



# Nyrstar Half Year 2011 Results

27 July 2011



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# Half Year 2011 Results



**Heinz Eigner**  
*Chief Financial  
Officer*

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# H1 2011 results - highlights

## **Solid Financial Performance**

- Underlying EBITDA of €123 million, an 8% increase
- Successfully completed rights offering for €490 million in March 2011
- Successfully closed a public offering of bonds for €525 million in May 2011

## **Record smelting output with continued growth in mining production**

- Record half year zinc metal production of 561,000 tonnes from the smelting segment
- Contribution of €29 million from “unlocking untapped value” initiatives in the smelting segment through the identification of recoverable silver
- Continued progress in mining ramp-up with zinc in concentrate production<sup>1</sup> up 58%

## **Actively delivering on our upstream integration strategy**

- Successfully completed the acquisition of the Campo Morado mining operation in Mexico for approximately €296 million in January 2011
- Announced binding agreement to acquire Breakwater Resources for a total offer value of approximately €442 million in June 2011
- Zinc integration increased from 31% to 43% based on full production of existing assets and including Breakwater Resources
- Continue to actively explore opportunities to achieve medium-term zinc integration target of 50%
- Extended Commodity Grade Off-take Agreement with the Glencore Group

<sup>1</sup> Including deliveries from the Talvivaara zinc streaming agreement  
\* All performance comparisons in this presentation are H1 2011 versus H2 2010 unless otherwise stated

# Half Year 2011 Results

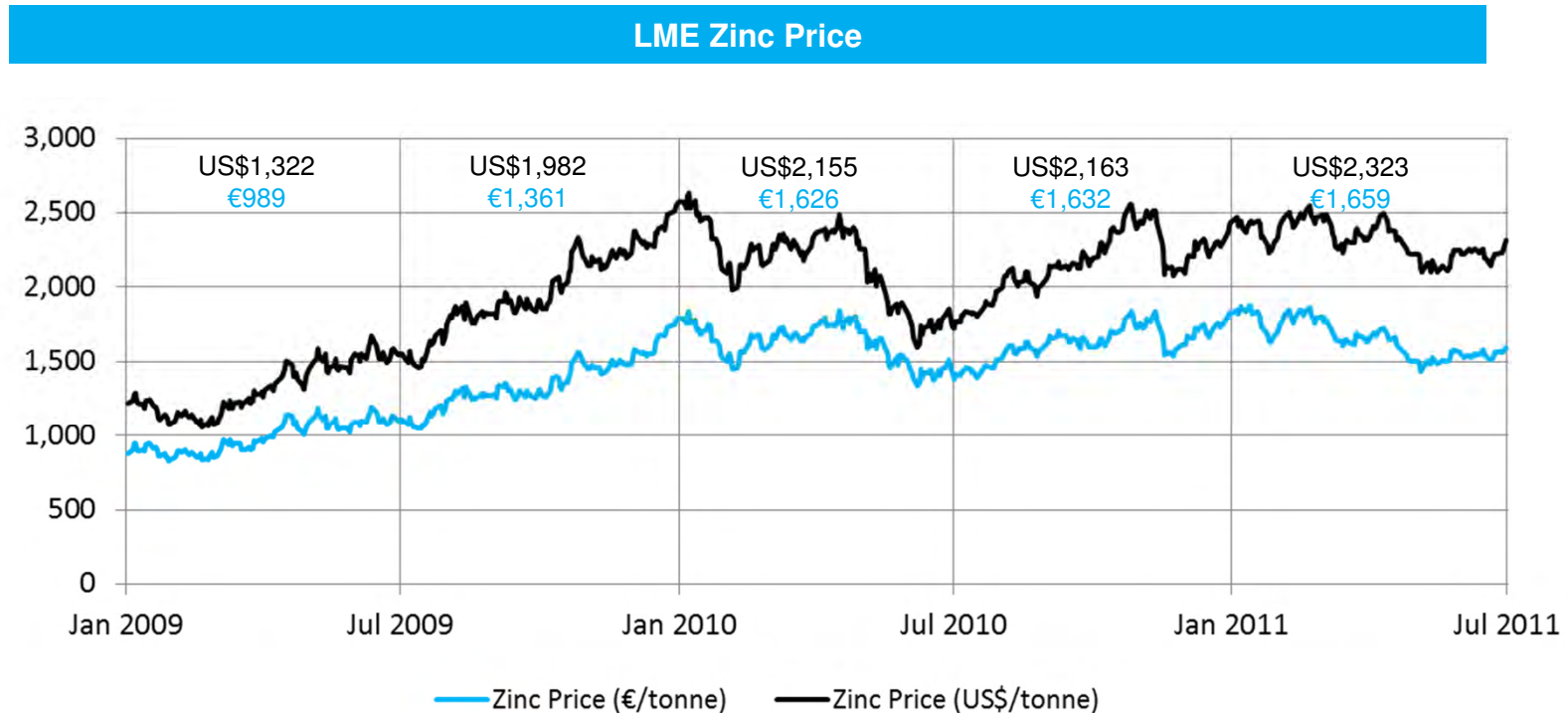


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## Zinc price trending upwards but flat in Euro terms

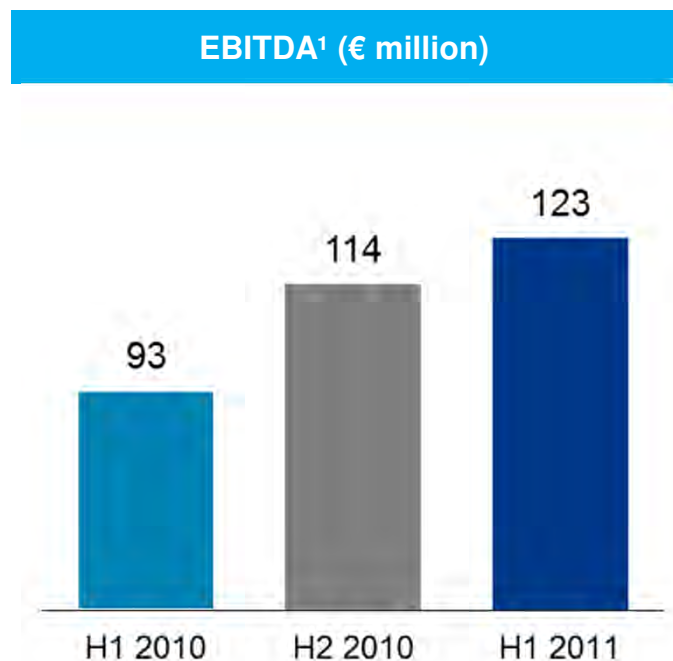


- Average LME zinc price<sup>1</sup> was US\$2,323/tonne, up 7%
- However the Euro denominated price marginally improved by 2% half on half
- Price volatility continued into 2011, with the price peaking in mid-February at US\$2,546/tonne and falling to US\$2,099/tonne less than a month later
- The price as of 26<sup>th</sup> July was US\$2,426/tonne

<sup>1</sup> Zinc price is average of LME daily cash settlement prices

## Solid financial performance

- Solid EBITDA result of €123 million, an 8% increase
- Supported by record half year zinc metal production, earnings from smelting by-product and premium streams and “unlocking untapped value” initiatives within the smelting segment
- Mining result adversely impacted by several one-off production issues and higher C1 cash costs during mine ramp-up



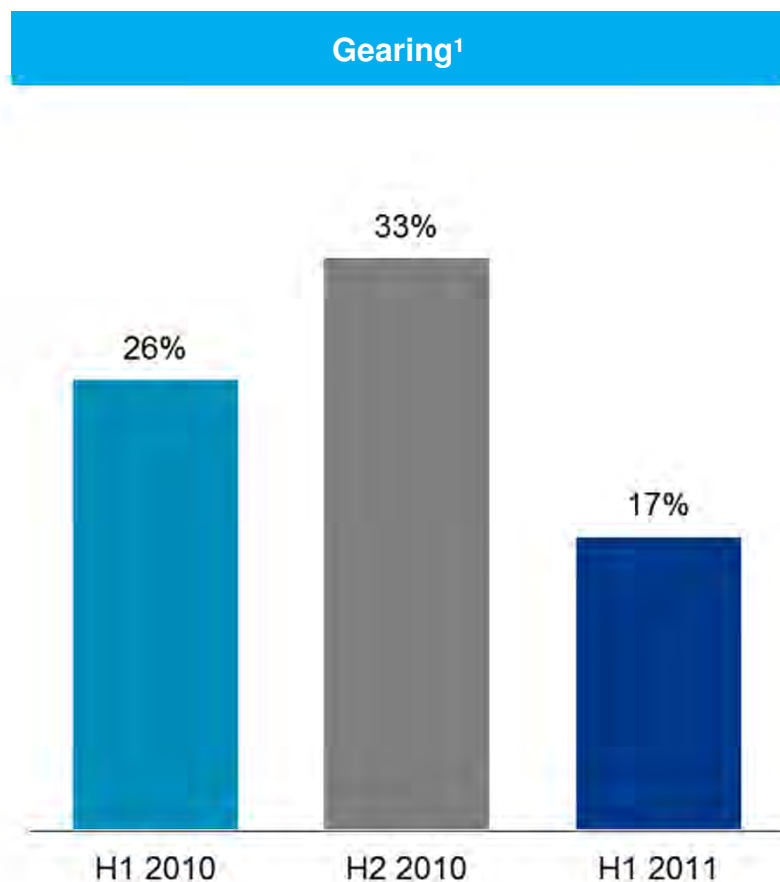
€ million <sup>1</sup>	H1 2011	H2 2010	% Var
Revenue	1,622	1,419	14%
Gross Profit	592	496	19%
Operating Costs	471	384	(23)%
EBITDA	123	114	8%
Profit After Tax	20	47	(57)%
Basic EPS	0.15	0.41 <sup>2</sup>	(63)%

