



# **KBC Securities' 4<sup>th</sup> Edition Belgian Excellence Investment Seminar**

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29 & 30 November 2007, NYC USA

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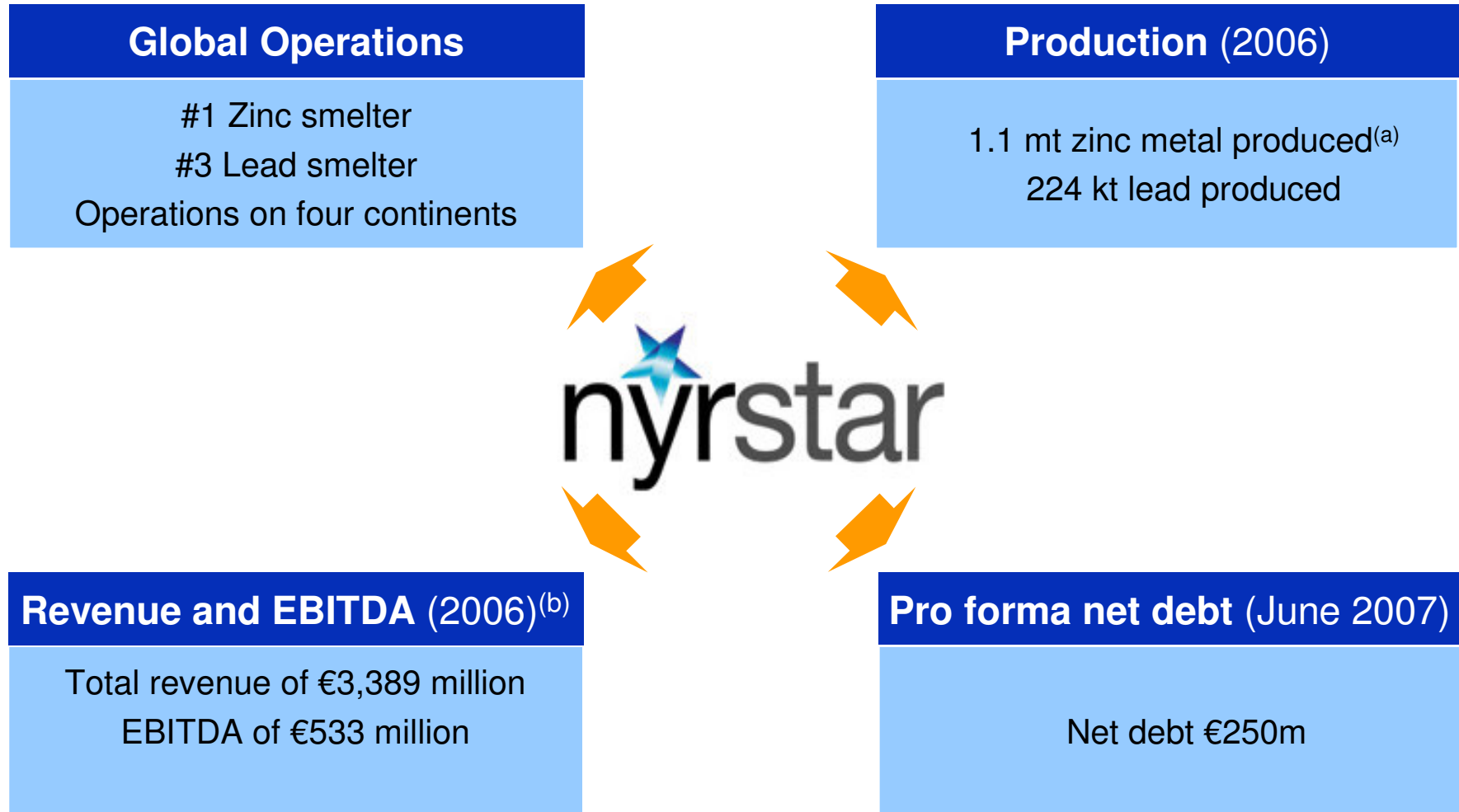
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# Nyrstar overview



(a) Includes Nyrstar's pro-forma equity share of metal production (excludes production from Overpelt, Galva 45, GM Metal, Genesis and Föhl)  
(b) Modified pro forma consolidated financial information



**Improving the assets,  
improving the industry**



# Investment highlights

## 1 ***Strong zinc fundamentals***

- Leverage to Chinese industrial and steel growth
- Zinc metal stocks at historic lows

