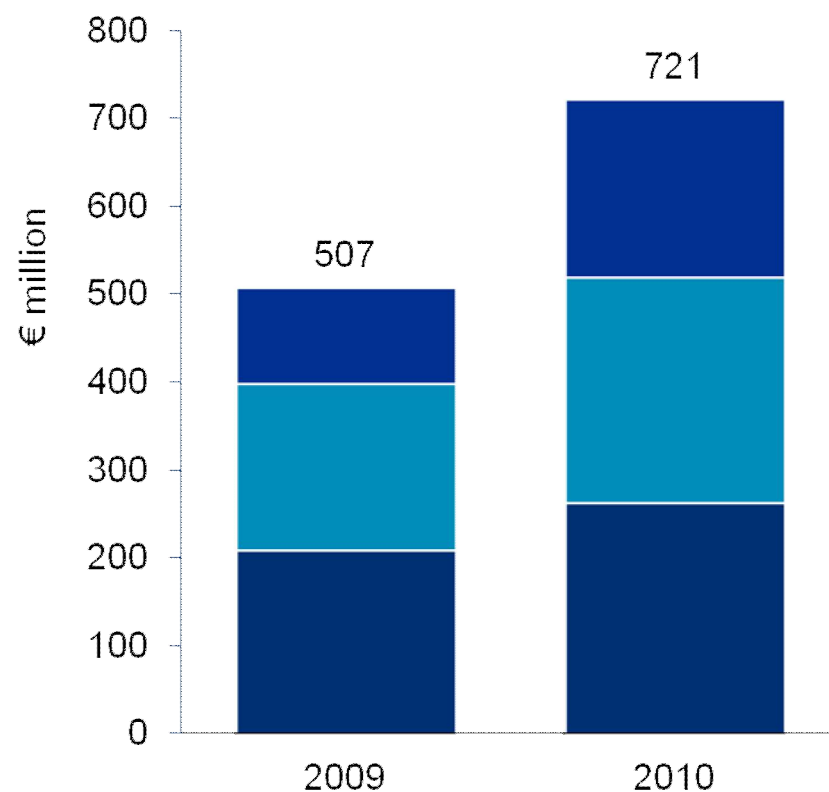
- Increased by-product contribution due to higher volumes and market prices
- Silver and Gold earnings impacted by temporary production issues at Port Pirie in 2010

<sup>1</sup> Other includes a range of metals and products, including: Cobalt, Cadmium, Germanium, Indium



## Operating Expenses

■ Employees ■ Energy ■ Other Expenses



- Underlying operating costs up 42%

### Employee Expenses

- 26% due to ramp-up of new mines and increased production profile

### Energy Expenses

- Up 35% due to smelters returning to full production in 2010 and weaker Euro against the Australian and US dollar

