

# Nyrstar and the outlook for the zinc industry

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## **I. Introduction**

## **II. Zinc fundamentals**

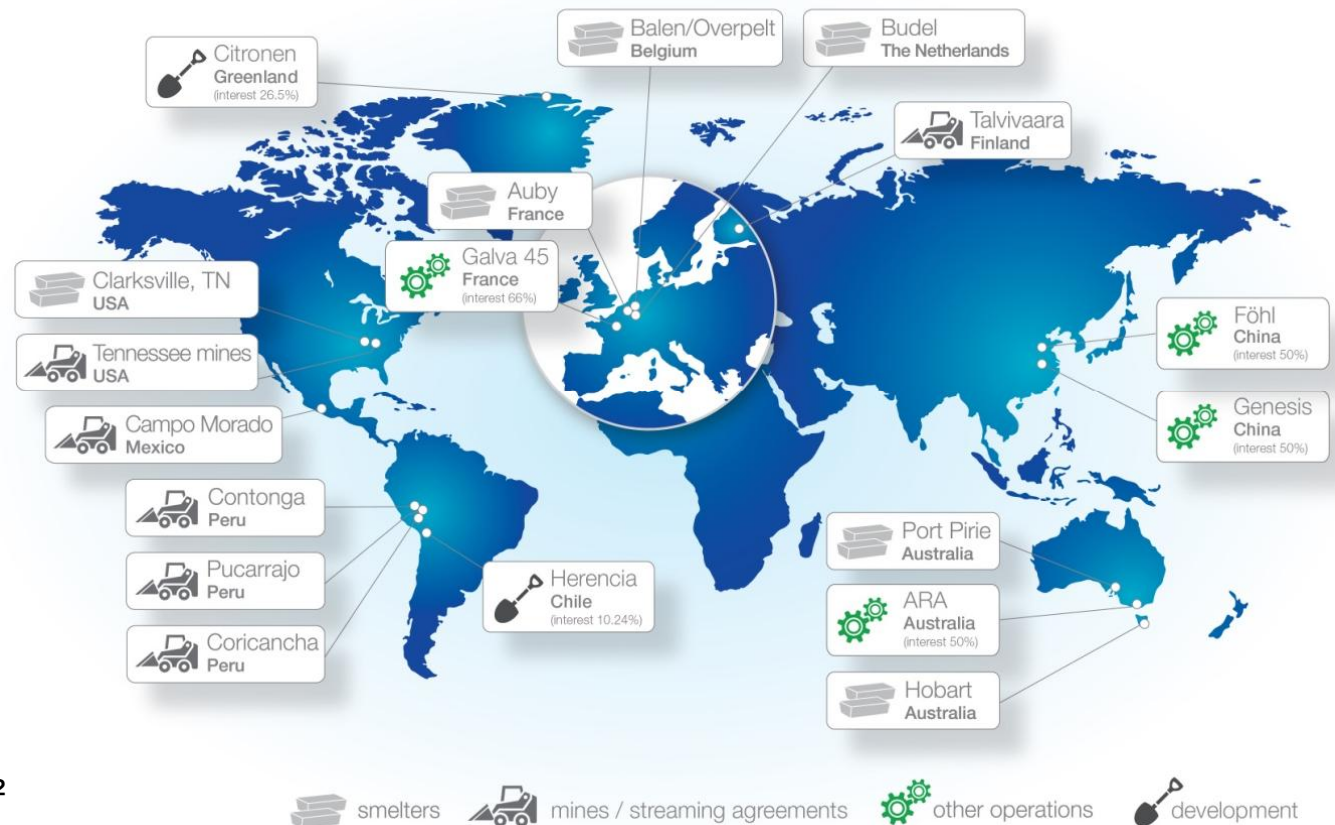
## **III. Current dynamics of the zinc market**

## **IV. Leveraging off strong zinc market fundamentals**

# Nyrstar at a Glance

**Nyrstar is a leading global multi-metals business, producing significant quantities of zinc and lead as well as other products (including silver, gold and copper)**

- World's largest zinc smelting company
  - 1.1 million tpa zinc metal
- Top ten zinc mining company
  - 335,000 tpa zinc in concentrate<sup>1</sup>
- Major lead producer
  - 250,000 tpa lead metal
  - 14,000 tpa lead in concentrate<sup>2</sup>
- Other products
  - 21.5 million troy ounces silver<sup>3</sup>
  - 79,000 troy ounces gold<sup>3</sup>
  - 9,000 tpa copper in concentrate<sup>2</sup>