## 2 ***Attractive smelting industry dynamics***

- Treatment charges offer stability
- Industry 'power' shifting towards smelters
- Value added products offer attractive upside

## 3 ***Prime position to be an industry consolidator***

- World's largest pure play zinc smelter
- Conservative gearing

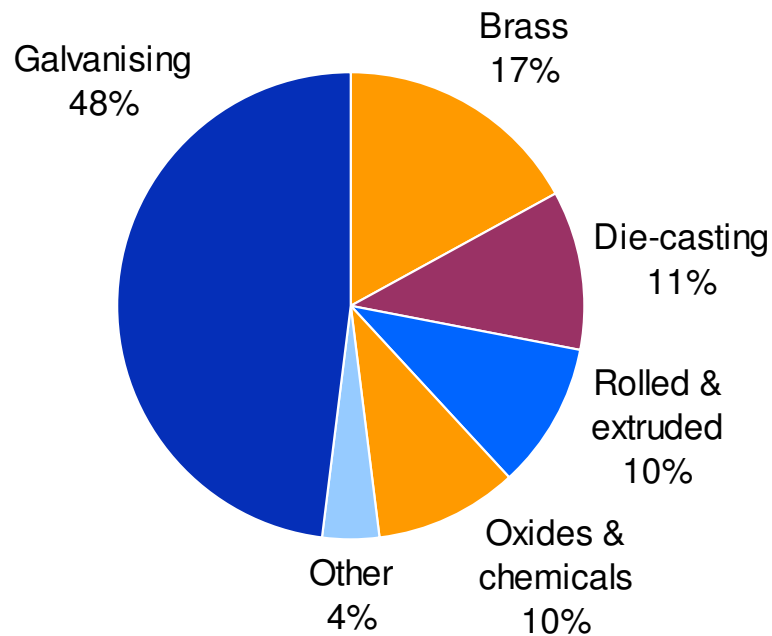


Strongly cash  
generative

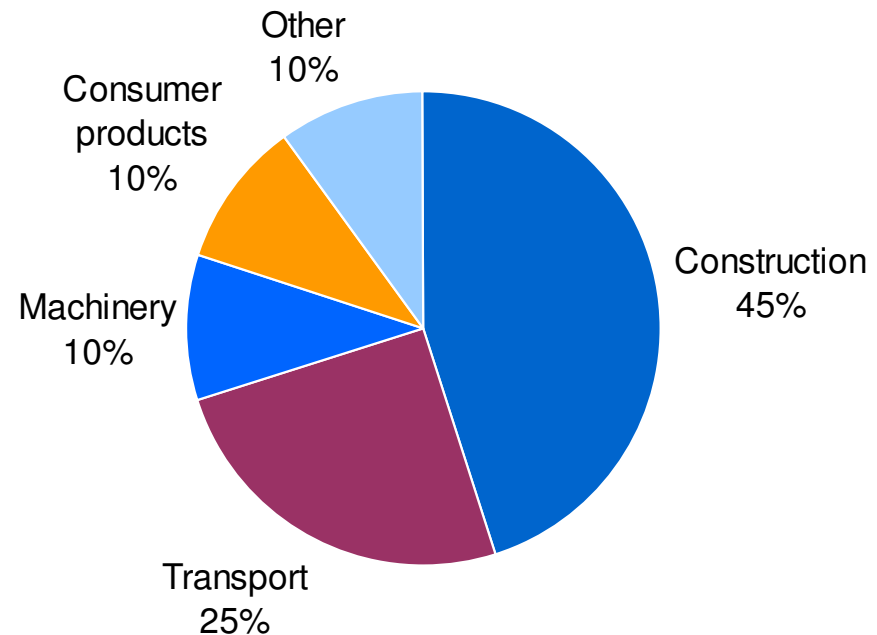
Significant  
organic and  
acquisition  
growth potential

