

29 OCTOBER 2013



# Strategic Update

A unique step change opportunity to deliver on  
our mission

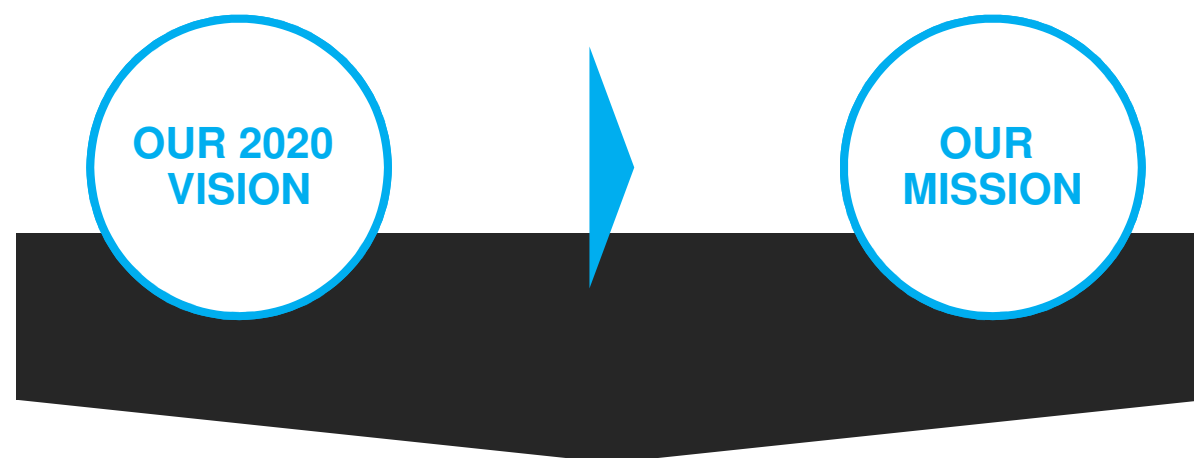


## Our industrial footprint provides a unique step change opportunity...

- Nyrstar is one of the world's largest zinc producers
  - **Metals Processing: Leading position in zinc smelting**, and one of the world's largest primary lead smelting facilities
  - **Mining: Top 5 zinc miner** by volume, producing significant volumes of other metals
- Metals Processing **traditionally volume and treatment charge** driven...a business model that continues to face challenges
- **Significant additional value** to be captured from raw material flows (e.g. concentrate and secondary materials; especially from our own mines and residues from our zinc smelting network (current and historical ponds)) that we do not capture today (e.g. other base metals, precious and minor metals)
- Steps taken to capture some of this value, e.g. indium, however **significant amount of value in our raw material flows not valorised** by current industrial footprint
- **Our industrial footprint provides a unique step change opportunity** to deliver our strategic mission
- Three key value drivers: value in **raw material flows** (in particular, our own mines and residues from zinc smelting (current and historical)), our **industrial footprint** and our **marketing, sourcing and sales** strategy

...to deliver on our Mission...