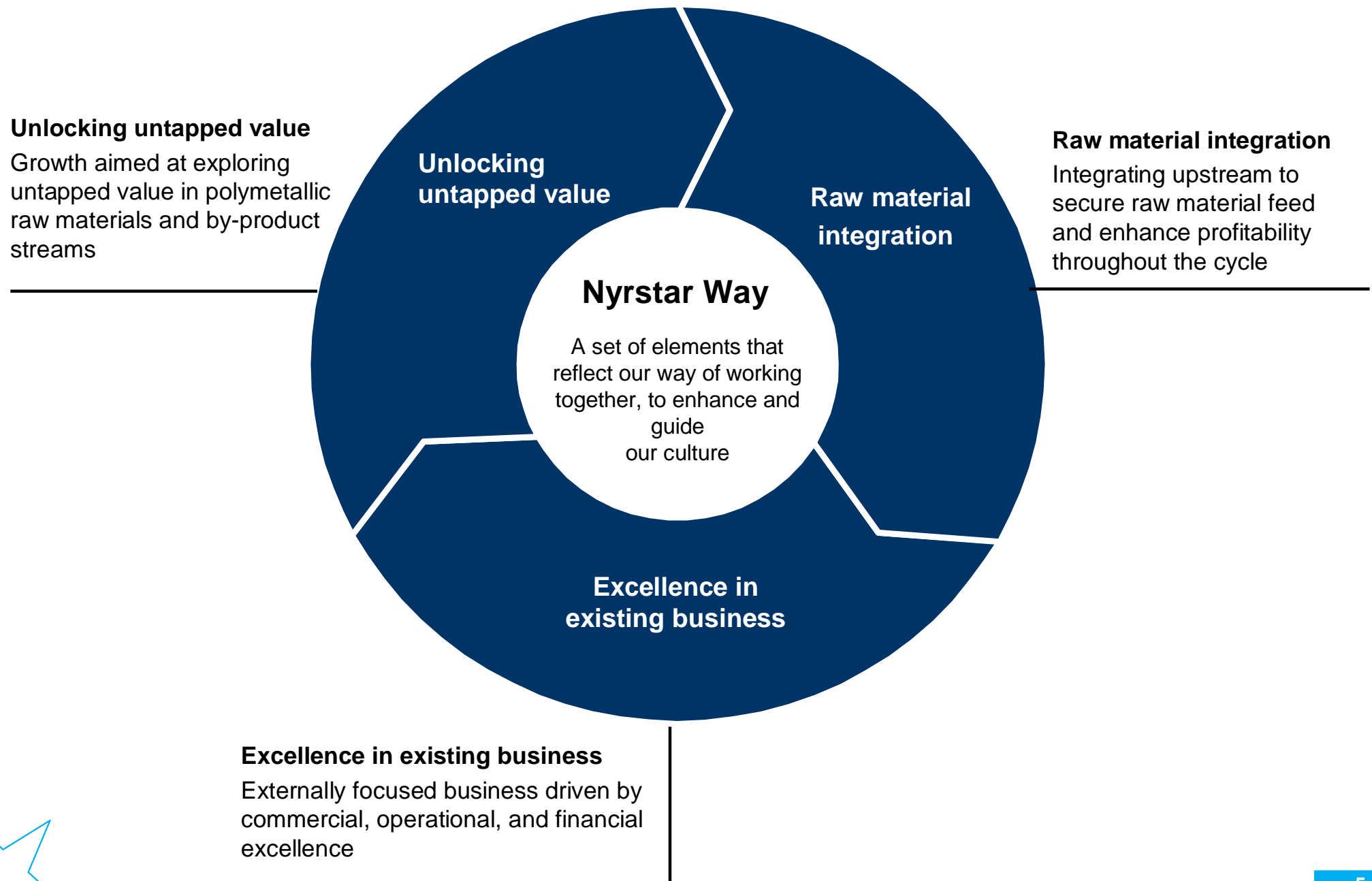


<sup>1</sup> Based on full production of mining assets (expected by end of 2012) compared against Brook Hunt's 2010 zinc mining company rankings

<sup>2</sup> Based on full production of mining assets (expected by end of 2012)

<sup>3</sup> Combined mining and smelter capacity at full production

# Long Term Strategic Vision – Road Map to 2015





# Nyrstar's Growth Strategy

May 2009: Acquired Mid-Tennessee Zinc mine complex in US

June 2009: Announced new strategy of up upstream integration

Nov 2009: Acquired 85% of Coricancha mine in Peru

Nov 2009: Acquired 19.9% stake in Ironbark, owner of Citronen zinc-lead project in Northern Greenland

Dec 2009: Acquired East-Tennessee Zinc mine complex in US

Feb 2010: Innovative acquisition of 1.25 million tonnes of zinc in concentrate from Talvivaara

March 2010: Agreed to acquire additional 11% stake in Ironbark

July 2010: Acquired remaining 15% stake in Coricancha mine

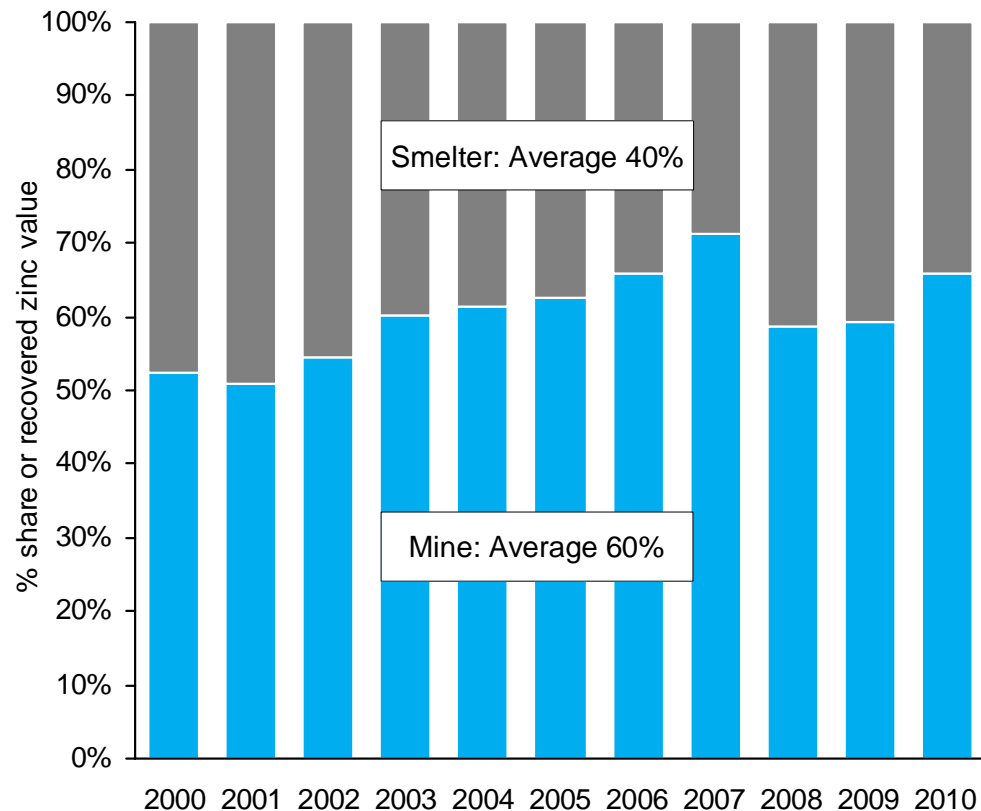
July 2010: Acquired Contonga and Pucarrajo mines in Peru

Jan 2011: Acquired Campo Morado (Farallon) in Mexico



# Strategy to Expand into Mining

## Share of Recovered Zinc Value in Concentrate



## Observations

- 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

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# Think Zinc: Main End Use Markets

## Zinc consumption by first use in 2010

- Used in medical products, paints and tyres

**Oxides and chemicals**

**Other**

4%

**Die-casting alloys**

13%

**Brass semis and castings**

14%

**Galvanising**

52%

- Predominantly used for galvanising of strip mill carbon steel products (coils)
- Major end use markets are **construction, automobiles** and **home appliances**
- First use consumption of zinc for galvanising is dominated by major steel companies