- Basic EPS in H1 2011 was impacted by the dilution effect of the rights offering completed in March 2011

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

<sup>2</sup> H2 2010 EPS restated to retroactively reflect the impact of the March 2011 rights issue (adjusted in accordance with IAS 33 Earnings per Share)

## Strong financial position to execute on strategy



- Successfully completed a rights offering for €490m in March 2011
  - 95% of rights subscribed to in offer period
- Closed a public offering of bonds for a total amount of €525m in May 2011
  - Strong demand resulted in an increase of the offering from €150m to €525m
- The capital raise and bond issue both demonstrated a strong support by Nyrstar's shareholders and the market of our strategy and our ability to deliver value accretive transactions
- Net debt of €252m at 30 June, and gearing of approximately 17%<sup>1</sup>

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



# Half Year 2011 Results

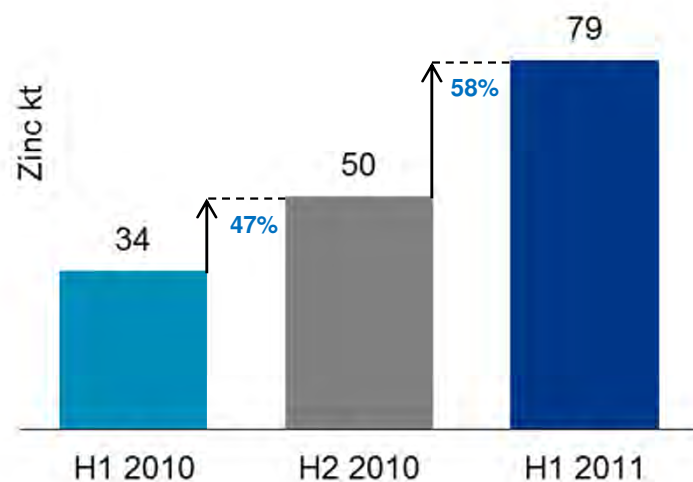


**Greg McMillan**  
*Chief Operating  
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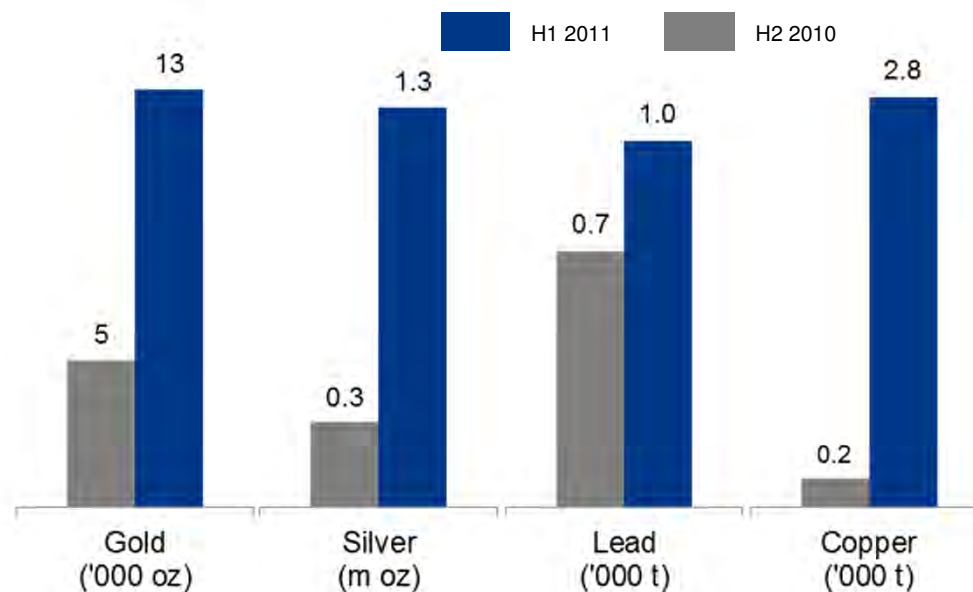
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## Sustained growth in mining production

Zinc in Concentrate Production<sup>1</sup>



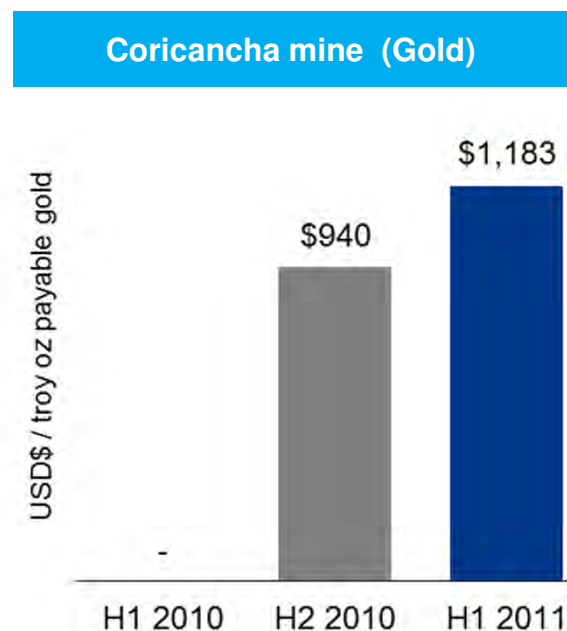
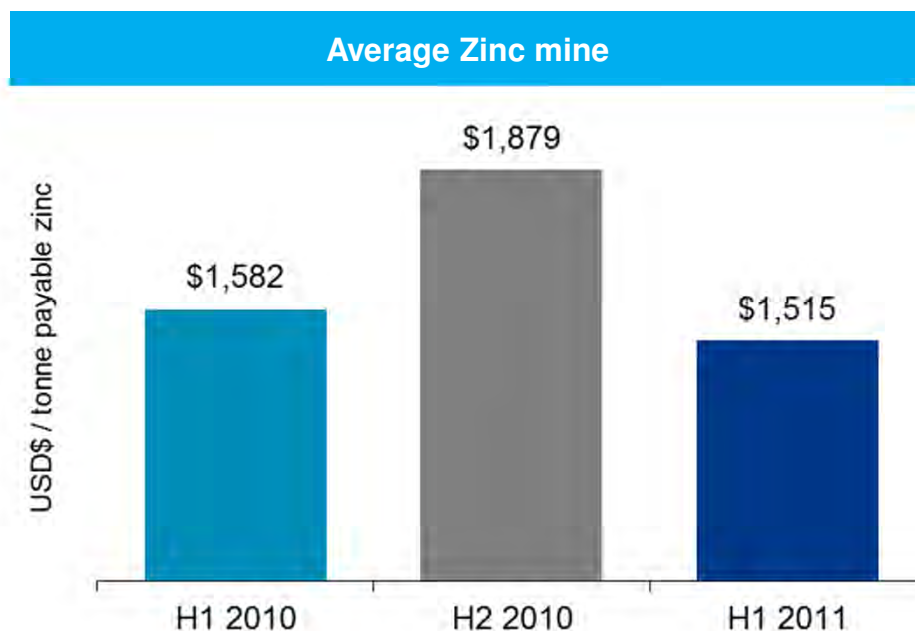
Other Metal in Concentrate Production



- Continued improvement in concentrate production and ore milled volumes
- Currently delineating reserves and resources and developing life-of-mine plans
- Mines producing significant volumes of other metals, which are becoming an increasingly valuable contributor to mining segment earnings

<sup>1</sup> Including deliveries from Talvivaara under the zinc streaming agreement