## Nyrstar 2020



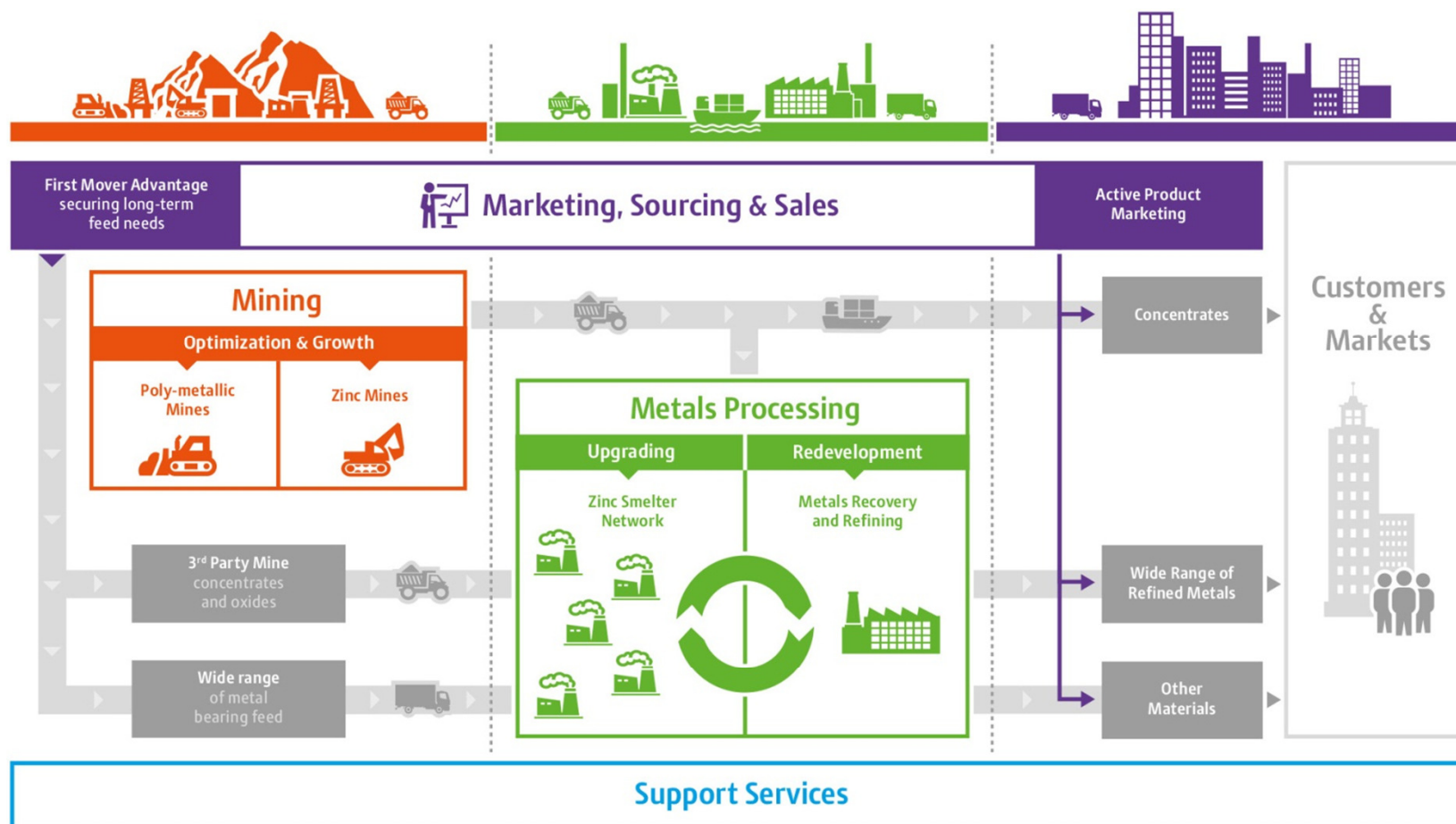
### What we want to be

To be the leading integrated mining and metals business

### What we need to do to get there

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

## ...enabled by an integrated business and operating model

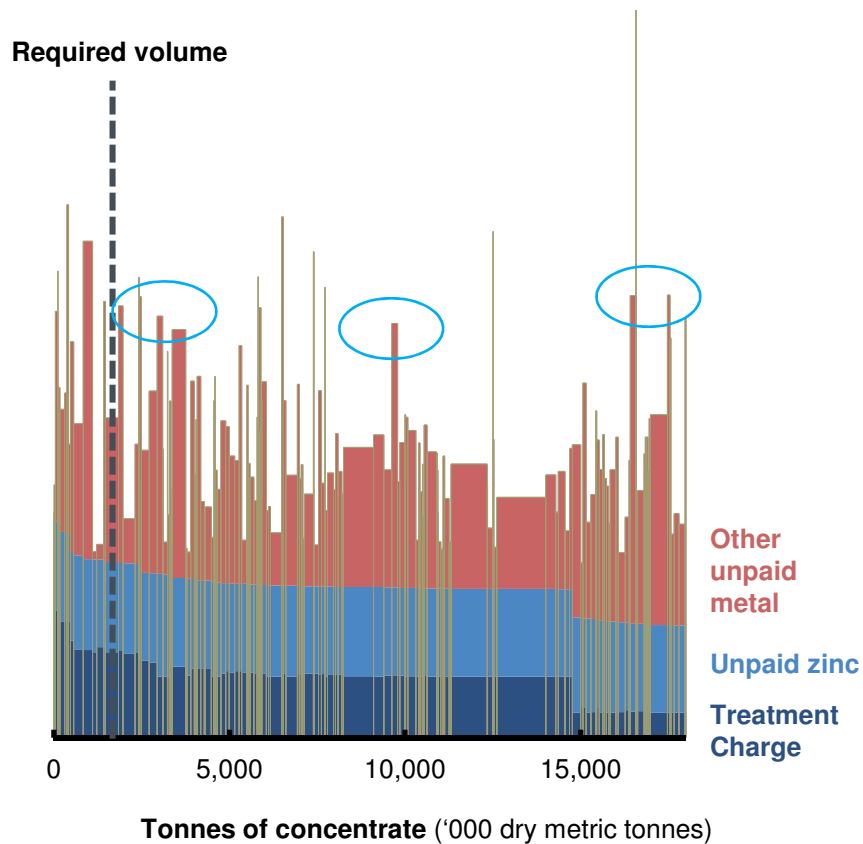


**nyrstar**  
Our Mission

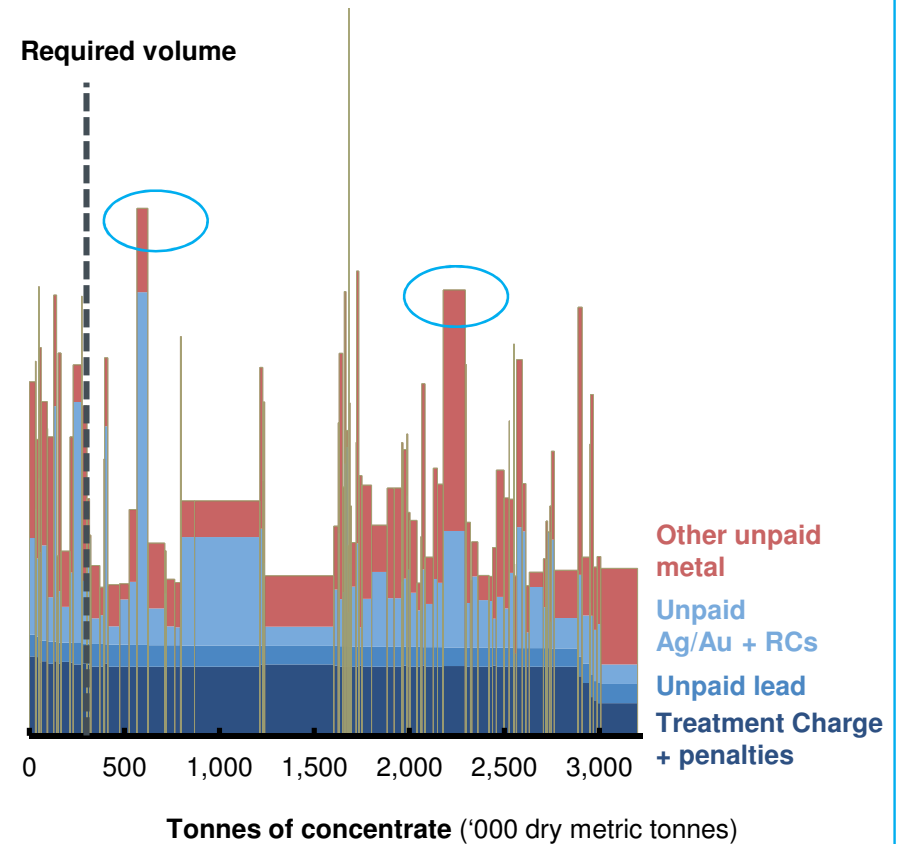
"To capture the maximum value inherent in mineral resources through deep market insight and unique processing capabilities, generating superior returns for our shareholders."