# Zinc usage is driven by steel demand

**Zinc by first use**



**Zinc by end use**

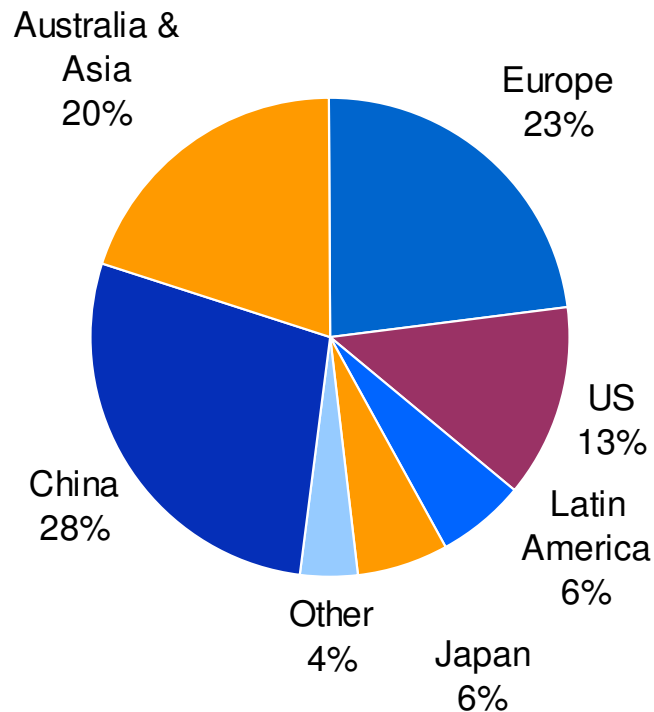


Source: Brook Hunt

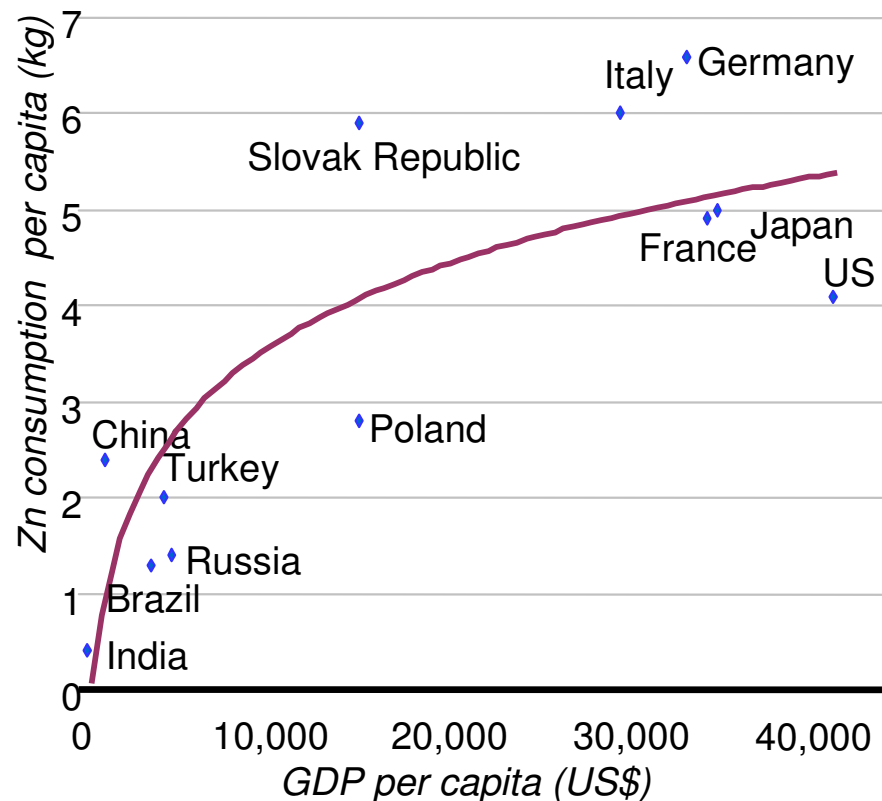
## 1 Strong zinc fundamentals

Zinc consumption is linked to economic growth and leveraged to emerging markets

Global zinc consumption (2006)