## Average zinc C1 Cash Costs<sup>1</sup> improving



- Average C1 cash costs for Nyrstar's zinc mines<sup>2</sup> continued to improve (19% lower)
- Campo Morado improved by 32% compared to the result under previous ownership<sup>3</sup>, while at Contonga the improvement was 70%
- Nyrstar Tennessee Mines' cash costs increased, as a function of lower production from ETN. Expected to be approximately US\$1,500 - US\$1,600/t by the end of 2011
- Coricancha (payable gold basis) was up approximately 16%, a function of temporary interruptions. Expected to be approximately negative US\$100-US\$200/toz as production returns to full capacity

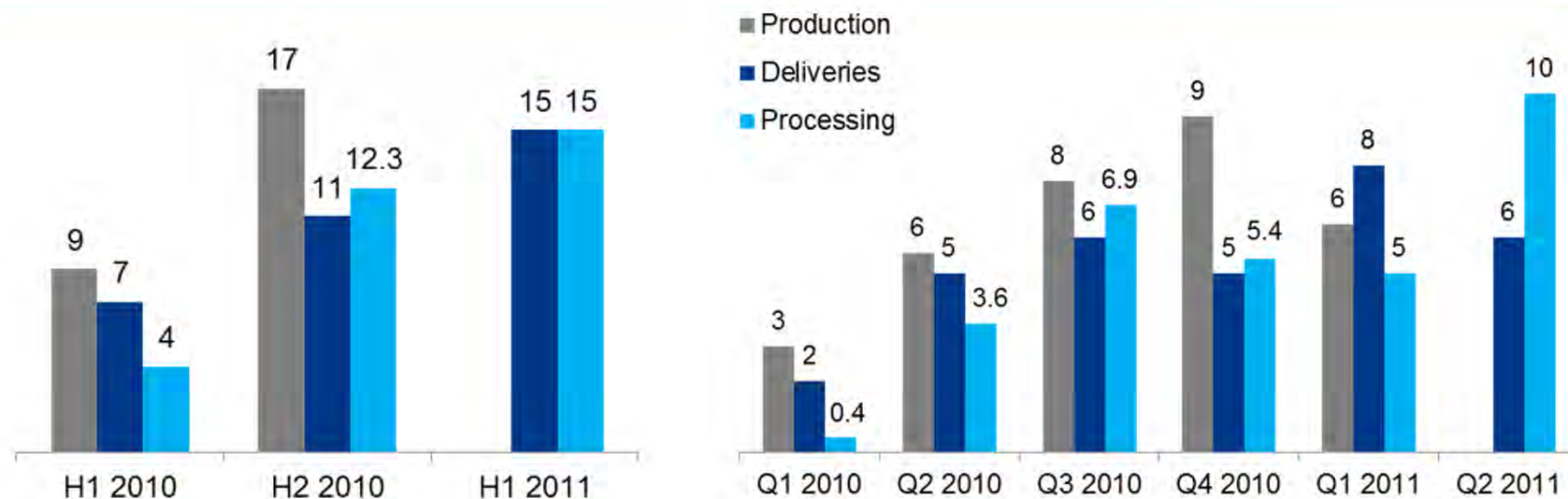
<sup>1</sup> C1 cash costs as defined by Brook Hunt (see page 31 for full details)

<sup>2</sup> Including deliveries from Talvivaara under the zinc streaming agreement

<sup>3</sup> For Campo Morado full year 2010 C1 cash cost, under previous ownership, used as comparison to H1 2011

## Talvivaara: deliveries increasing but prolonged logistical process

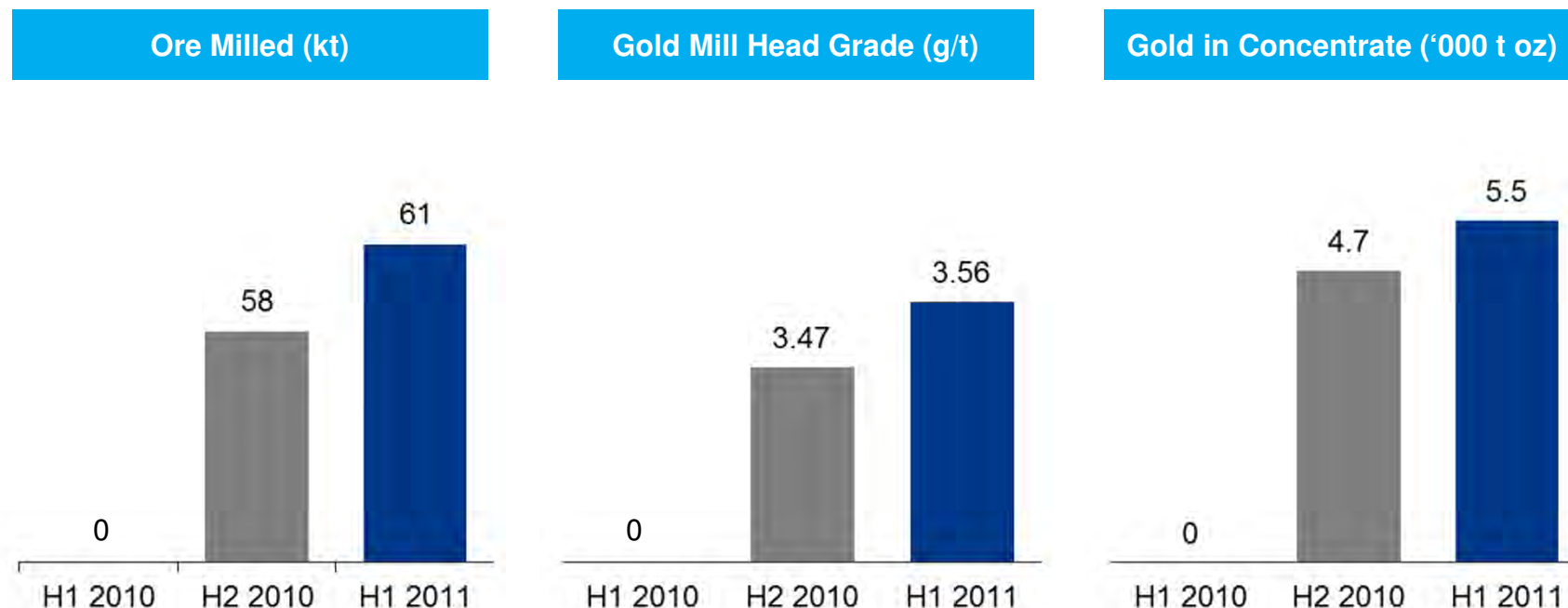
Zinc in Concentrate Production by Talvivaara and Deliveries to Nyrstar (kt)



- Deliveries increased 36%; although lower than expected based on Talvivaara's previously announced full year guidance of 44-56kt of zinc in concentrate<sup>1</sup>
- Concentrates delivered contained higher than anticipated moisture levels, requiring delivery by container rather than by bulk, resulting in a prolonged logistical process (see quarterly graph)
- Temporary measures implemented by Nyrstar enabled processing of significantly higher volumes through our smelters
- Nyrstar anticipates deliveries to be lower than production guidance in 2011

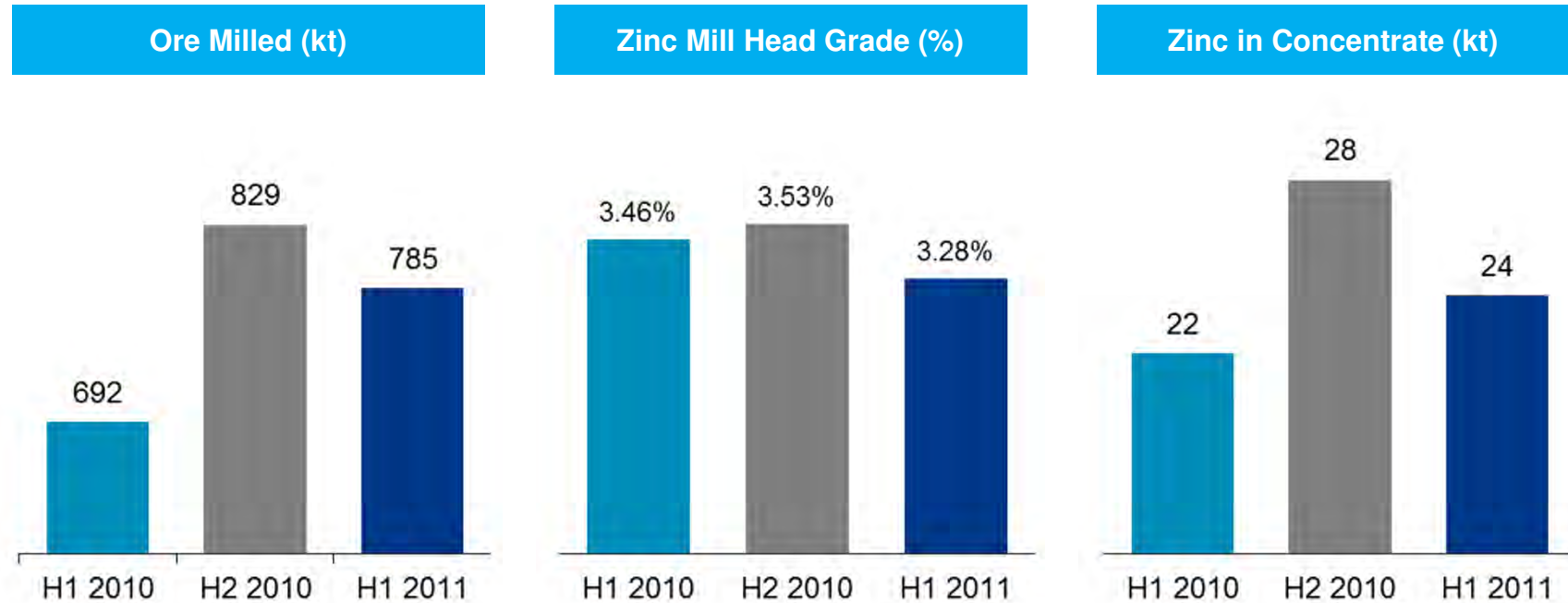
<sup>1</sup> Based on the nickel production guidance issued by Talvivaara on 7 April 2011 (using assumed conversion ratio of 2 tonnes of zinc in concentrate for every 1 tonne of nickel in concentrate)