## Viewing raw material flows through a different lens significantly increases the value of feed material

Old lens: Global zinc feed ranked by TC and unpaid zinc value



Old lens: Global lead feed ranked by TC/RC and unpaid lead value



**OLD LENS DEEMS MANY HIGH VALUE FEEDS UNATTRACTIVE BECAUSE THEY DO NOT COME WITH BENCHMARK TREATMENT CHARGES**

# Leveraging our industrial footprint provides a unique step-change opportunity to unlock this value and create further value

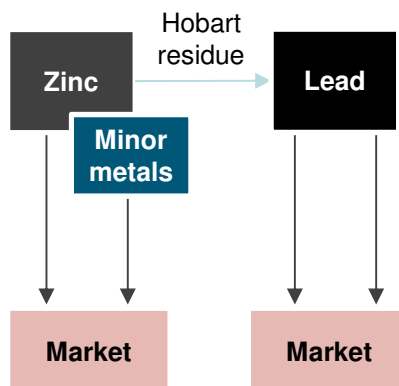


Redevelopment



Debottlenecking projects

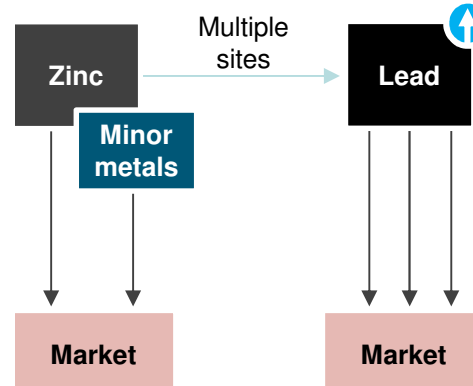
## Current operations



### TC driven zinc and lead sourcing

- Current operations largely volume focused in zinc and lead with heavy reliance on treatment charges, unpaid zinc and unpaid lead

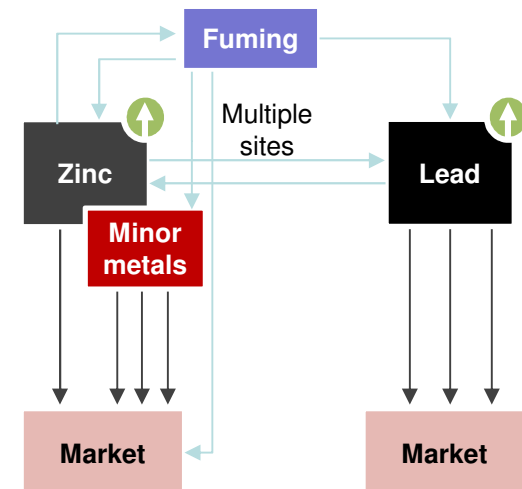
## Port Pirie Redevelopment



### Residue driven lead strategy

- Increases process flexibility to treat significantly increased volumes of zinc residues and complex lead concentrates...driving increased integration with zinc sites

## Metals Processing Transformation



### Value in feed material strategy

- Debottlenecks zinc sites and downstream at Port Pirie to allow broader range of concentrates to be processed...and investments in improved multi-metals recovery including minor metals plants

**THE PORT PIRIE REDEVELOPMENT IS A CRITICAL FIRST-STEP TO A BROADER PORTFOLIO OF INVESTMENTS TO ENABLE CAPTURE OF MORE METAL VALUE**