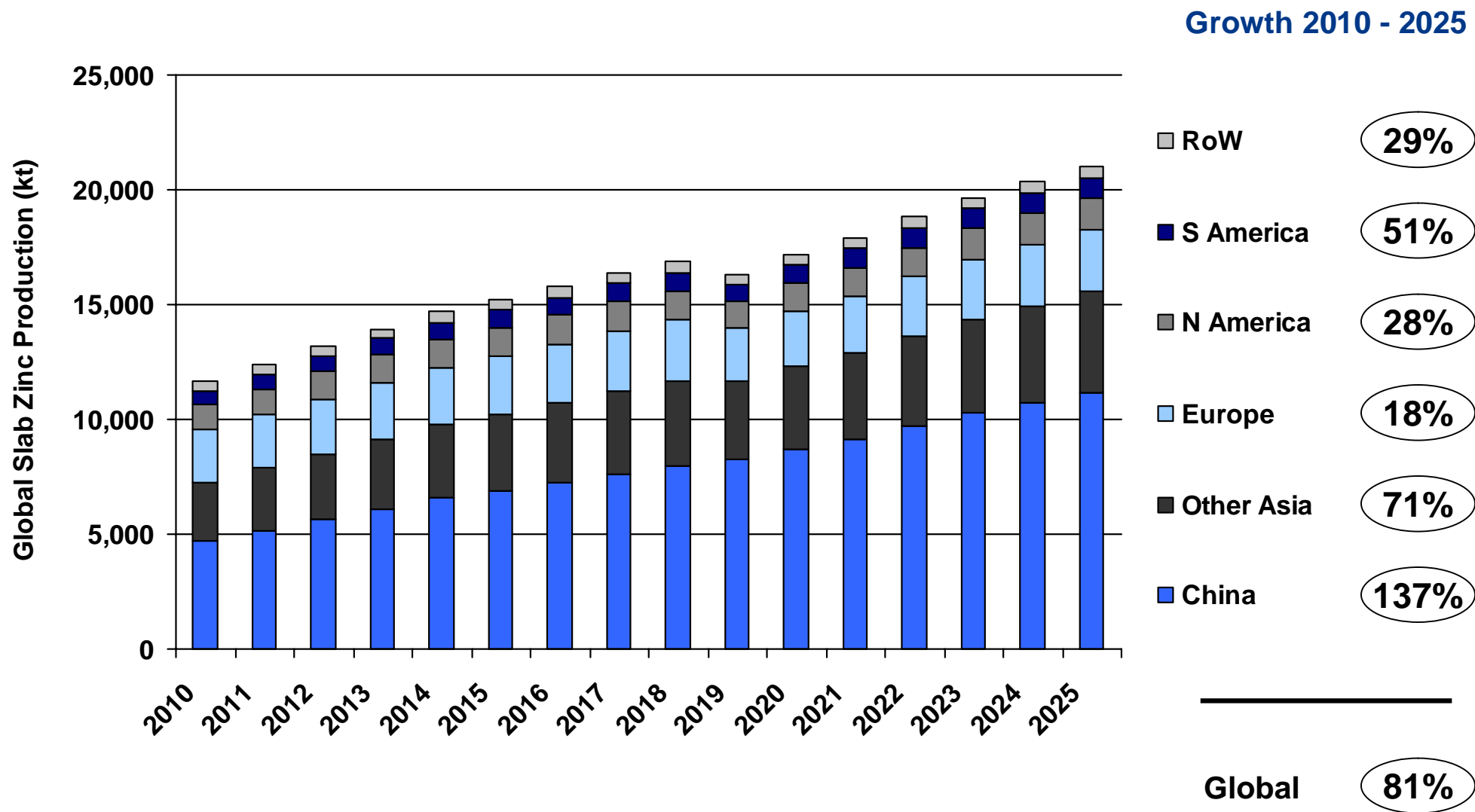
- Used in **automotives, consumer products**, electrical and hardware industries

**Semis - manufactured products**

- Used mainly for roofing

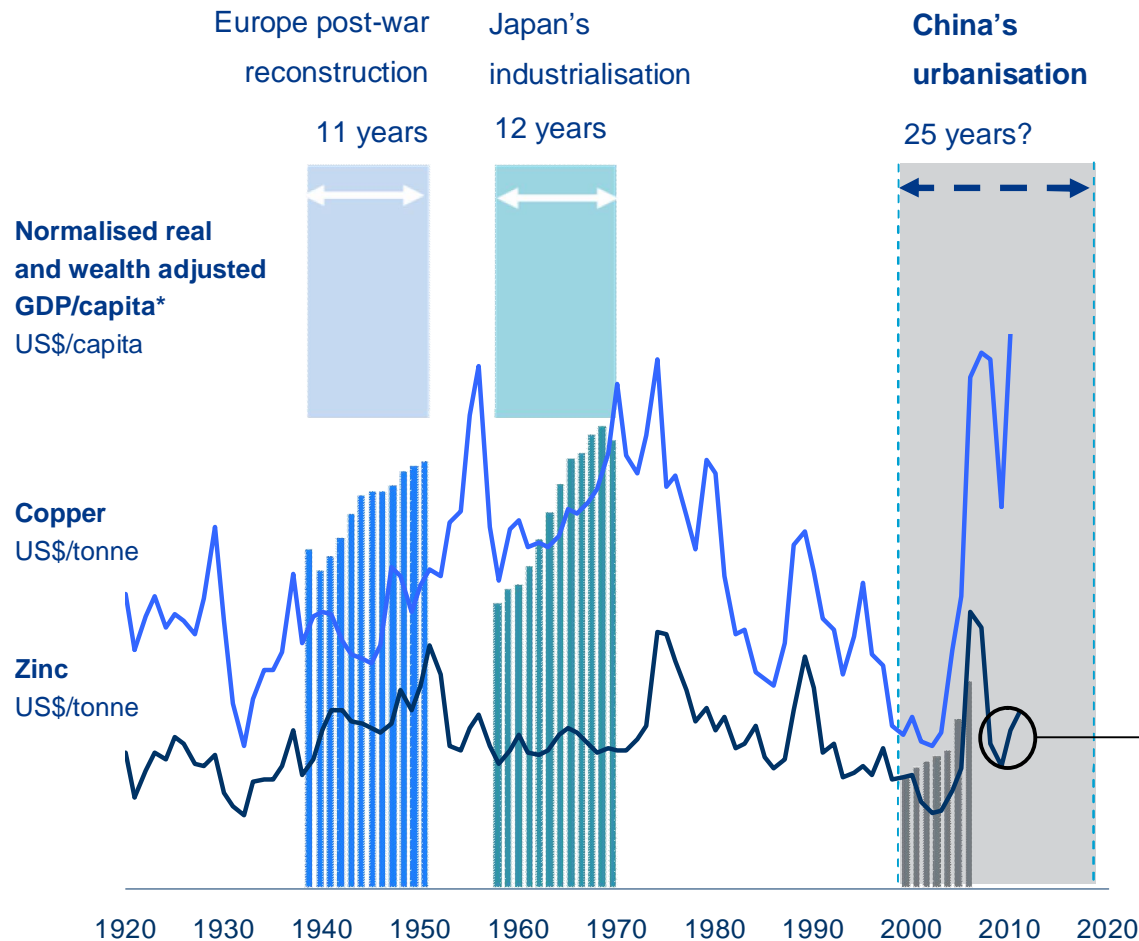
9%

# China driving global zinc consumption growth



Source: Brook Hunt (March 2011)

# China's urbanisation is driving demand



- China's GDP per capita is still only \$3,500, less than 10% of US or Europe
- 54% of China's 1.3 billion people still live in rural areas (64% in 2000, 74% in 1990)
- **With vast investment still required for urbanisation, long-term demand growth for zinc and other commodities is expected**