## Coricancha: volumes up, despite interruptions to production



- The Coricancha mine reached full production capacity at the end of 2010
- However temporary interruptions to the operations in H1 2011 impacted production levels; resulted in ceased or severely reduced production for approximately two months
- Despite this, ore milled volumes increased 5% and gold milled head grade increased 3%, as a result output of gold and silver in concentrate increased 17% and 15% respectively

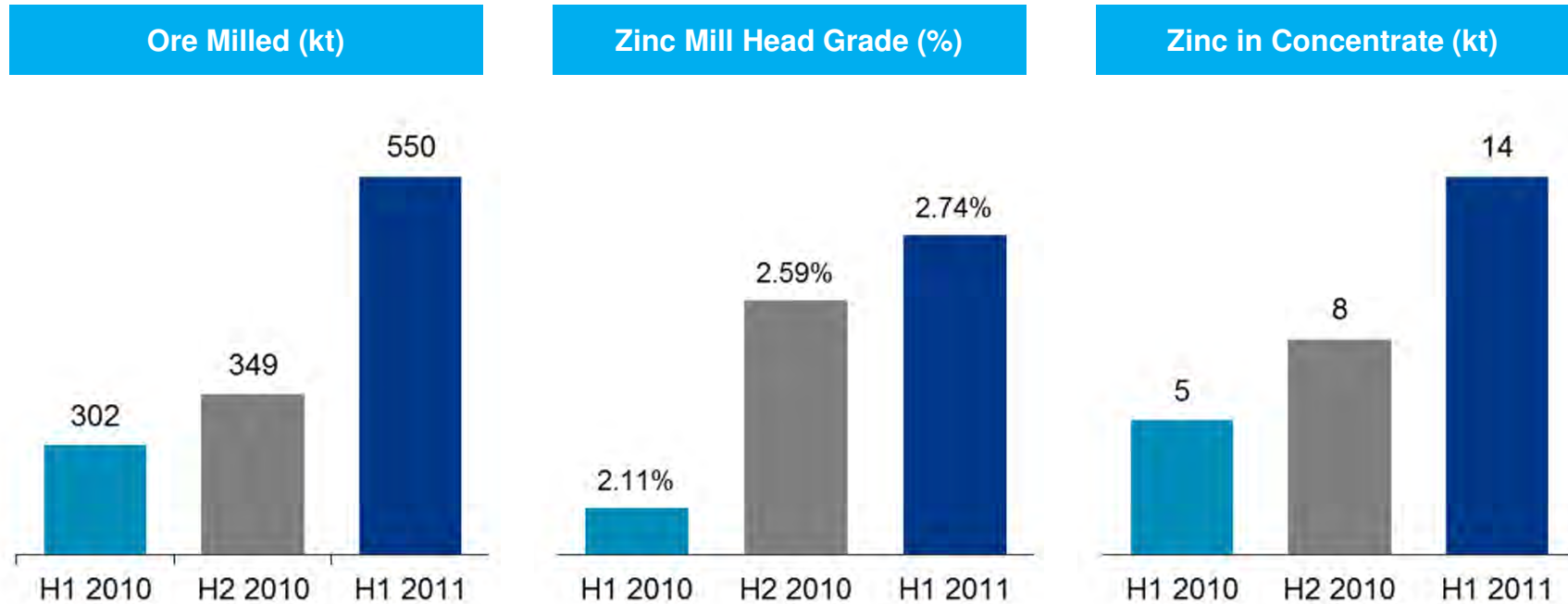
## East Tennessee: temporary equipment issues reduce output



- Zinc in concentrate production fell approximately 14% due to temporary equipment failure and availability issues during the second quarter of 2011
- Ore milled volumes were down 5% and zinc head grade was also down by 7%
- These temporary issues are expected to be fully resolved in Q3 2011 and in Q4 2011 production is expected to return to full capacity

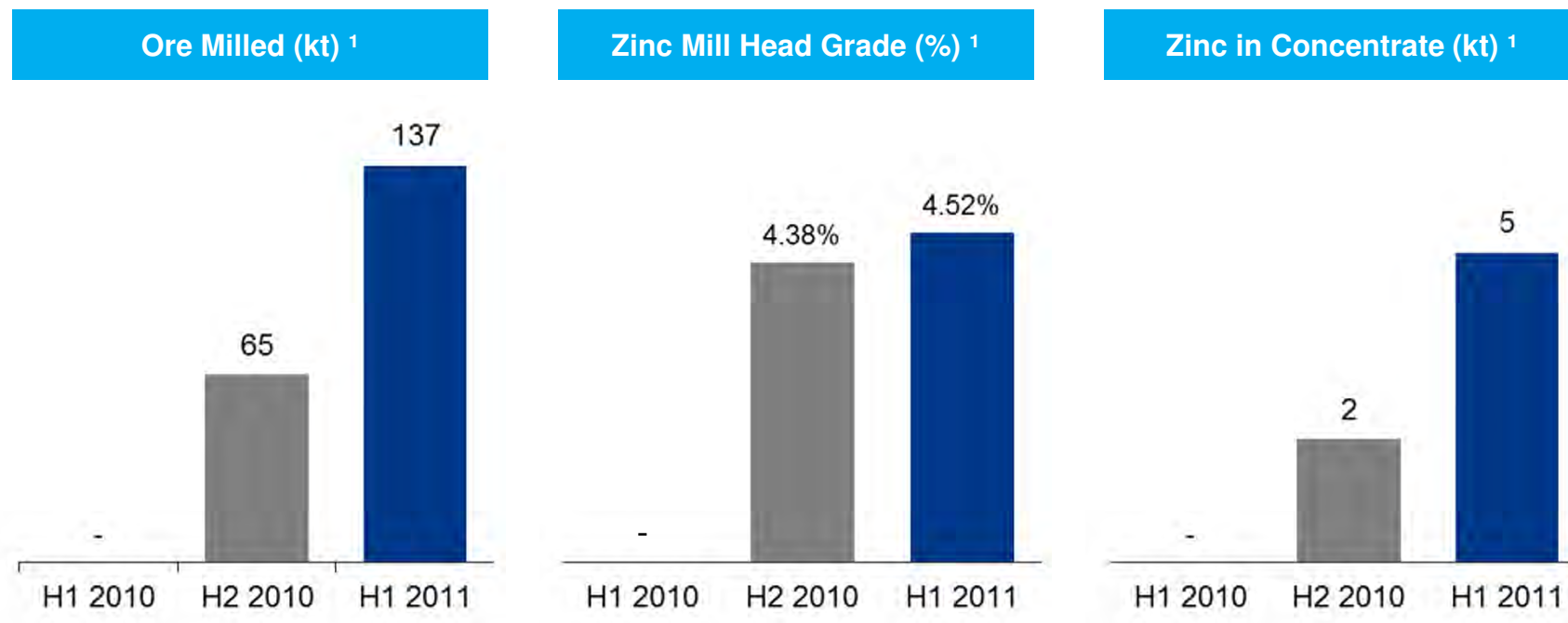


## Mid Tennessee: ramping-up in line with guidance



- Ramp-up of the Mid Tennessee Mines in line with the ramp-up timing guidance issued in the Q1 Interim Management Statement; with zinc in concentrate production increasing by 68%
- Ore milled volumes increased by 58% to 550kt, due to the ramp-up of Cumberland mine to full capacity and the continued ramp-up of Elmwood mine; in addition, zinc head grade improved 6%
- Expected to reach full production by the end of 2011 as previously announced