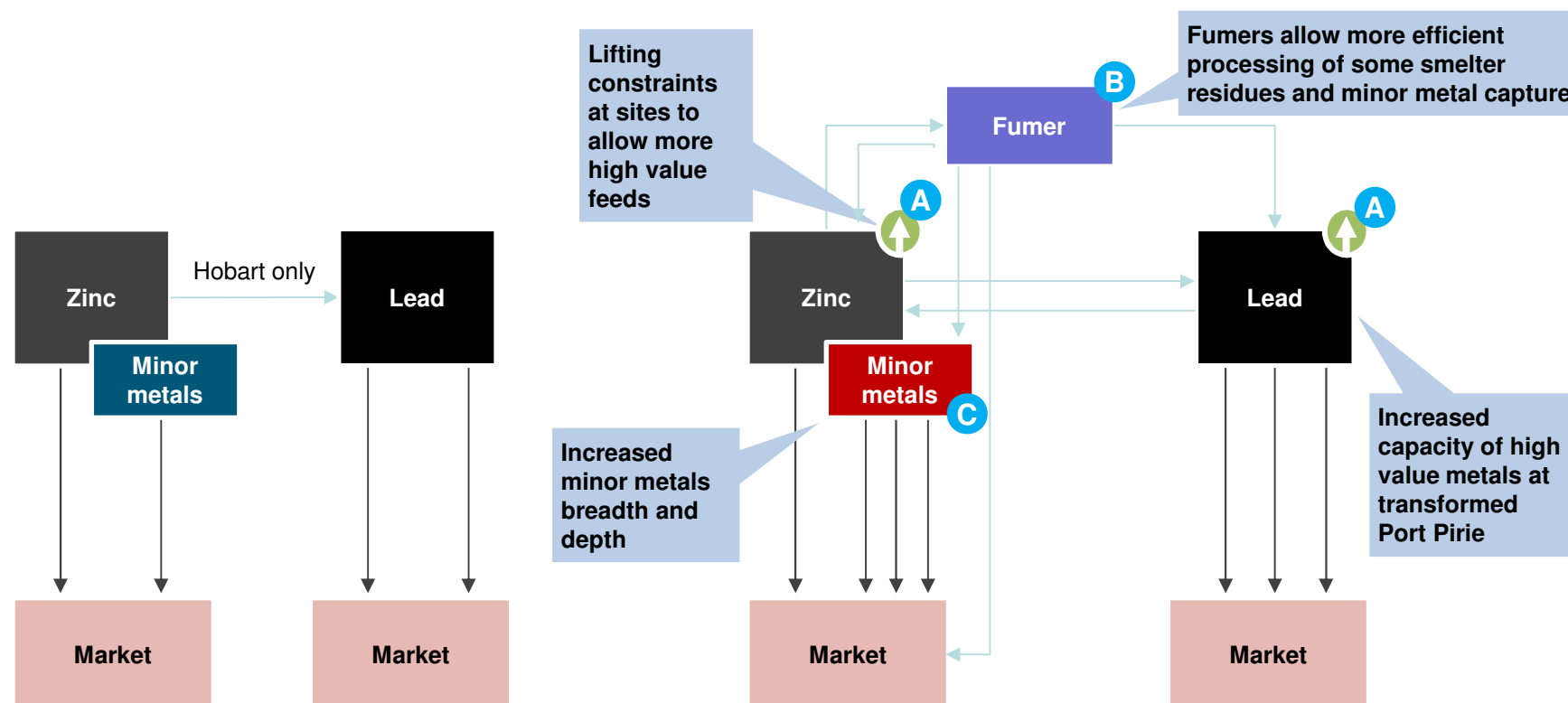


# A portfolio of investments will lift constraints, enable efficient processing of a broader range of feeds and increase capacity in valuable unpaid metals

 Debottlenecking projects

Current (*standalone smelters*)

Future Blueprint (*integrated metals processing network*)



Approximately 25 projects categorised in three categories

**A** Debottleneck smelters

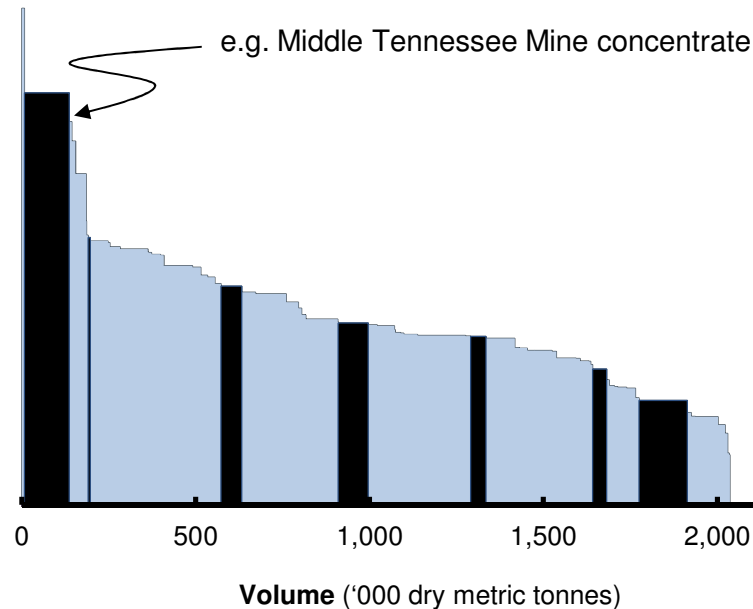
**B** Build fuming capacity

**C** Minor metals extraction

## Post-Transformation: our own mines and residues from zinc smelting (current and historical) produce a significant volume of high value material, value that today we do not capture...

### Zinc concentrate and oxide feedback post-Metals Processing Transformation

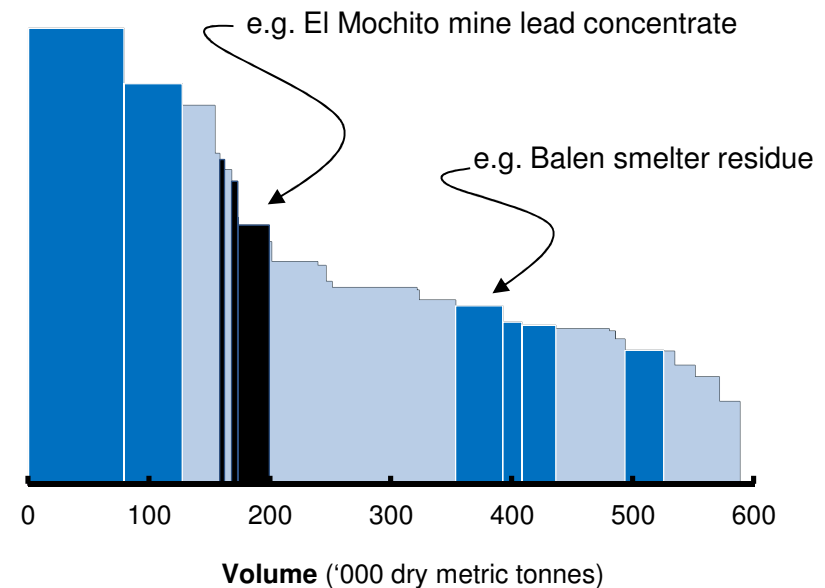
EBITDA/t of feed (EUR)



~25% of feed requirements for smelting network from Nyrstar's mines

### Lead concentrate and internal residue feedback post-Metals Processing Transformation

EBITDA/t of feed (EUR)



~50% of feed requirements for Port Pirie from Nyrstar's mines and smelter residues