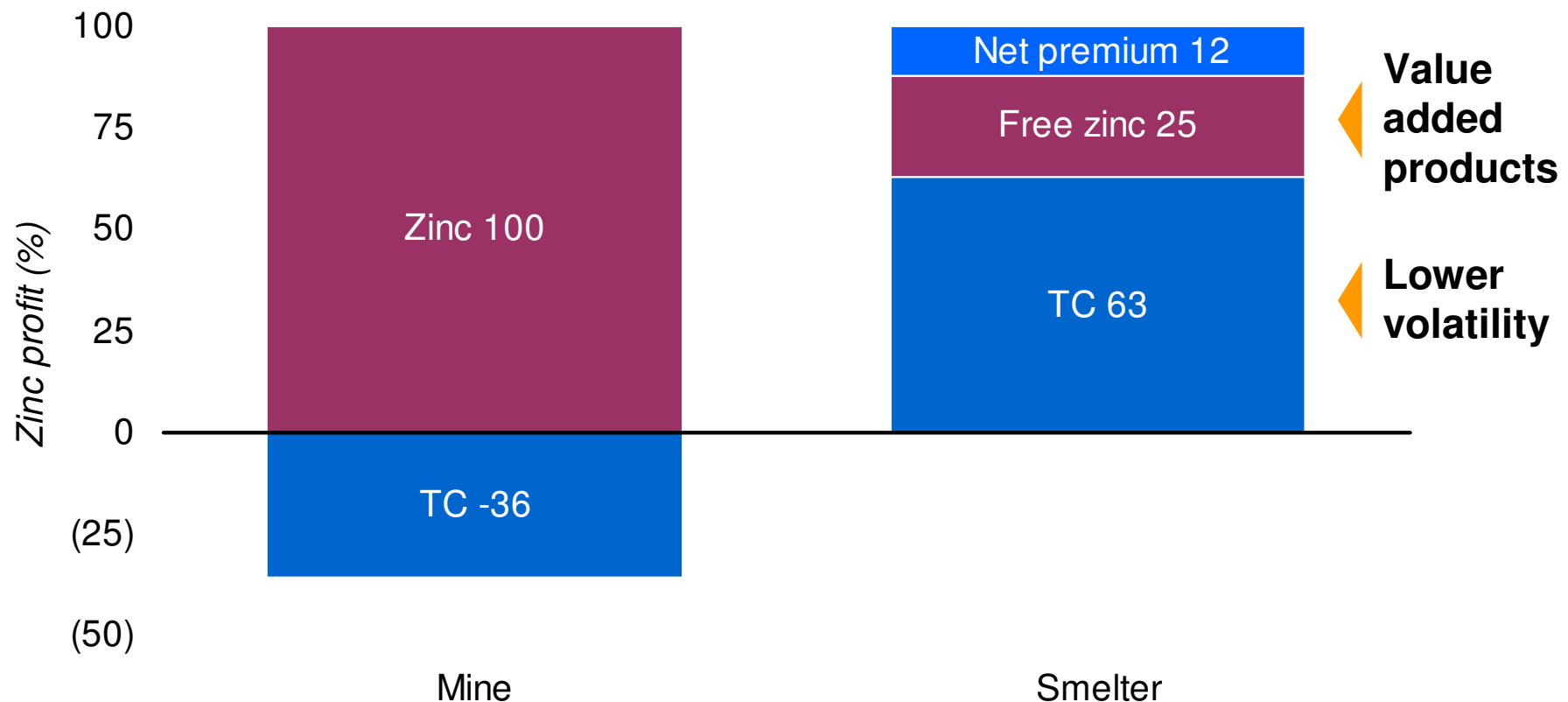
Zinc consumption per capita (2005)