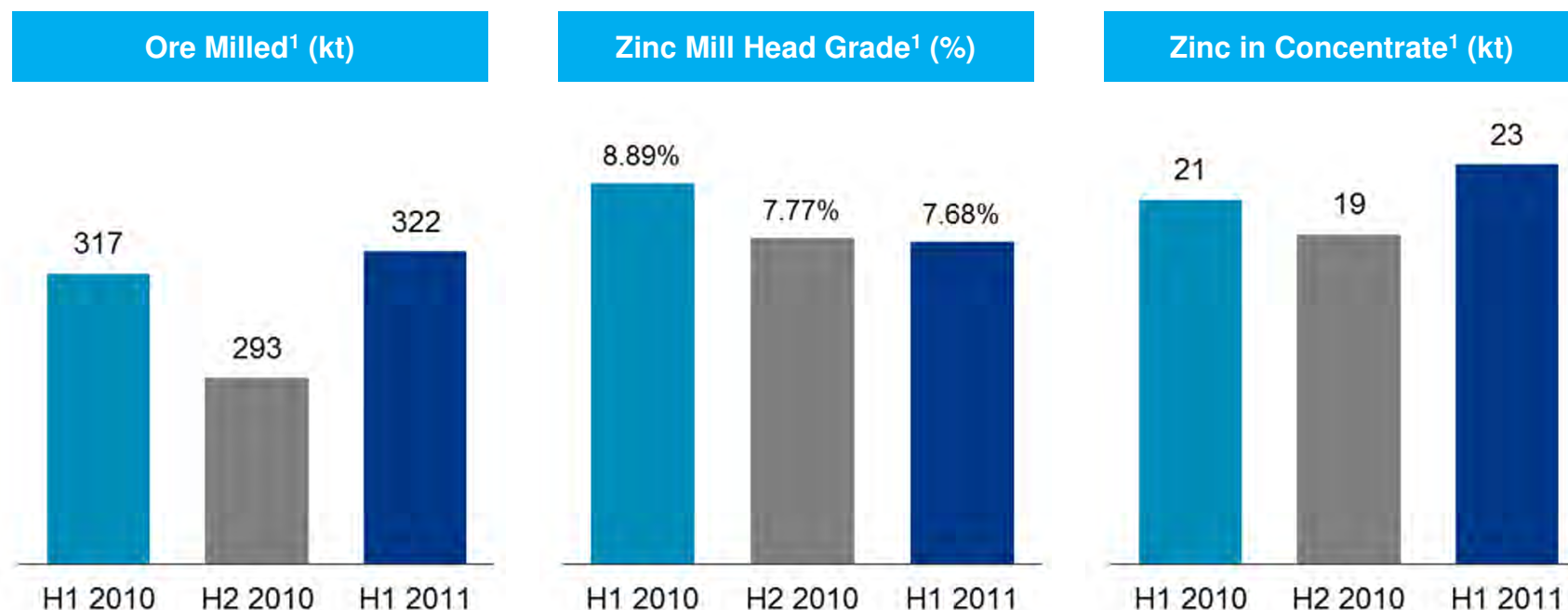
## Contonga: acquired as a distressed asset, now at full capacity



- The Contonga mine, which Nyrstar successfully ramped up from a distressed asset when acquired in July 2010 to full production capacity by the end of 2010, continued to increase output
- Ore milled up 111%, while the zinc head grade increased by 3%
- Produced approximately 5kt zinc, 0.4kt lead, 0.4kt copper and 198koz silver in concentrate

<sup>1</sup> Operational data for the Contonga mine was not made publicly available under the previous ownership

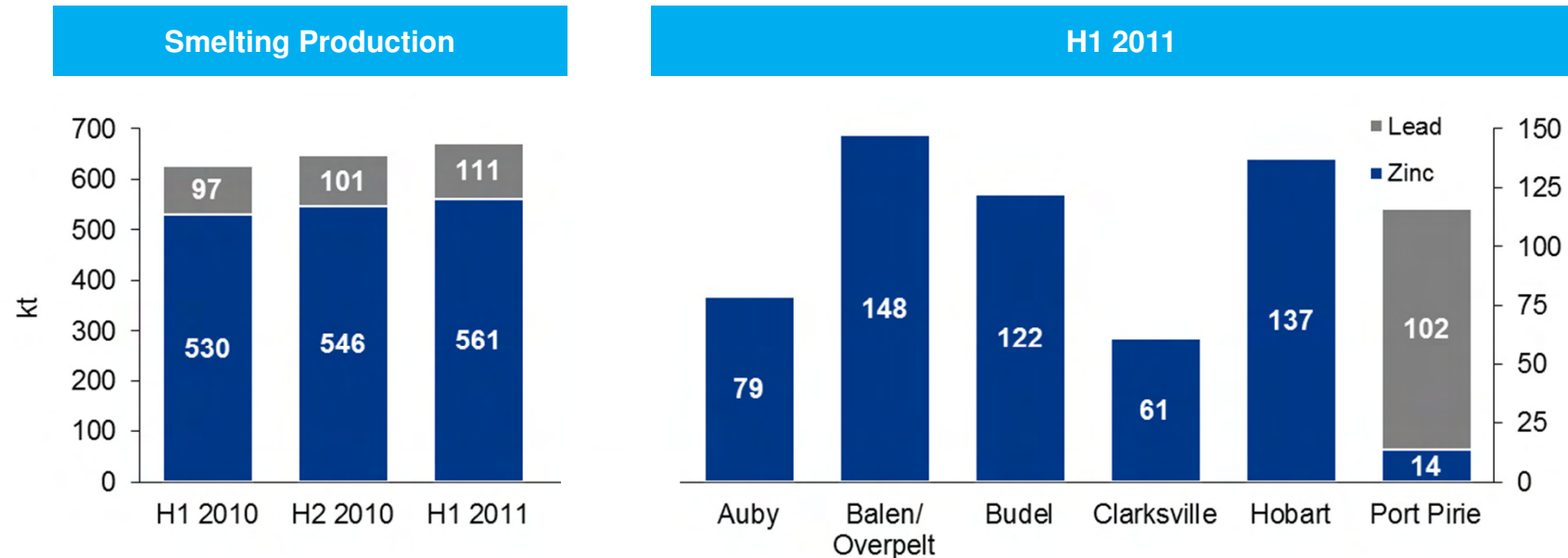
## Campo Morado: production increasing in line with expectations



- Campo Morado operation, acquired in January 2011, has integrated well into Nyrstar with production increasing in line with expectations
- Zinc in concentrate production increased by 11% with ore milled tonnage up by 10% and zinc mill head grade marginally down
- Production of copper, gold and silver increased by 15%, 16% and 20% respectively with the respective grades up by 9%, 19% and 15%

<sup>1</sup> Campo Morado operational results in 2010 were achieved under previous ownership