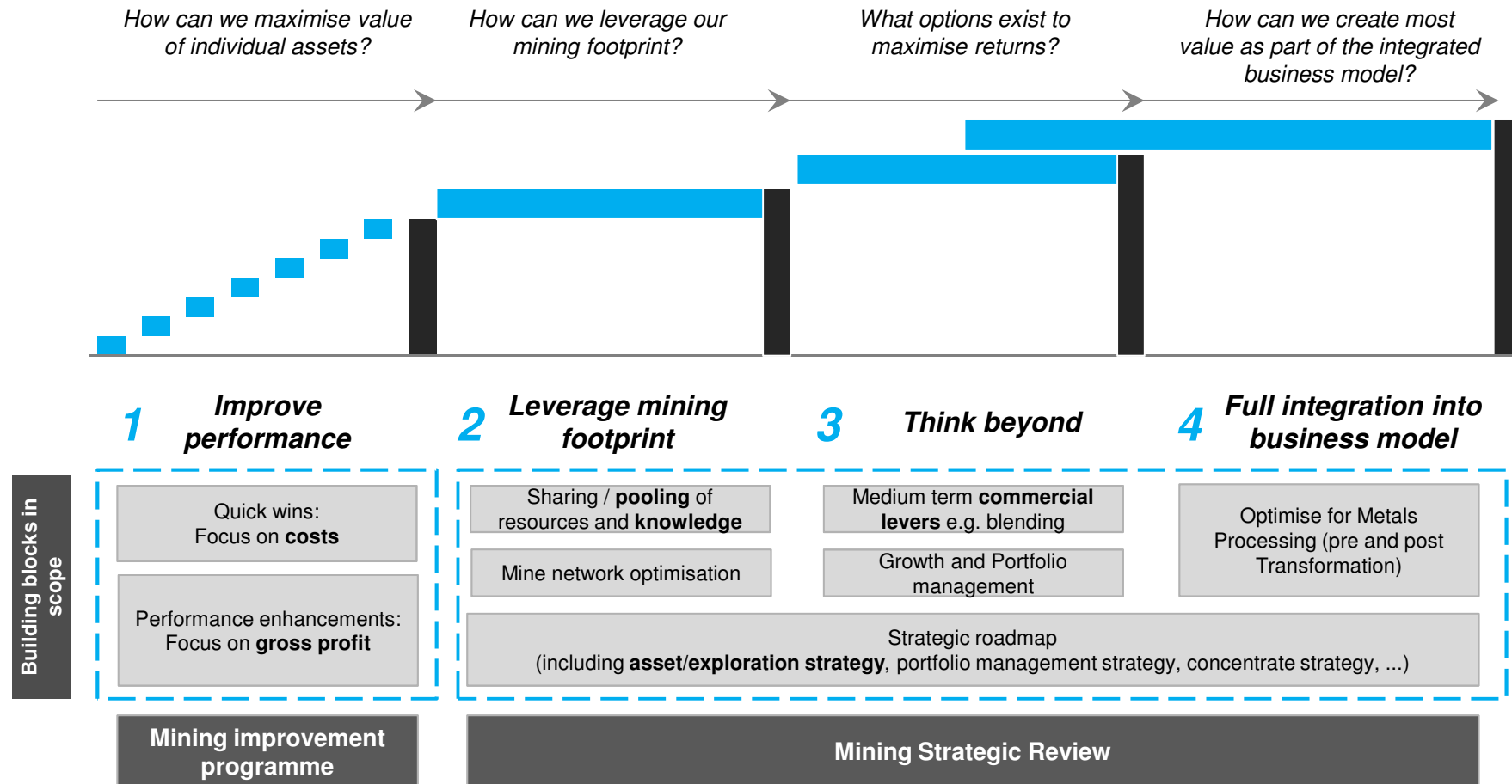
■ Nyrstar mine

■ Own smelter residues

■ Non-Nyrstar feed



## ...also highlighting the strategic importance of our mining segment



SUPPORTED BY NEW AND HIGHLY EXPERIENCED MINING SENIOR LEADERSHIP TEAM

## A more sophisticated marketing, sourcing and sales strategy provides critical support for an integrated business and operating model

### Raw materials

#### Raw material sourcing

- Optimise feedback of internal and external materials to support Port Pirie Redevelopment and Metals Processing Transformation
- First mover to secure new feed opportunities

#### Active Marketing & Execution

- Blend concentrates
- Actively source and trade concentrates

### Metals

#### Commodity Grade Zinc

- Multi-channel approach to European Zinc metal
  - Noble Offtake & Marketing Agreement
  - Place metal offshore
  - Other opportunities