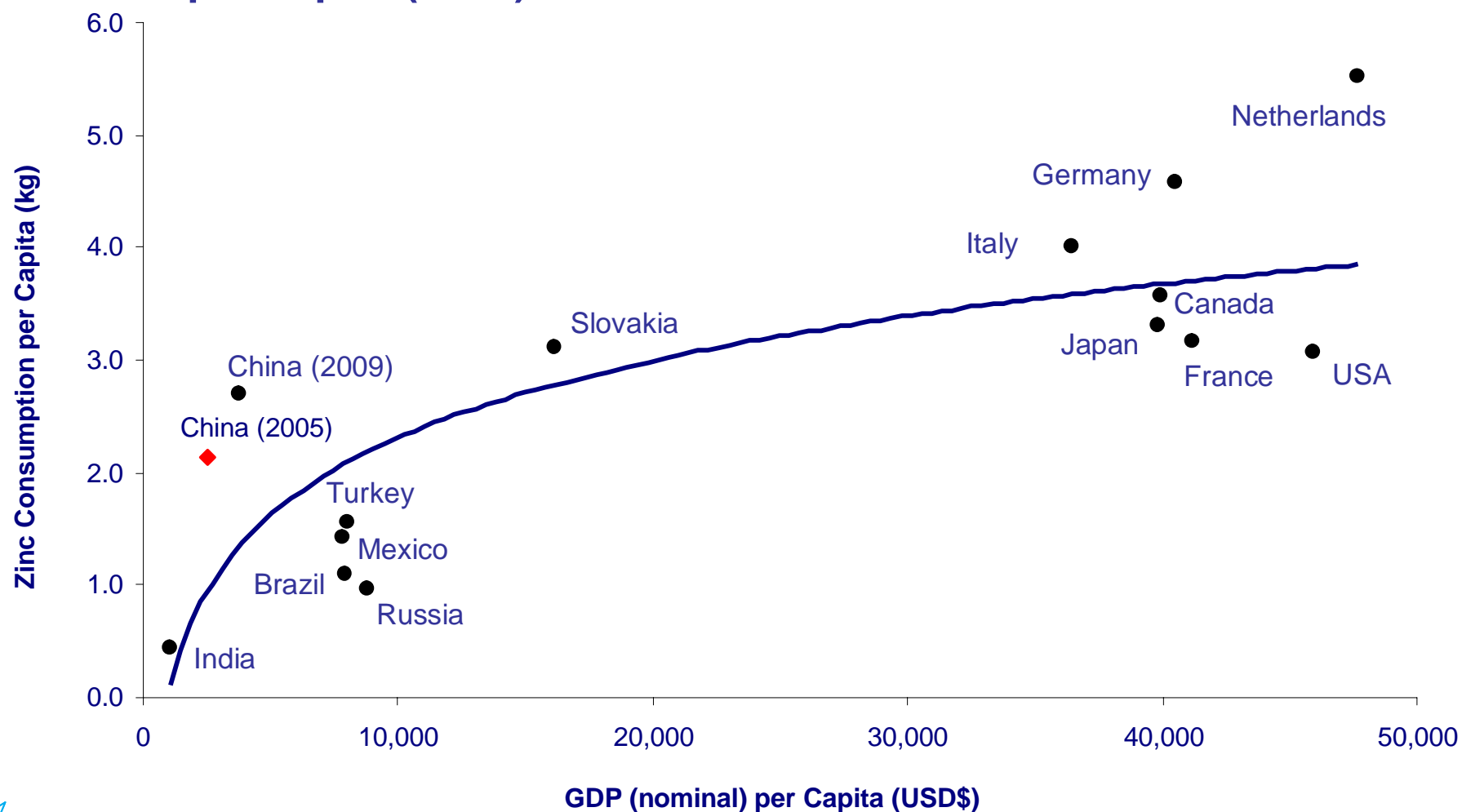


Source: Angus Maddison, Global Insight, Tex Report, USGS

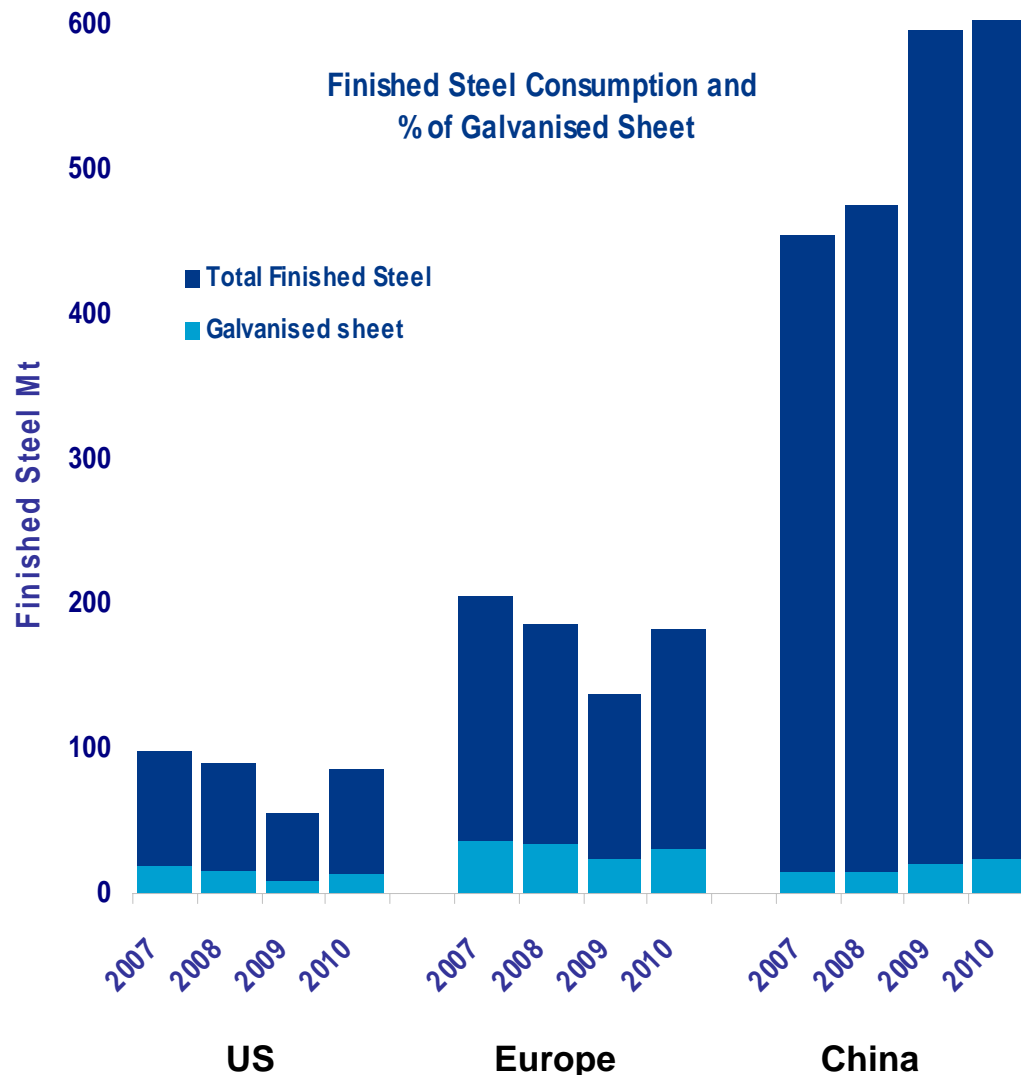
\* world average GDP/capita used to deflate GDP/capita for individual countries to 1940 levels