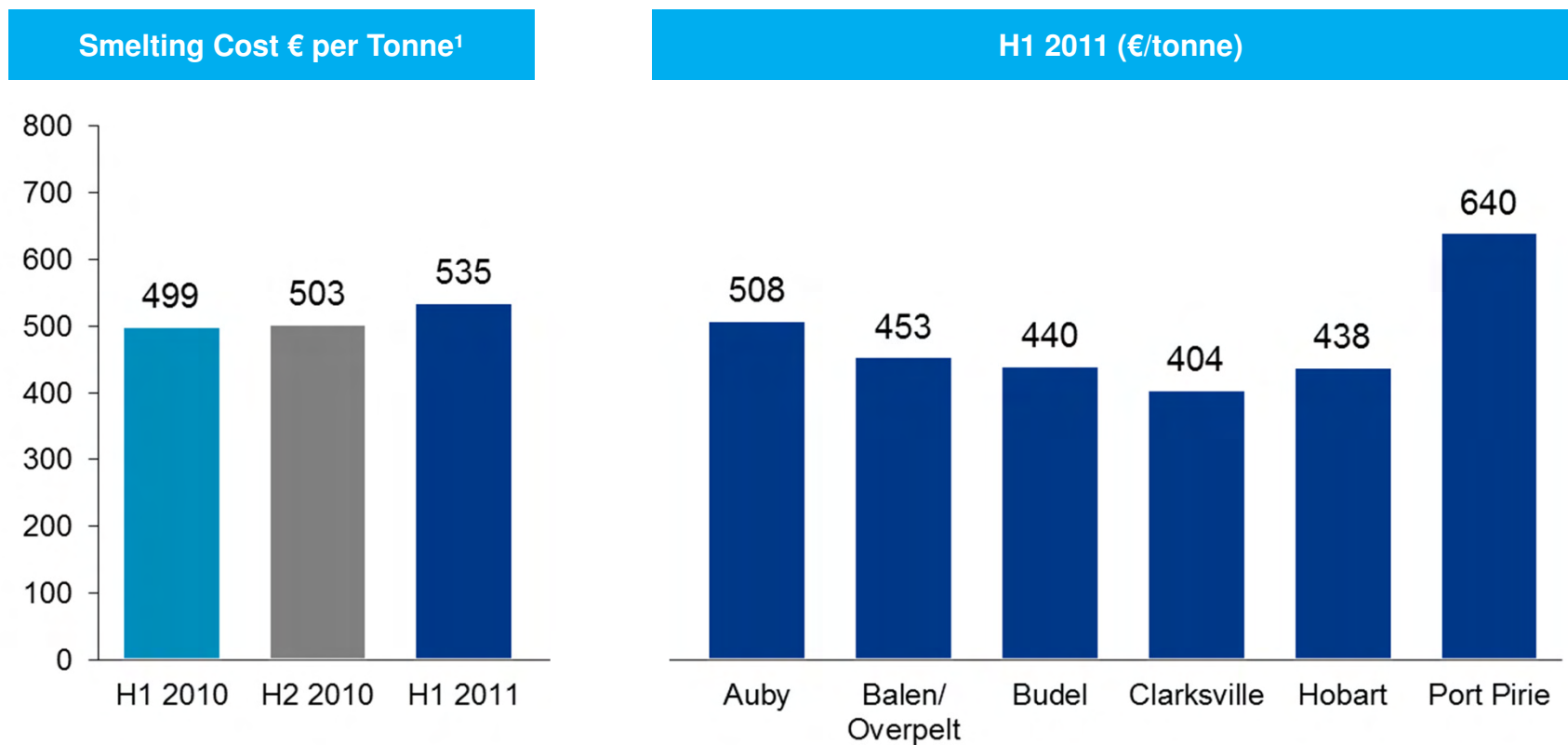
## Record smelting production



- Achieved record half year zinc metal production of approximately 561,000 tonnes, 2% higher than H2 2010 (the previous record half)
  - Primarily due to the increased production at the Balen smelter (Belgium) and the Hobart smelter (Australia) achieving record cathode production
- Lead production at Port Pirie up 11% due to operational improvements, which has also led to increased silver and gold production (up 38% and 18% respectively)

*Note: Individual smelter production incorporates internal transfers of cathode for subsequent melting and casting (approx. 21,000 tonnes in H1 2011 and 17,000 tonnes in H2 2010), but eliminated from total smelting production*

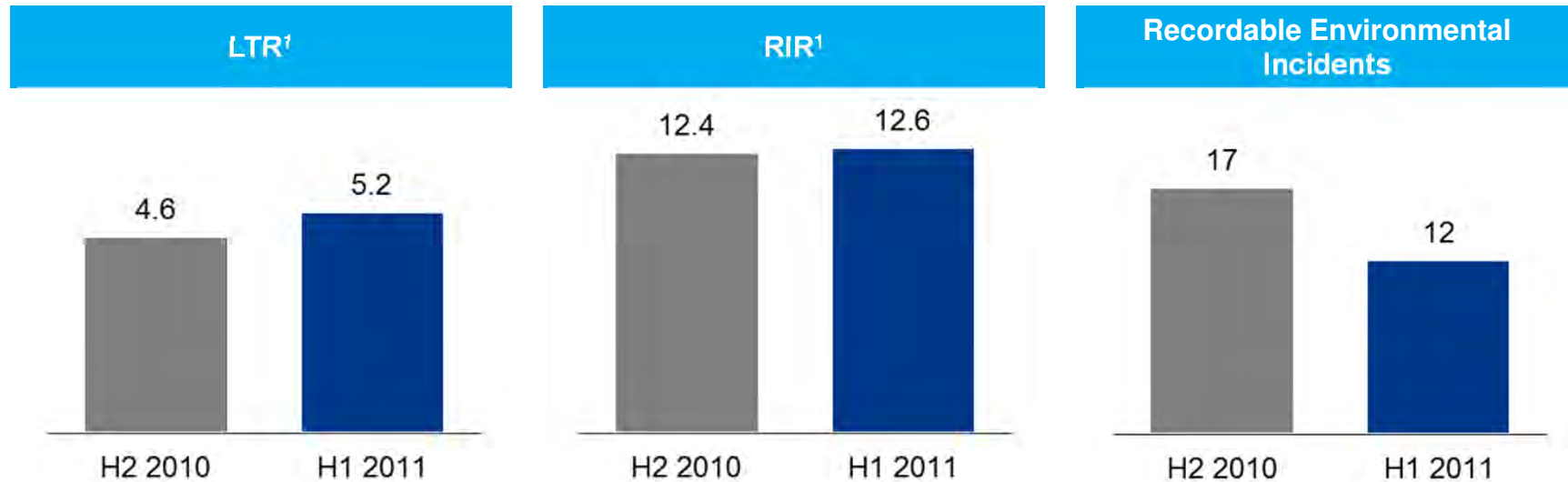
## Smelting operating costs



- Smelting cost per tonne increased (in Euro terms) as a result of a stronger Australian dollar and higher energy prices

<sup>1</sup> Smelting segment underlying operating cost per tonne of primary market metal (zinc and lead, excludes ARA)

## Safety, Health and Environment



### Safety

- Lost Time Injury Rate (LTR) increased 15% and Recordable Injury Rate (RIR) increased slightly by 2% due to the ramp-up of our mining operations. Smelters have achieved record low RIRs
- Tragically, 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

### Environment

- There were 12 minor recordable environmental incidents, a 29% reduction

<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



# Half Year 2011 Results



**Greg McMillan**  
*Chief Operating  
Officer*

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> **Outlook & Summary**

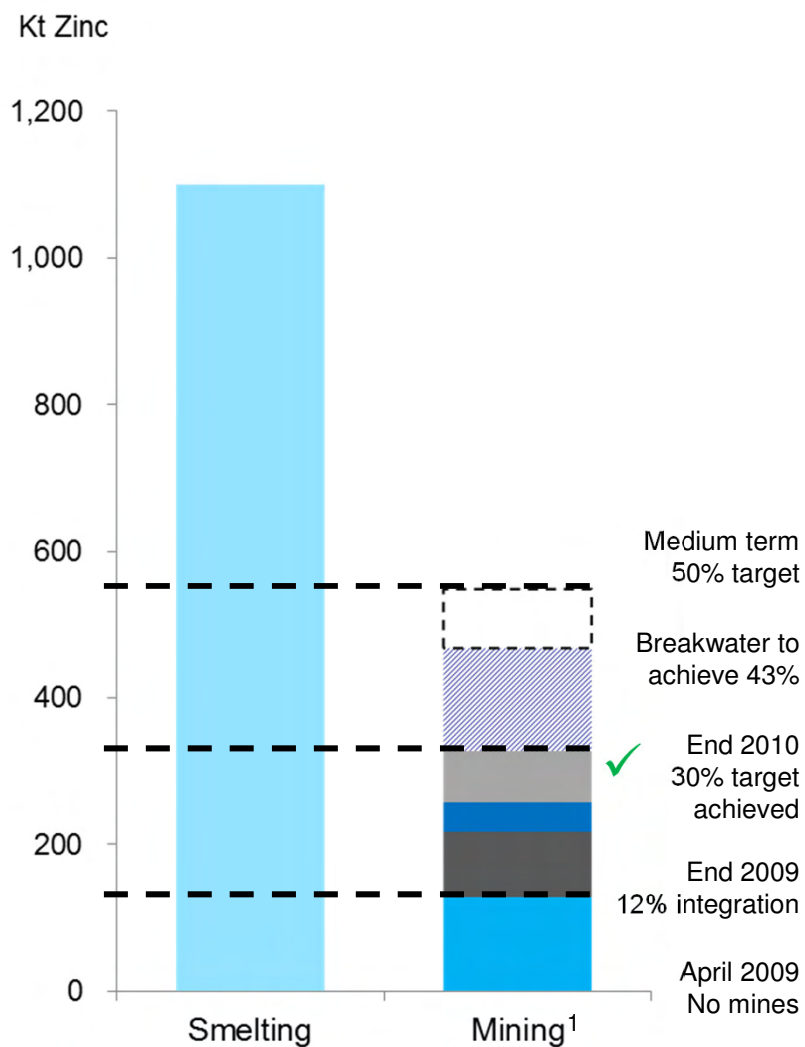
## Actively delivering on our Strategy



- Continue to execute upstream integration strategy
- Completed acquisition of Farallon Mining Ltd in January 2011
- In June 2011, entered into a binding agreement to pursue a friendly offer to acquire Breakwater Resources Ltd. (total offer value of approximately €442 million)
  - Would take aggregate annual mining production to 475kt of zinc, 28kt of lead, 15kt of copper, 7.8 million troy ounces of silver, and 95,000 troy ounces of gold all respectively in concentrate
  - Zinc integration would increase from 31% to 43% (assuming all mining operations at full production as expected by the end of 2012)
  - The offer has today been extended from 29 July 2011 to 25 August 2011
- At this level, **Nyrstar would be one of the 5 largest zinc miners<sup>1</sup>**
- Zinc production from the mining segment targeted to reach 50% integration in medium term
- Continuing to actively explore opportunities to deliver on strategy
  - Providing increased exposure to the more profitable part of the zinc value chain and additional earnings through valuable by-products streams