#### Specialty Zinc, Lead and Diversified Products

- Segment market according to Strategic Profit Pools through market intelligence

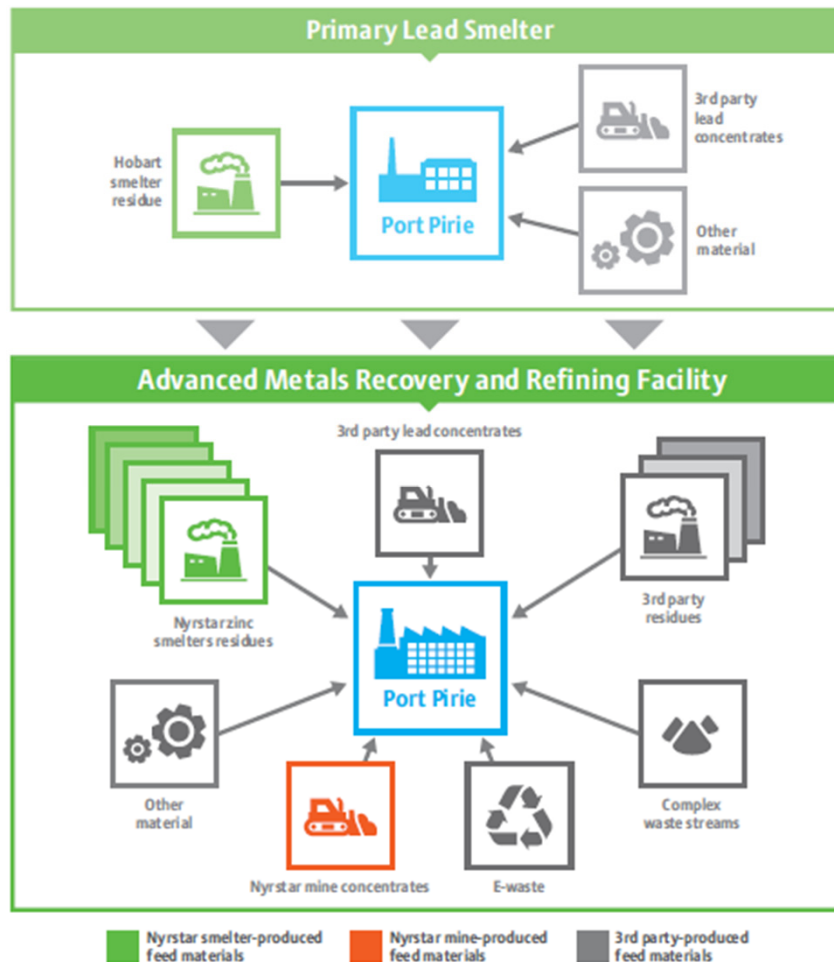
### Optionality and Hedging

- Exploit optionality from flows
- Strategic and transactional hedging

### Supply Chain

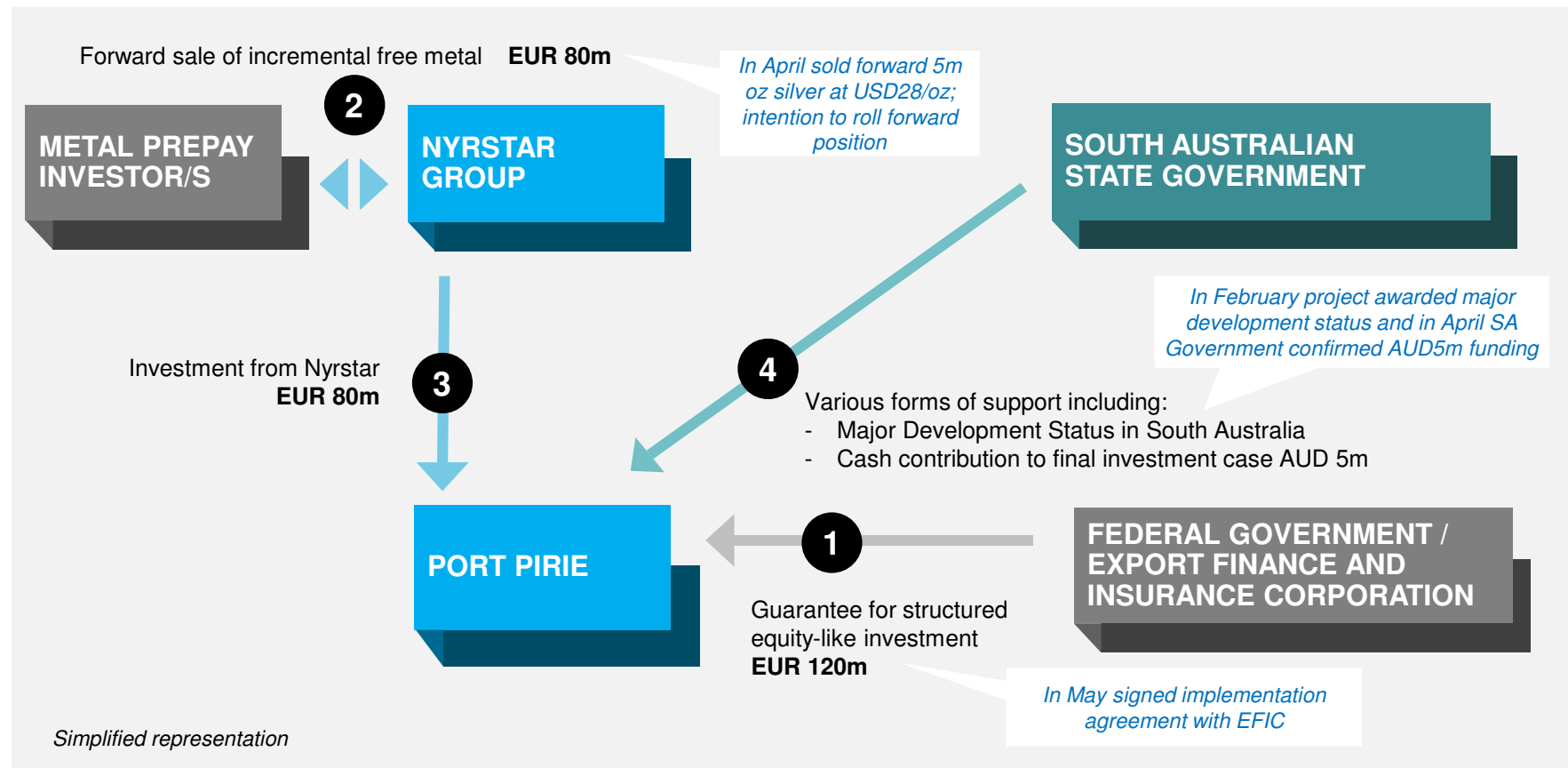
- Get logistics basics right
- Steer through supply chain management

## Port Pirie Pre-Feasibility Study (PFS) confirmed technical and environmental capability of proposed Port Pirie Redevelopment



- PFS **confirmed technical solution** of a new oxidation furnace to replace the aging sinter plant
- Will **enable processing of Nyrstar's zinc smelter residues** and increased range of other metal-bearing feed materials
- **Technology proven**, highly flexible with high operating capability
- Redevelopment **addresses environmental needs** at site, including significant reduction in lead in air emissions
- Base case **capital investment of EUR270m**
- Timeframe for construction during 2014 / 2015 with **commissioning in Q1 2016 is viable**
- Overall scope and delivery strategy can be managed to an **acceptable risk profile**
- Proceeding with the **final feasibility study**, with a report due to the board in Q1 2014

## Port Pirie Redevelopment funding and support package remains critical...important milestones achieved



- In September South Australian State Parliament passed legislation (*Port Pirie Smelting Facility (Lead-In-Air Concentrations) Bill 2013*) providing Nyrstar with regulatory certainty for the Redevelopment

## Port Pirie Redevelopment and Metals Processing Transformation both have compelling investment cases

### Port Pirie Redevelopment (PFS outcome)

- Increase margin earned on every unit of metal produced by **processing internal zinc smelter residues** (~50% of feed material requirements)
- Higher throughput will **increase production of all metals**
- EBITDA and FCF driven by **significant increase in gross profit**, relatively modest increase in operating costs and sustaining capex and **lower working capital** requirements
- Based on a revised **EUR270m investment**, redevelopment expected to generate a **post-tax IRR of ~25-30%**<sup>1</sup> (using internal economic assumptions)