## Per capita zinc consumption demonstrates the potential

Relationship between first use zinc consumption and GDP per capita (2009)

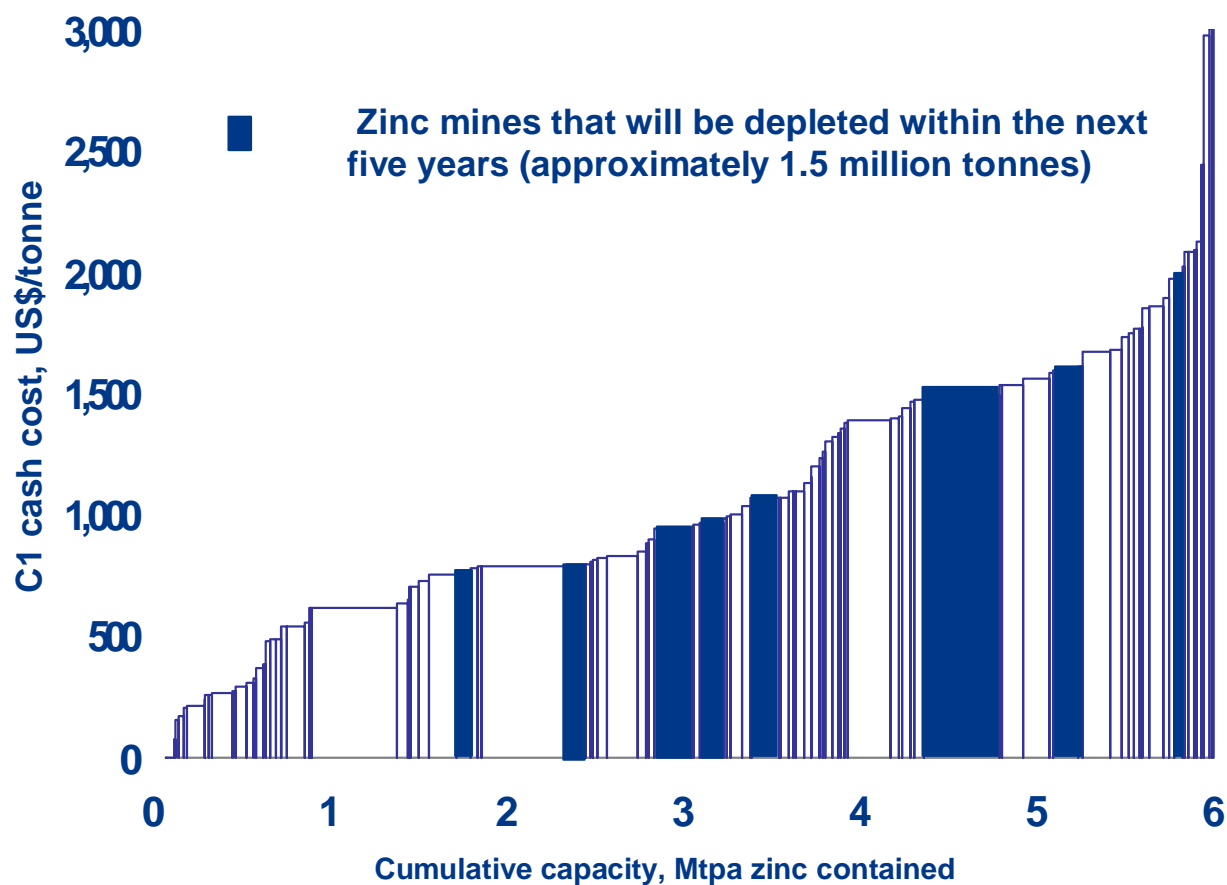


## Increased Galvanisation will drive demand



- Only **4%** (up from 3% in 2009) of China's steel consumption is in galvanised sheet form (approximately - 20% in Europe & US)
- As China's urbanisation progresses:
  - Steel demand will continue to grow
  - Steel product mix will shift
  - Increase in galvanized flat products
- If China consumed a similar ratio of galvanized to finished steel as Europe and US, it would require an **additional 5 million tonnes of zinc**

## However supply constraints will return



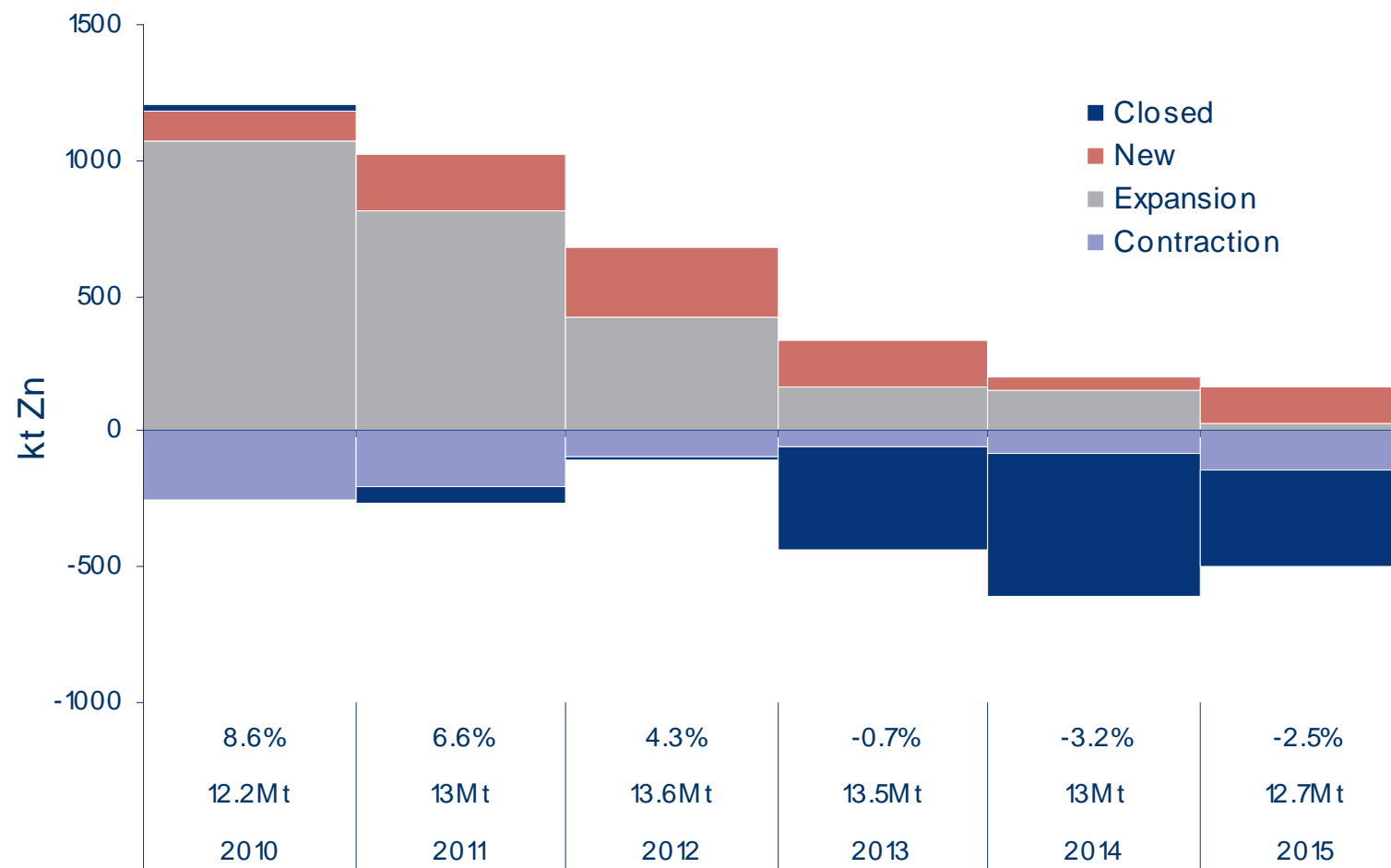
### Supply constraints will return and impact long-term prices