Source: Brook Hunt, broker analysis

# Mines vs smelters: two different business models

## Zinc industry profit drivers (excl by-product credits)



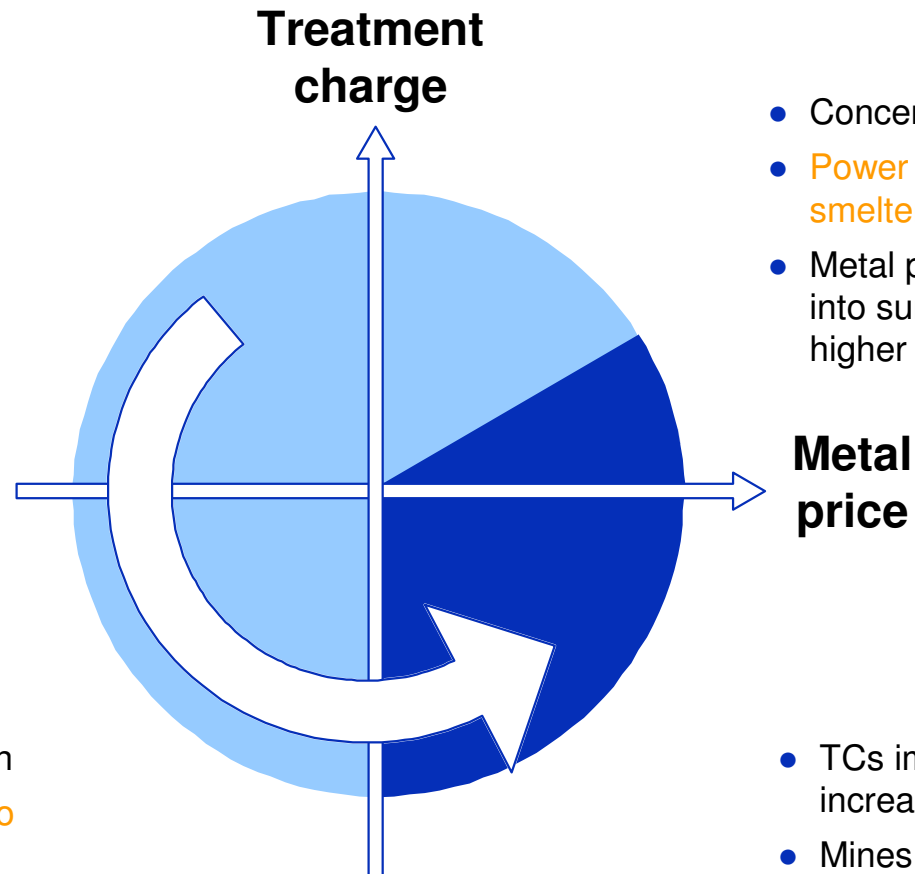
Note: Excludes by-products  
Average over last 30 years

Source: Brook Hunt



# Industry dynamics are moving in favour of smelting over mining

- Surplus metal and concentrate stocks
- Prices fall
- Mines cut production



- Concentrate stock surplus
- Power shifts from mines to smelters
- Metal production moves into surplus, TCs trend higher

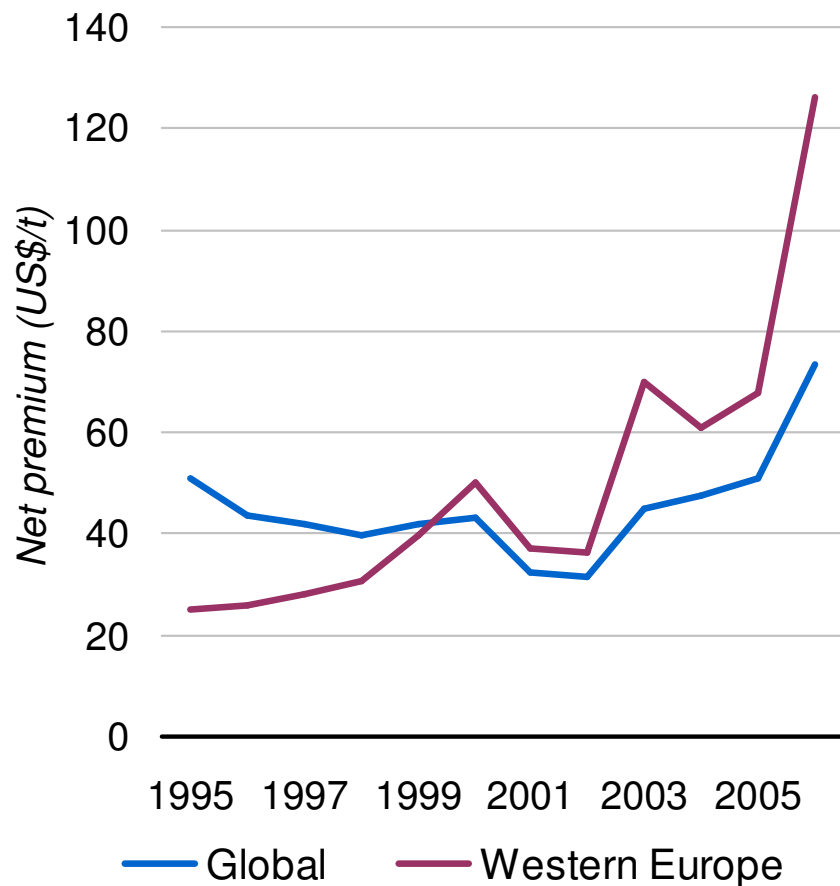
- Concentrate stock drawdown
- Power shifts from smelters to mines
- Metal stock drawdown