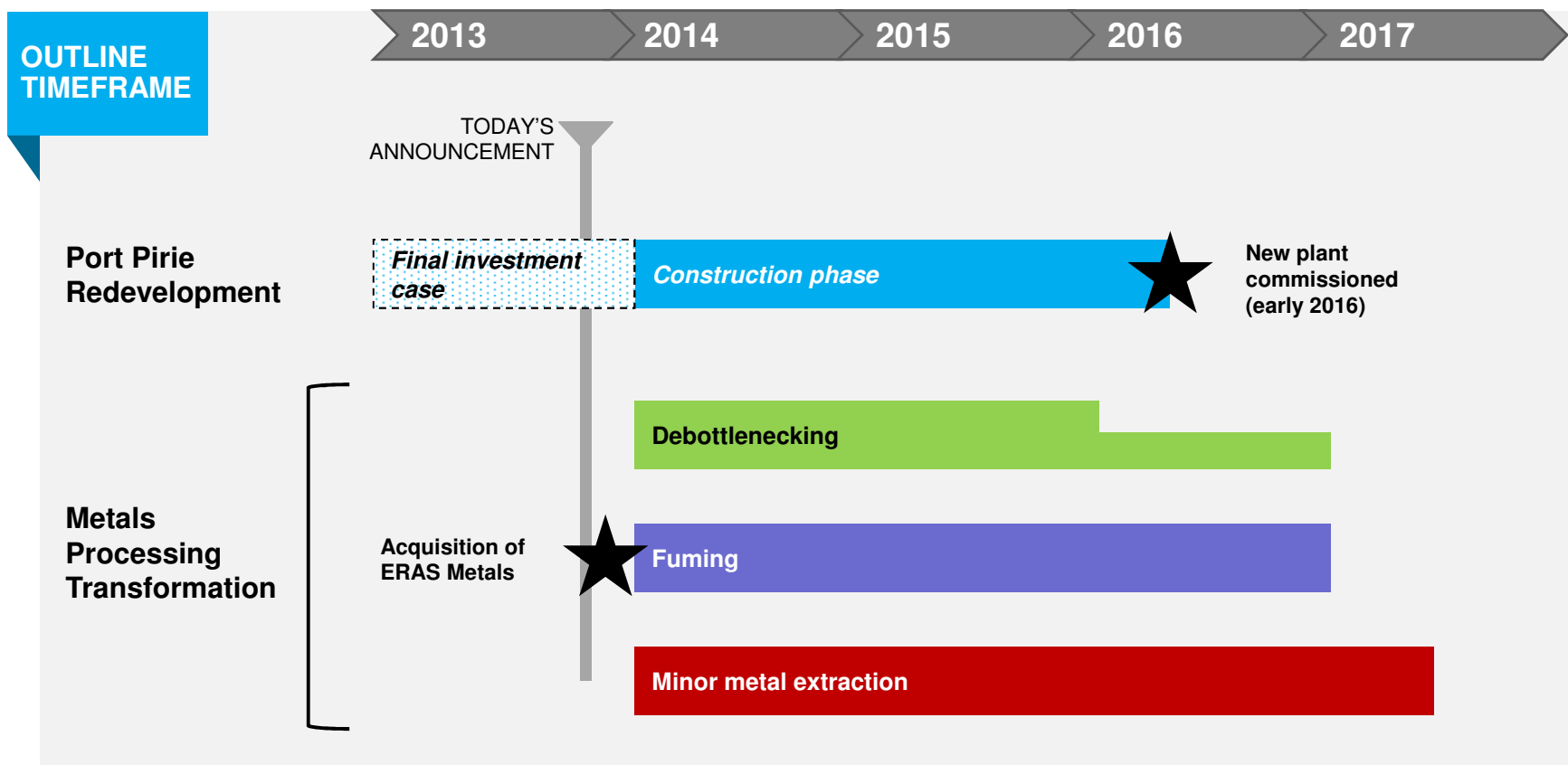
### Metals Processing Transformation (in addition to Port Pirie Redevelopment)

- EBITDA and FCF driven by **higher gross profit**, modest increase in operating costs and sustaining capital spend and higher working capital requirements (combined with lower requirements at transformed Port Pirie, net working capital neutral for Nyrstar)
- Expected capital investment for entire **blueprint of ~25 projects is EUR280m**; no single investment exceeding EUR50m
- Based on capital investment commencing early 2014, with incremental earnings starting to be generated in late 2014 and completion of full Transformation in 2017, expected to generate a **post-tax IRR of ~25-30%**<sup>2</sup> (using internal economic assumptions)

1. Internal Rate of Return (IRR) calculated over 30 years, does not include terminal value. Includes cash flow impacts from Port Pirie financing package and capital charge of 10% on Nyrstar's direct investment (≈EUR80m). At spot assumptions IRR estimated between 30-35%

2. IRR calculated over 30 years, does not include terminal value. Assumes 10% capital charge on investment. At spot assumptions IRR estimated between 35-40%

## Metals Processing Transformation blueprint could be fully operational by early 2017...



## ...with the first investment in the Transformation in progress



### ERAS Metals

- First investment in Transformation and first project within blueprint
- Owner of fuming plant in Hoyanger, Norway
- Nyrstar agrees to acquire ERAS Metals for ≈EUR5m
- Plant operates fumer which currently produces zinc oxides from processing EAF dust
- Nyrstar to invest additional ≈EUR2m to upgrade plant to process higher value feed material, such as Nyrstar smelters' residues and ponds
- Expect to complete acquisition by end November