- Number of large zinc mines to be depleted in next 5 years
- Significant reduction in mining capital expenditure exacerbated by financial crisis, and limited focus on zinc by majors
- Limited number of new zinc projects in pipeline
- Supply response will lag recovery in demand
- New projects often in difficult geographies

Source: Brook Hunt. Based on currently stated reserves  
Excludes number of Chinese mines for which data does not exist



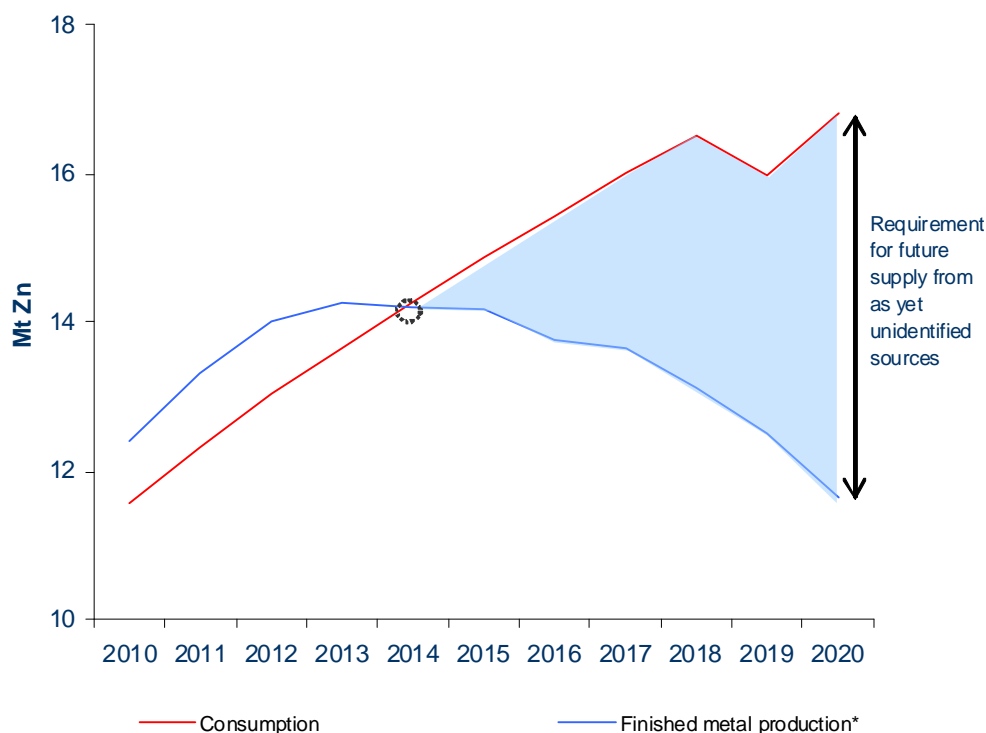
## New zinc projects will struggle to meet current demand