<sup>1</sup> Based on Brook Hunt 2010 mine production data and based on Nyrstar's (including Breakwater assets) annual capacity at full production

# Mining integration update



June 2011: Announced takeover of Breakwater Resources Ltd

Jan 2011: Acquired Campo Morado (Farallon) in Mexico

July 2010: Acquired Contonga and Pucarrajo mines in Peru

July 2010: Acquired remaining 15% stake in Coricancha mine

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

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

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

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

Nov 2009: Acquired 85% of Coricancha mine in Peru

June 2009: Announced new strategy of up upstream integration

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

<sup>1</sup> Based on annual capacity at full production expected by the end of 2012

# H1 2011 Summary & Outlook

## **Solid financial position, record smelting output and sustained growth in mining production**

- Underlying EBITDA of €123 million, an 8% increase
- Successfully completed rights offering for €490 million and public offering of bonds for €525 million
- Record half year zinc metal production of 561kt from the smelting segment
- Continued progress in mining ramp-up, 58% increase in zinc in concentrate production<sup>1</sup>

## **Actively delivering on our Strategy**

- Successfully completed the acquisition of the Campo Morado operation in January 2011
- Announced binding agreement to acquire Breakwater Resources for approximately €442 million
- Increase integration level at 43% (based on full production of existing and Breakwater assets)
- Nyrstar would be one of the 5 largest zinc miners<sup>2</sup>, achieved within approximately 2 years
- Experiences at both Contonga and Campo Morado mines demonstrate Nyrstar's ability to substantially increase the productive output of mines acquired at an advanced stage of production

## **Outlook**

- Continued earnings growth from mining expected as mines ramp-up to full production
- Continued focus on reducing mining C1 cash costs in H2 2011
- Continue to actively explore opportunities to achieve goal of a 50% integration in the medium term
- **Fundamental commodities outlook remains positive, providing further growth opportunities**

<sup>1</sup> Including deliveries from the Talvivaara zinc streaming agreement

<sup>2</sup> Based on Brook Hunt 2010 mine production data and based on Nyrstar's (including Breakwater assets) annual capacity at full production

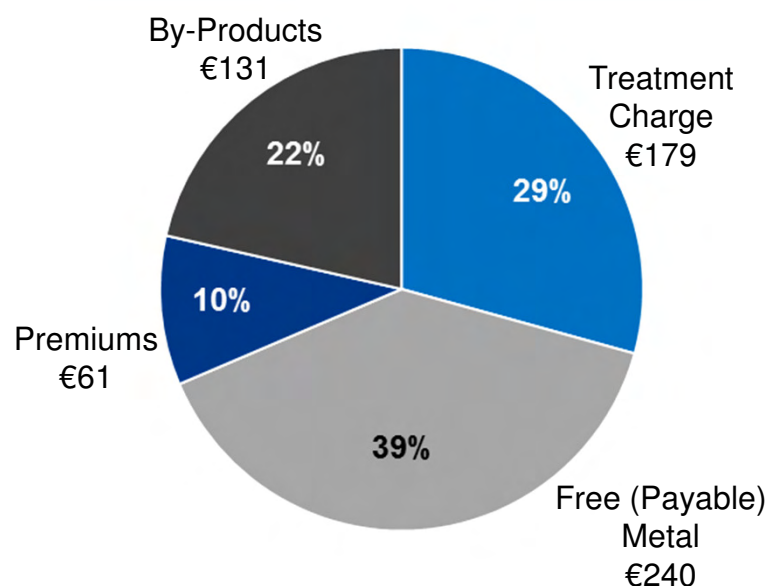
# Questions

# Appendix

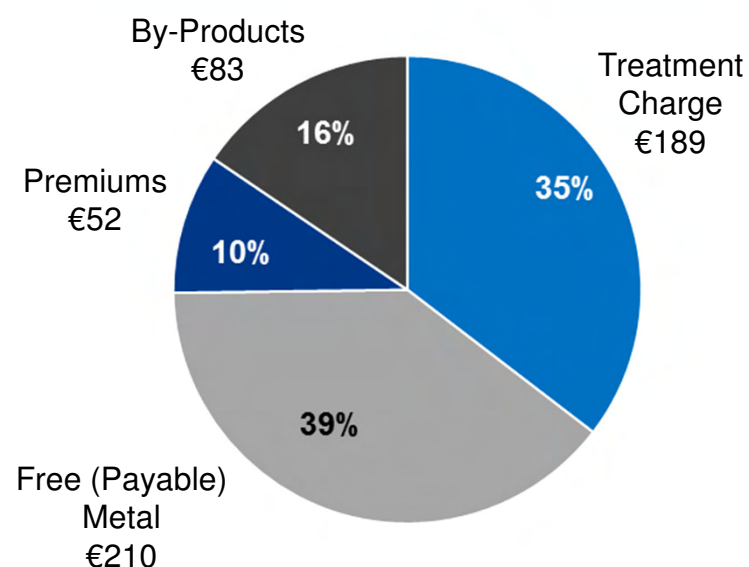


## Group gross profit

**H1 2011**  
**€592 million <sup>1</sup>**



**H2 2010**  
**€496 million <sup>1</sup>**

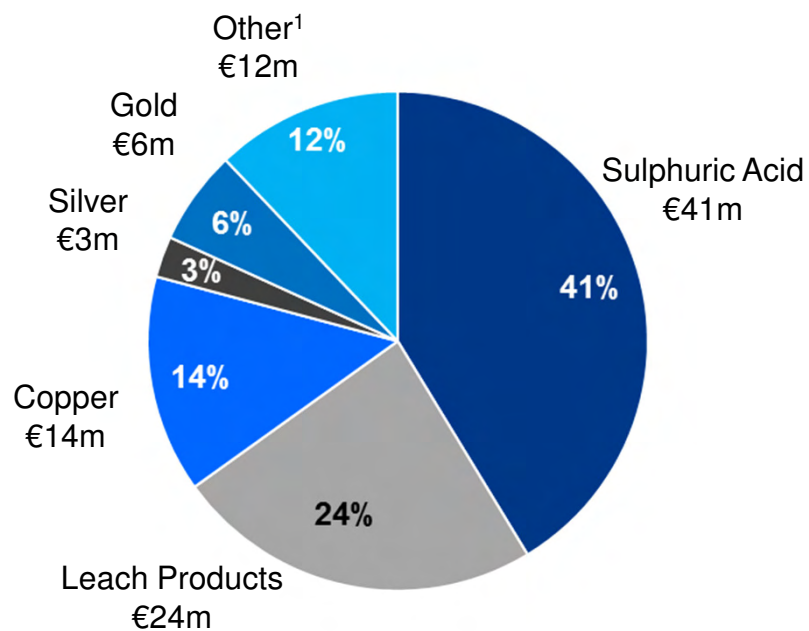


- Gross profit increased 21% primarily due to increased production volumes at the mines and smelters
- Free (payable) metal is now the largest contributor of gross profit within Nyrstar, with the impact of treatment charges declining as we increase our level of upstream integration

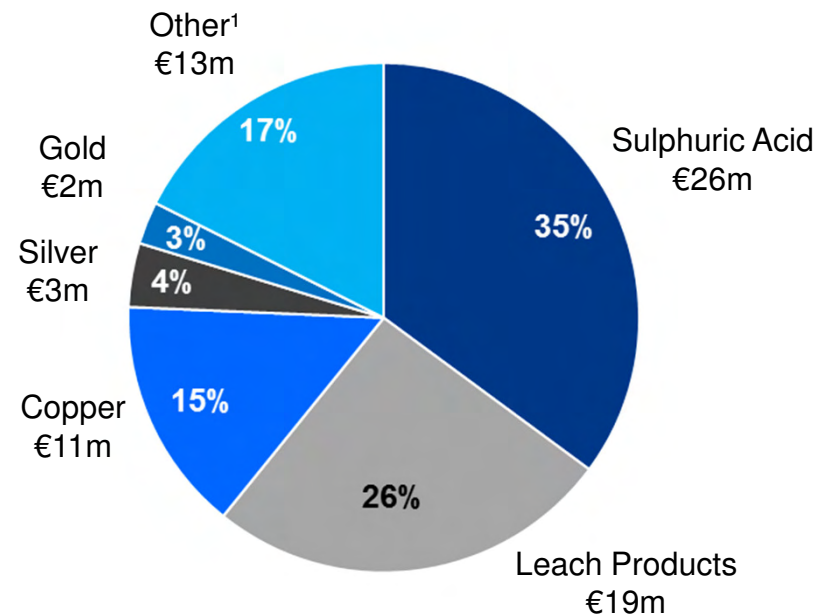
<sup>1</sup> Includes "Other Gross Profit" which includes realisation expenses, costs of alloying materials and contribution from smaller sites: €(19)m H1 2011, €(36)m H2 2010