- TCs improve, prices increase
- Mines increase production

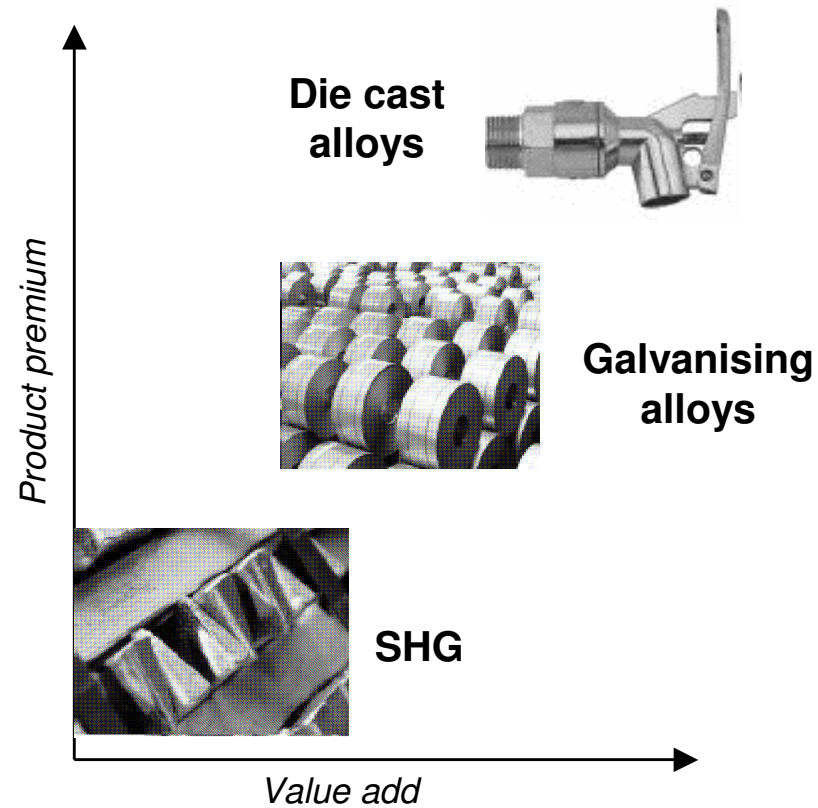
Source: Brook Hunt

# Smelter location and product premia enhance margins

## Zinc location premium



## Zinc products

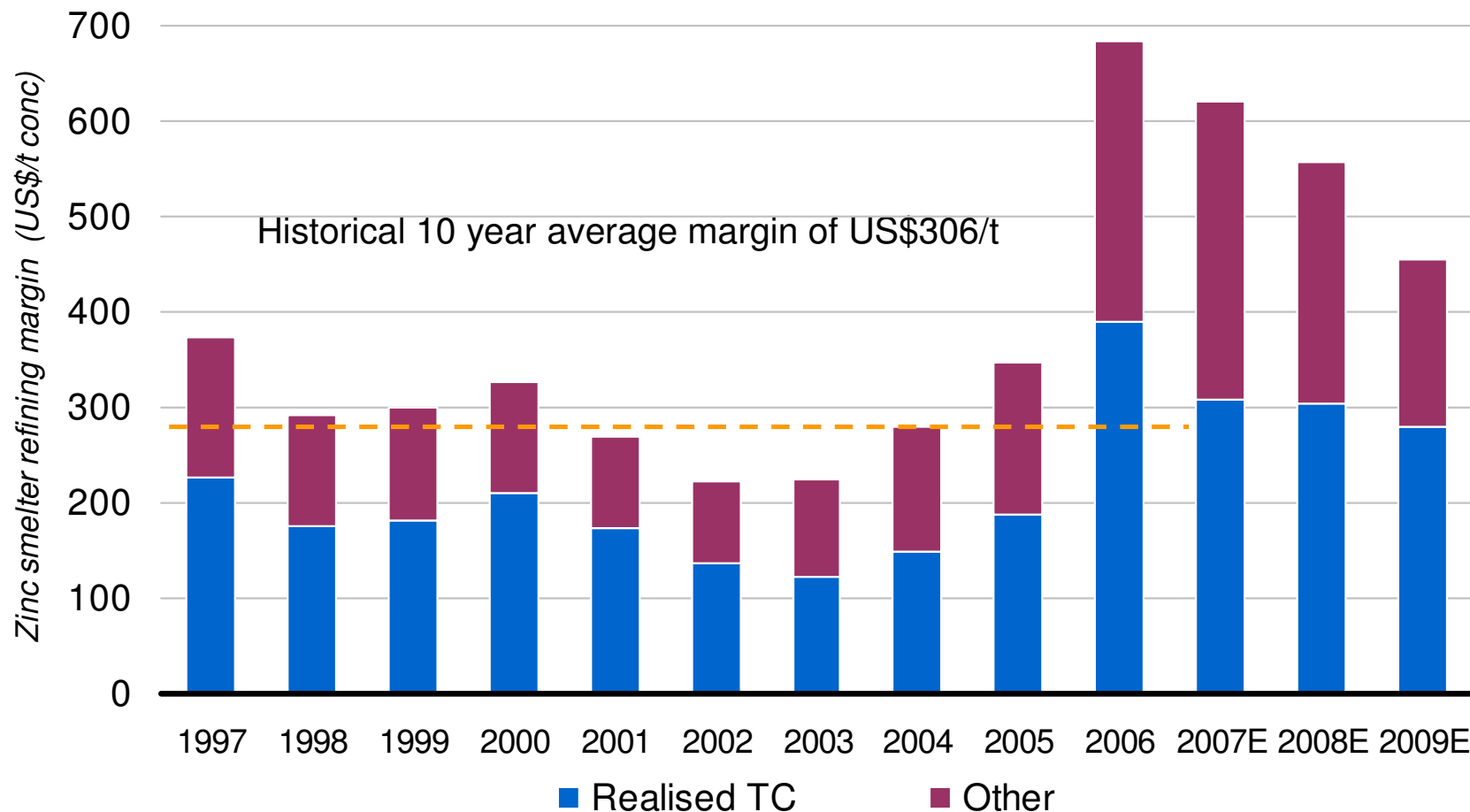