Source Brook Hunt - A Wood Mackenzie Company

# 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

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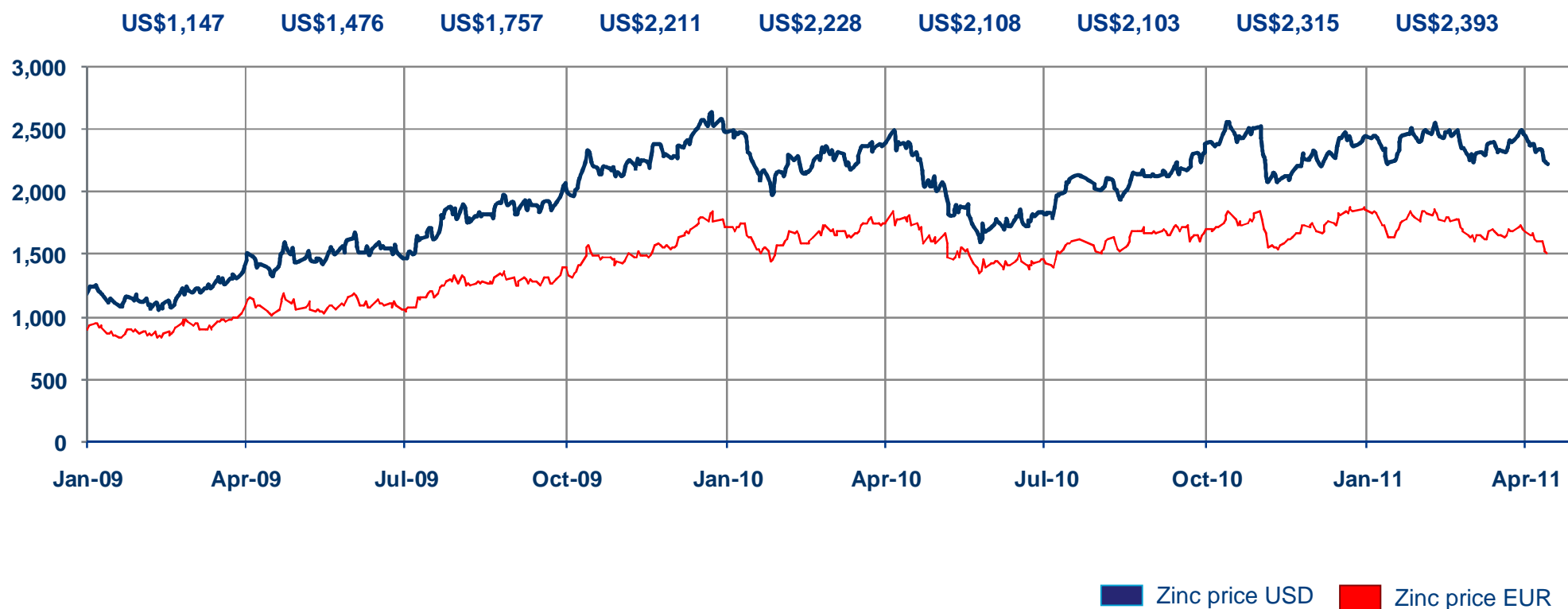
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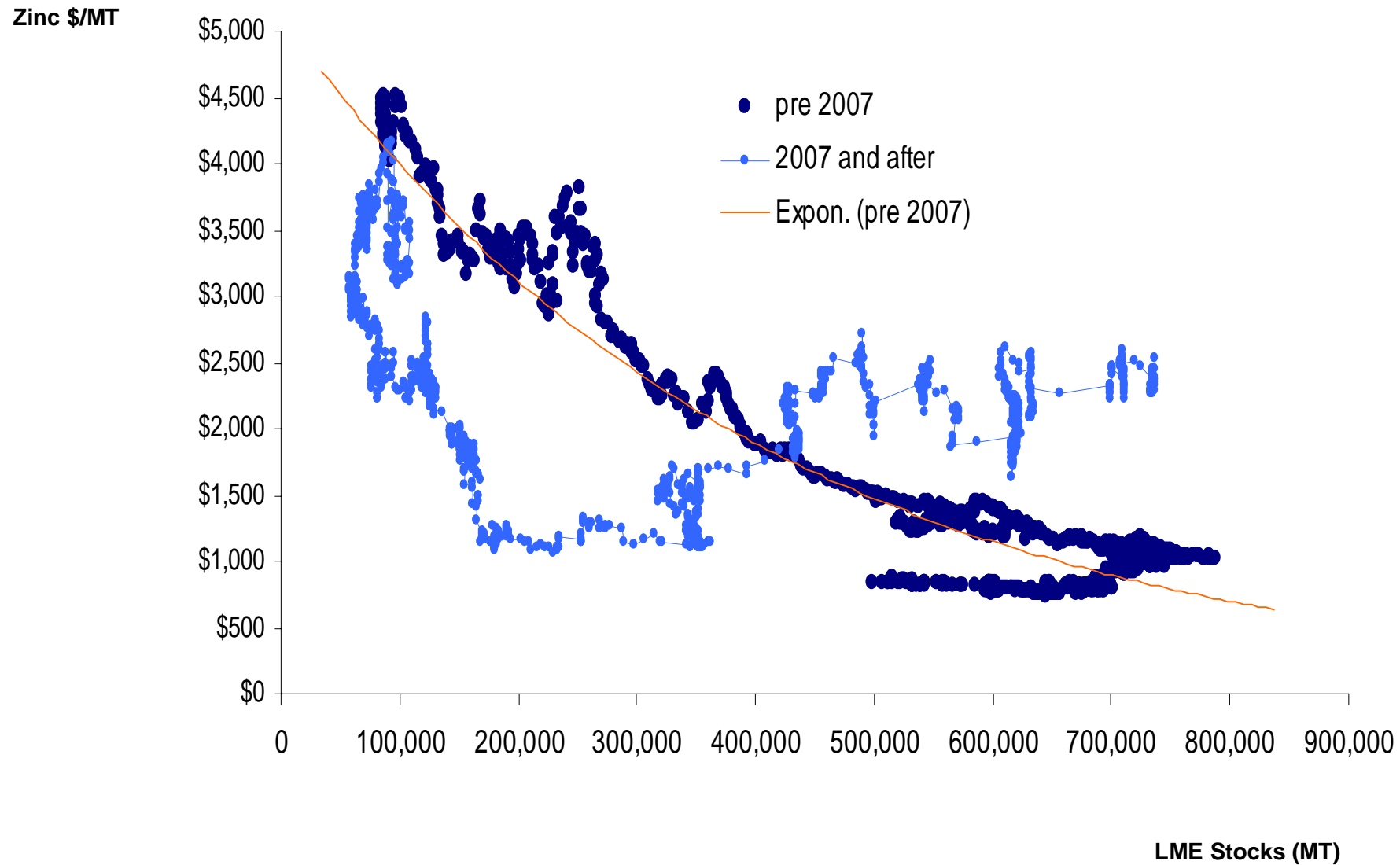
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# Zinc price continues its volatile yet positive momentum

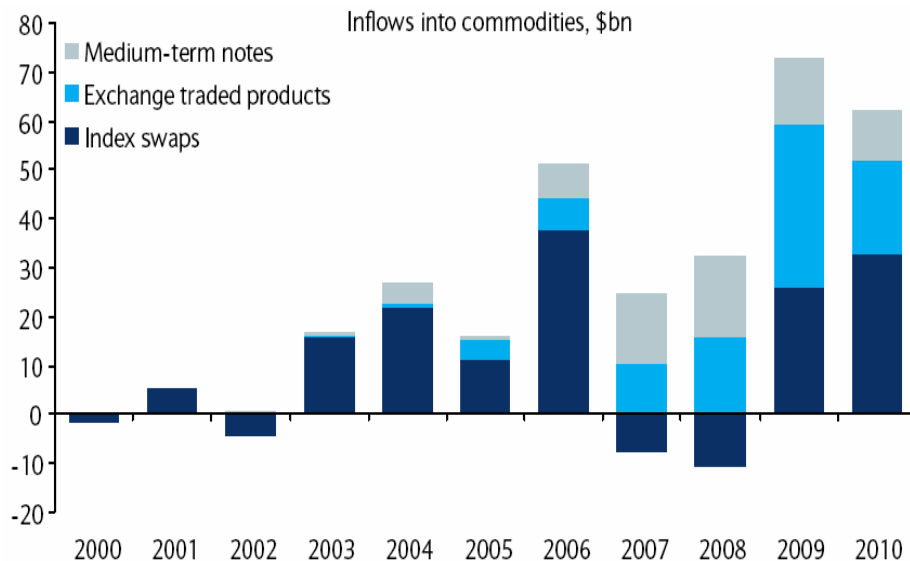
EUR Zinc price  
(EUR/tonne)



## A significant development is that we have seen a decoupling of the relationship between stocks and prices



## Why stock levels are having less impact on price



Source: Barclays Capital

- The inflow of outside investment into the commodity space has seen metal prices more influenced by future demand, and not just fundamentals
- Macro investors are more confident of the attractive prospects for demand and are more in tune with its lead indicators than traditional metal dealers and analysts
- This is particularly attractive given the current liquidity due to low interest rates and poor returns elsewhere
- Economic growth and likely tightness on the mining side from 2013 onwards mean that current stocks could likely be absorbed with minimal impact on the price



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# 2010 “A Year of Delivery” and continuing to deliver on strategy in 2011

## **Strong Financial Performance in 2010**

- Underlying EBITDA of €207m, more than double 2009 (€93m), with first mining contribution (€24m)
- Basic EPS at €0.74 per share more than seven times greater than in 2009 (€0.10)

## **Robust financial position with successful completion of rights offering and public bond offering**

- Successfully completed rights offering for €490m in March 2011 and public offering of bonds for €525m in May 2011