## Smelting by-products

H1 2011  
€100 million



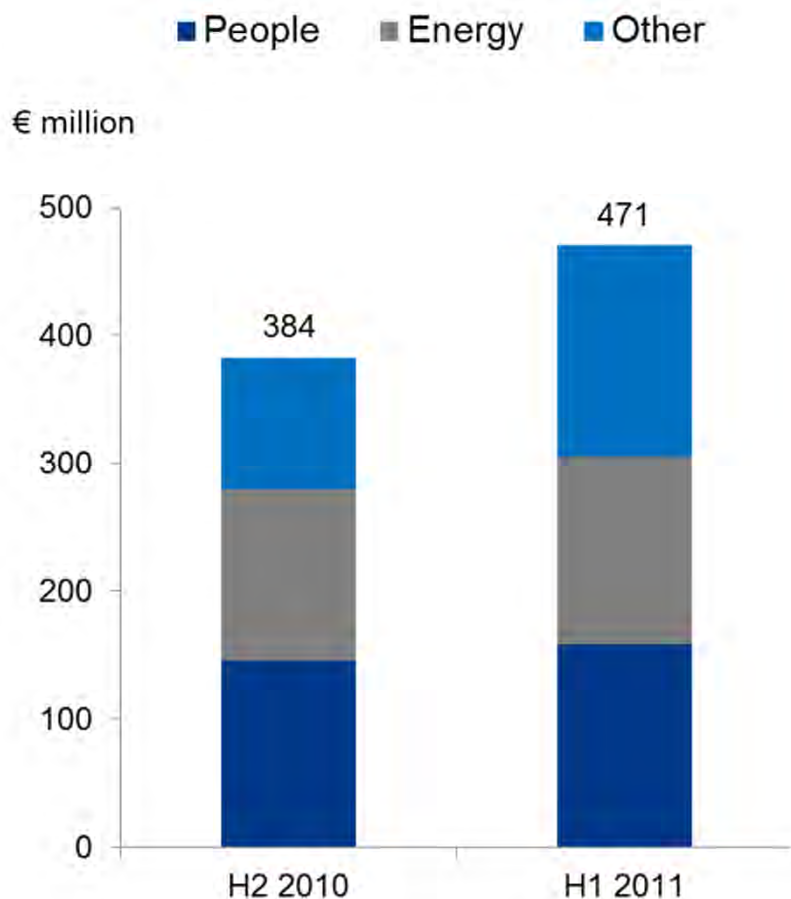
H2 2010  
€74 million



- Smelting by-product income improved by 35%
- The average realised acid price achieved by Nyrstar increased to approximately US\$80/tonne
- Port Pirie gold production increased 18%, while the average price increased by 11%

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

## Operating expenses



Underlying operating costs up 22%

### Employee Expenses

- 9% increase due to acquisition of Campo Morado and ramp-up of mines

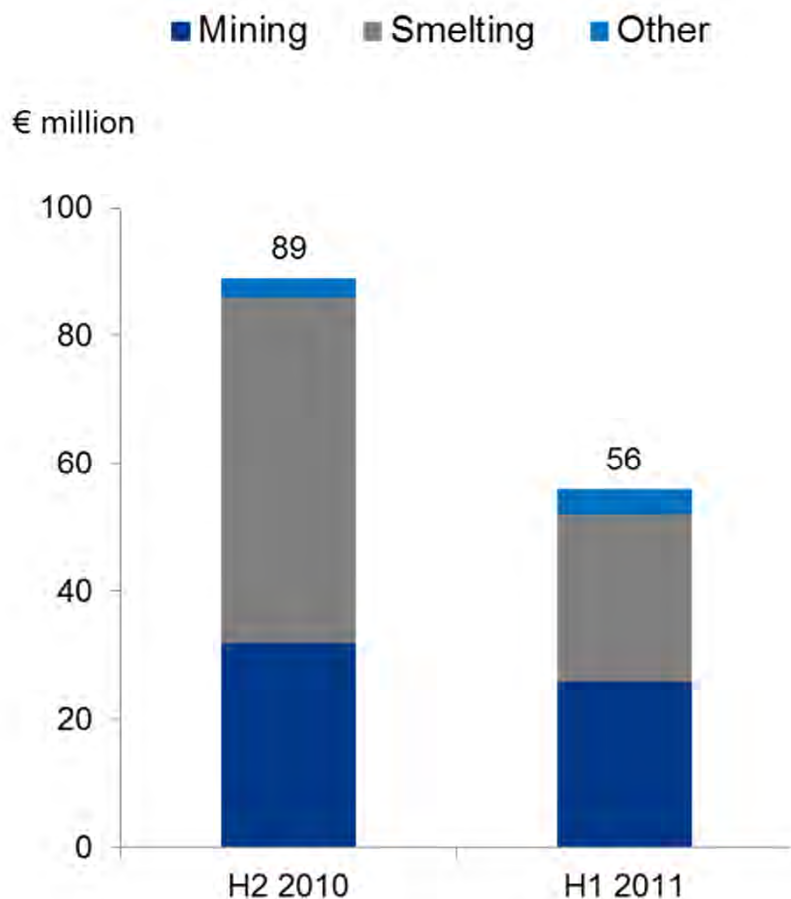
### Energy Expenses

- Up 10% due to increased energy prices and a stronger Australian dollar

### Other Expenses

- Up 59% because of the acquisition of Campo Morado, ramp-up of mines and increased corporate development activity to achieve 50% zinc integration target

## Capital expenditure



Capital Expenditure decreased to €56 million

- €26 million for mining (including ramp-up, development and exploration);
- With Contonga, ETN and Coricancha operations and Gordonsville and Cumberland mines at MTN at full capacity, ramp-up related expenditure was significantly reduced
- €26 million for smelters (maintenance and growth); and
- €4 million was invested at other operations and corporate offices

## Mining update

	C1 Cash Costs <sup>1</sup> US\$ / payable tonne zinc		Annual Capacity at Full Production	
	H1 2011	At full production (estimate)	Zinc (kt)	By-products
<b>Campo Morado</b>	485	<500	70	8kt Cu, 7kt Pb, 3m oz Ag, 35k oz Au
<b>Contonga &amp; Pucarrajo</b>	867	<1,000	40	4kt Pb, 1kt Cu, 1.5m oz Ag
<b>NTM</b>	2,525	1,500 to 1,600	130	-
<b>Talvivaara</b>	1,028	1,000 to 1,100	90	-
<b>Breakwater</b>		<750	140	6kt Cu, 28kt Pb, 2.3m oz Ag, 40k oz Au
<b>Zinc Mine Average</b>	<b>1,515</b>			

	C1 Cash Cost <sup>1</sup> US\$ / payable troy ounce gold		Annual Capacity at Full Production	
	H1 2011	At full production (estimate)	Gold	By-products
<b>Coricancha</b>	1,095	(100) to (200)	20k oz	5kt Zn, 3kt Pb, 1m oz Ag

– Focused on driving C1 cash cost reductions in H2 2011 and beyond

<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

## EBITDA reconciliation

€ million	H2 2010	H1 2011
<b>EBITDA</b>	<b>108</b>	<b>111</b>
<i>Add back Underlying adjustments:</i>		
Restructuring expenses	4	9
Impairment losses / (reversals)	(0)	-
Net loss / (gain) on disposal of subsidiaries	-	-
Net loss / (gain) on Hobart Smelter embedded derivatives	3	2
<b>Underlying EBITDA</b>	<b>114</b>	<b>123</b>



## EBITDA Sensitivities

H1 2011		
Parameter	Variable	Estimated annualised EBITDA impact in € million
Zinc price	+/- US\$100/t	28
Lead price	+/- US\$100/t	0
US\$ / €	+/- €0.01	6
AUD\$ / €	+/- €0.01	4
Zinc TC	+/- US\$25/dmt	30
Lead TC	+/- US\$25/dmt	3

- Calculated by modelling Nyrstar's H1 2011 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 H1 2011 results announcement