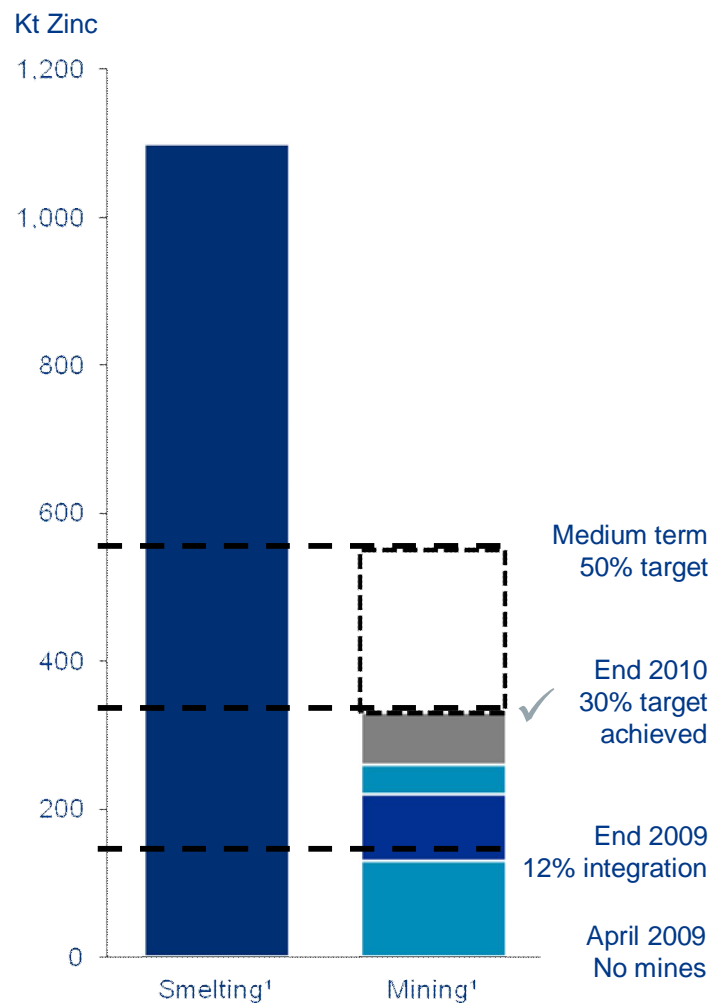
### Other Expenses

- Up 85% due to ramp-up of new mines and increased smelter production

## Capital Expenditure

- Capital Expenditure increased to €147 million for 2010
  - €81 million for smelters (maintenance and growth); and
  - €60 million for mining (including approximately €24 million for ramp-up of mines)
  - €6 million was invested at other operations and corporate offices

## Mining Summary



	C1 Cash Costs <sup>2</sup> US\$ / payable tonne zinc		Other metal by-products	Annual Capacity at Full Production
	Year ended 31 December 2010	At full production (estimate)		
Campo Morado	717	<500	8kt Cu, 7kt Pb, 3m oz Ag, 35k oz Au	70Kt Zn
Contonga & Pucarrajo	2,915	<1,000	4kt Pb, 1kt Cu, 1.5m oz Ag	40kt Zn
Talvivaara	1,005	1,000 to 1,100	-	90kt Zn
NTM	1,901	1,500 to 1,600	-	130kt Zn
	C1 Cash Costs US\$ / payable troy ounce gold		Other metal by-products	Annual Capacity at Full Production
	Year ended 31 Dec 2010	At full ramp-up		
Coricancha	940	(100) to (200)	5kt Zn, 3kt Pb, 1m oz Ag	20k oz Au

- Focused on driving continuous C1 cash cost reductions

<sup>1</sup> C1 cash costs are the net direct cash costs incurred from mining through to refined metal (including operating costs, treatment charges, concentrate freight costs), less by-products credits. For Coricancha the cash cost is based on gold production per troy ounce only, with other metal revenues treated as by-product credits

<sup>2</sup> Based on annual capacity at full production

## EBITDA Reconciliation

€million	2009	2010
<b>EBITDA</b>	71	183
Underlying adjustments		
<b>Add back:</b>		
Restructuring expenses	24	11
Impairment losses / (reversals)	(2)	1
Net loss / (gain) on disposal of subsidiaries	(6)	-
Net loss / (gain) on Hobart Smelter embedded derivatives	5	13
<b>Underlying EBITDA</b>	93	207

## EBITDA Sensitivities

2010		
Parameter	Variable	Estimated annual EBITDA impact in € million
Zinc Price	+/- US\$100/t	+/- 25
Lead Price	+/- US\$100/t	+/- 1
US\$/€	+/- €0.01	+/- 10
A\$/€	+/- €0.01	-/+ 4
Zinc TC	+/- US\$25/dmt	+/- 32
Lead TC	+/- US\$25/dmt	+/- 5

- Calculated by modelling Nyrstar's 2010 underlying operating performance. Each parameter is based on an average value observed during that period and is varied in isolation to determine the annual EBITDA impact
- Particular care needs to be taken when applying the sensitivities. For details refer to Nyrstar's 2010 results announcement