## **Solid Operating Performance in 2010, continuing into Q1 2011**

- Record annual zinc metal production of 1.08 million tonnes from the smelting segment in 2010, with Q1 2011 production close to the record production achieved in Q4 2010
- Coricancha, Contonga and East Tennessee Mines operating at full capacity at year end 2010
- Zinc in concentrate production from mines up 64% in Q1 2011 compared to Q4 2010

## **Continuing to Deliver on our Strategy**

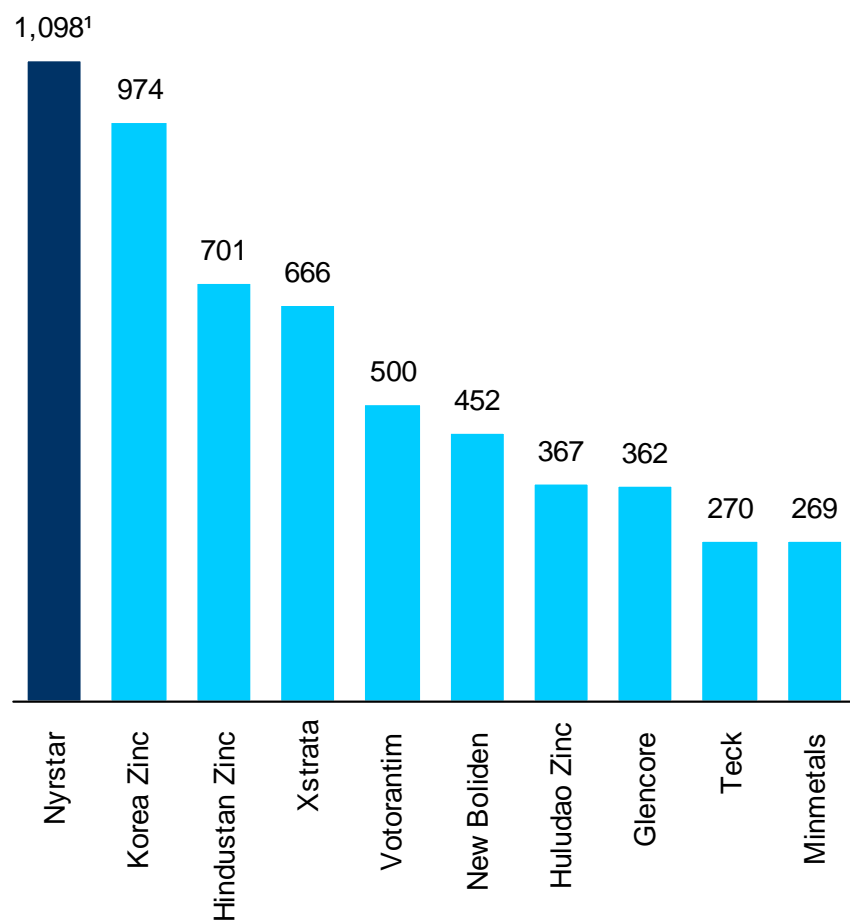
- In addition to the 2009/10 acquisitions of Tennessee Mines (USA), Coricancha mine (Peru), Contonga and Pucarrajo mines (Peru) and entering into a zinc streaming agreement with Talvivaara (Finland), Nyrstar acquired the Campo Morado mining operation (Mexico) for approximately €296m in January 2011
- Exceeded 30% integration target based on full production of existing mining assets (including Talvivaara zinc stream)

## **Outlook**

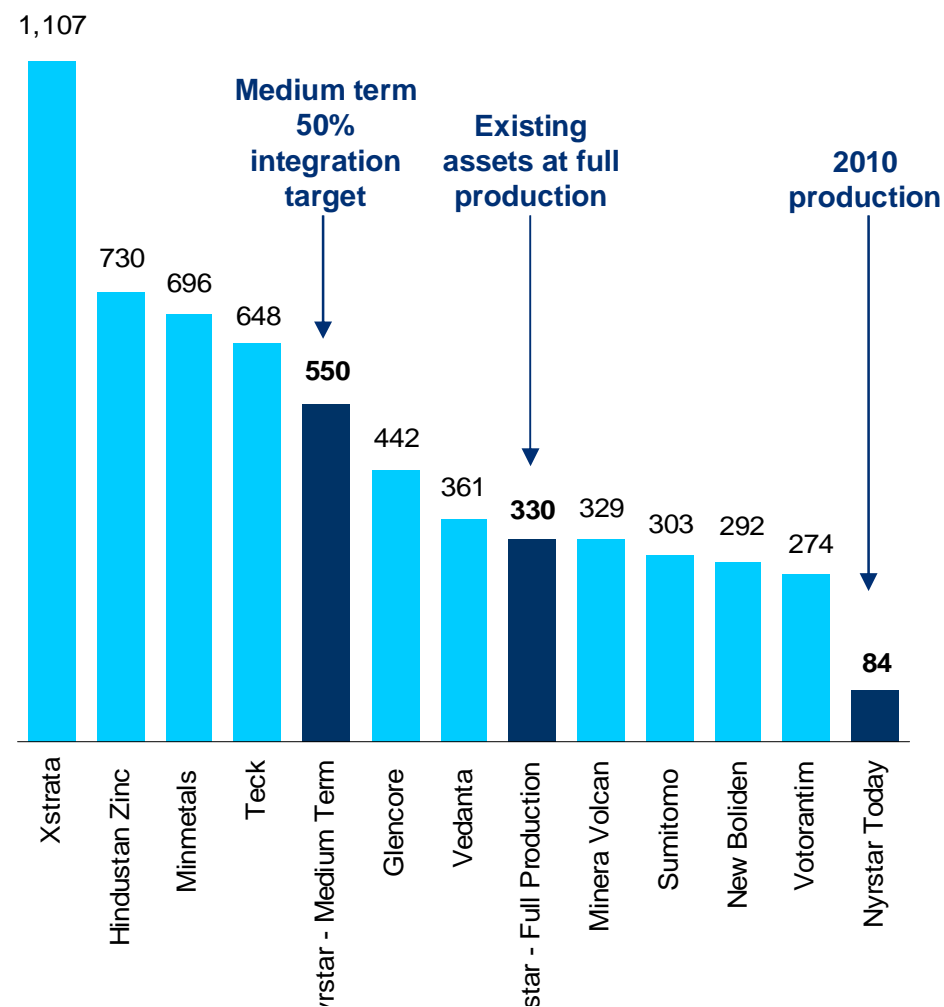
- Continued earnings growth from mining expected as new mines reach full production
- Continued focus on smelting costs/tonne and mining C1 cash costs in 2011
- Continue to actively explore opportunities to achieve medium term goal of a 50% integration level

# Positioning Nyrstar for the future

2010 Zinc Smelting (kt)



2010 Zinc Mining (kt)



<sup>1</sup> Brook Hunt estimated figure. Actual 2010 production was 1,076kt  
Source: Brook Hunt



# Questions

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