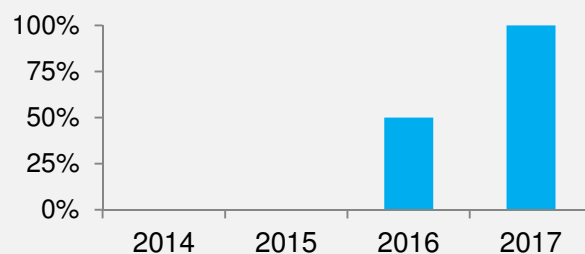




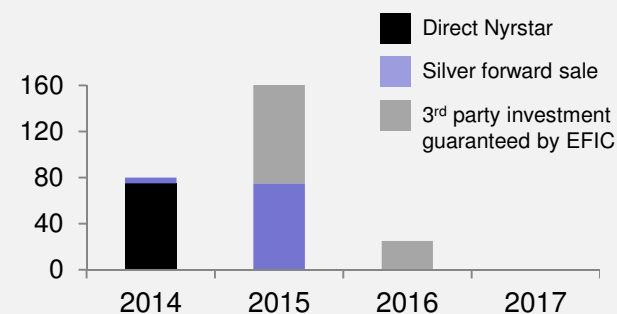
## Redevelopment and Transformation investment horizon from 2014 to 2017 and incremental earnings starting in late 2014

### Port Pirie Redevelopment

Earnings profile: % of total earnings uplift from investment by year

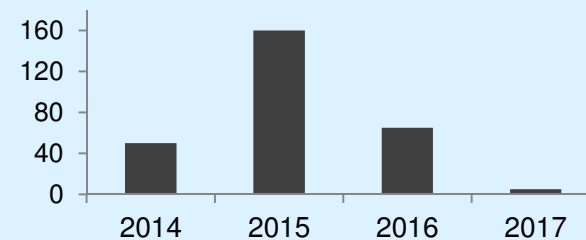
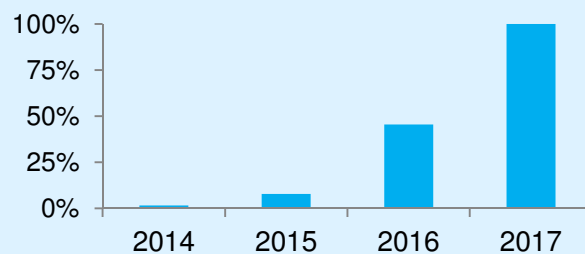


Capital investment profile (EURm)



Supported by innovative funding package

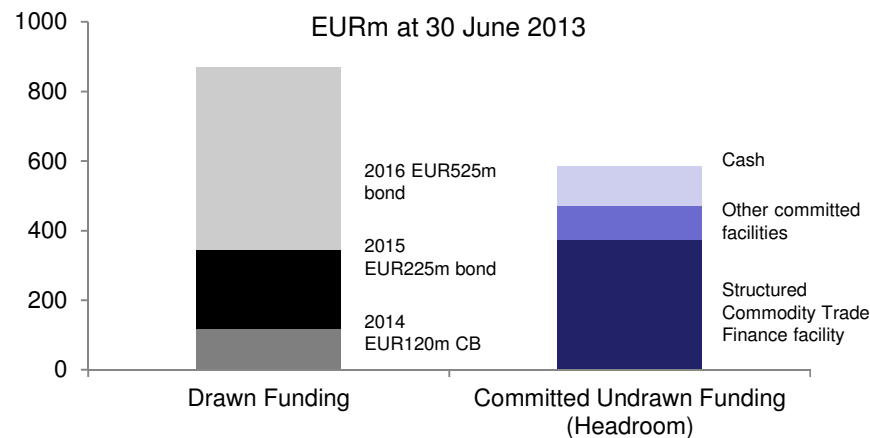
### Metals Processing Transformation



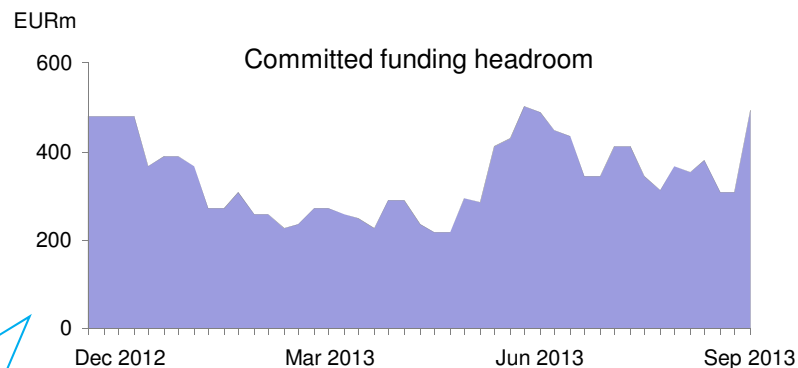
Currently assessing funding options

# Balance sheet focus and access to various funding opportunities allows us to continue our strategic journey and manage short term challenges

## Diverse funding sources



## Maintained liquidity headroom



## Recent financing

- **New EUR 120 million convertible bond** issued
- Closest maturity refinanced at significantly improved terms (**4.25% coupon**)
- **Covenant free on all bonds**

## Financial options available

### Conventional options

Bonds (straight, convertible, hybrid)      Equity

Bank debt

### Options available to Mining and Metals companies

Strategic hedging	Metal streams
Commodity backed facility	Royalties
Strategic commercial partnerships	Metal prepay
Strategic operational partnerships	Pre export financing

## Capturing value through an integrated business and operating model

- **Viewing raw material flows through a different lens** significantly increases value of feed material
- **Leveraging our industrial footprint** provides a **unique step-change opportunity** to unlock this value and **create further value**
- **Portfolio of investments** will lift constraints, enable efficient processing of a broader range of feeds and increase capacity in valuable unpaid metals
- Post-transformation, our **own mines and residues from zinc smelting** (current and historical ponds) produce a **significant volume of high value material**, value that we do not capture today...also **highlighting strategic importance of our mining segment**
- **A more sophisticated marketing, sourcing and sales strategy** provides critical support
- Port Pirie Redevelopment and Metals Processing Transformation both have **compelling business cases**...could be **fully operational by end 2017**...and **incremental earnings starting late 2014**
- **Balance sheet focus** and **access to various funding** opportunities allows us to continue our strategic journey and **manage short term challenges**

# QUESTIONS



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