Premium based on LME SHG

Source: Brook Hunt

## Zinc smelter refining margins forecast to remain well above average in the near term

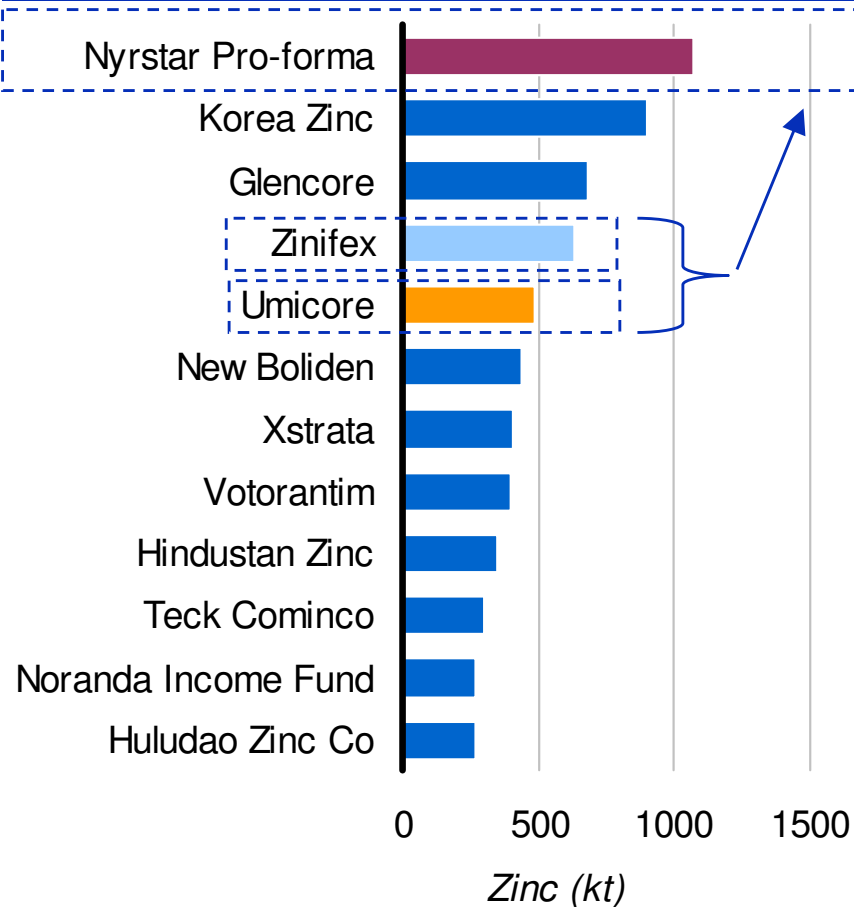
### Components of zinc smelting industry refining margins (1997 – 2009E)



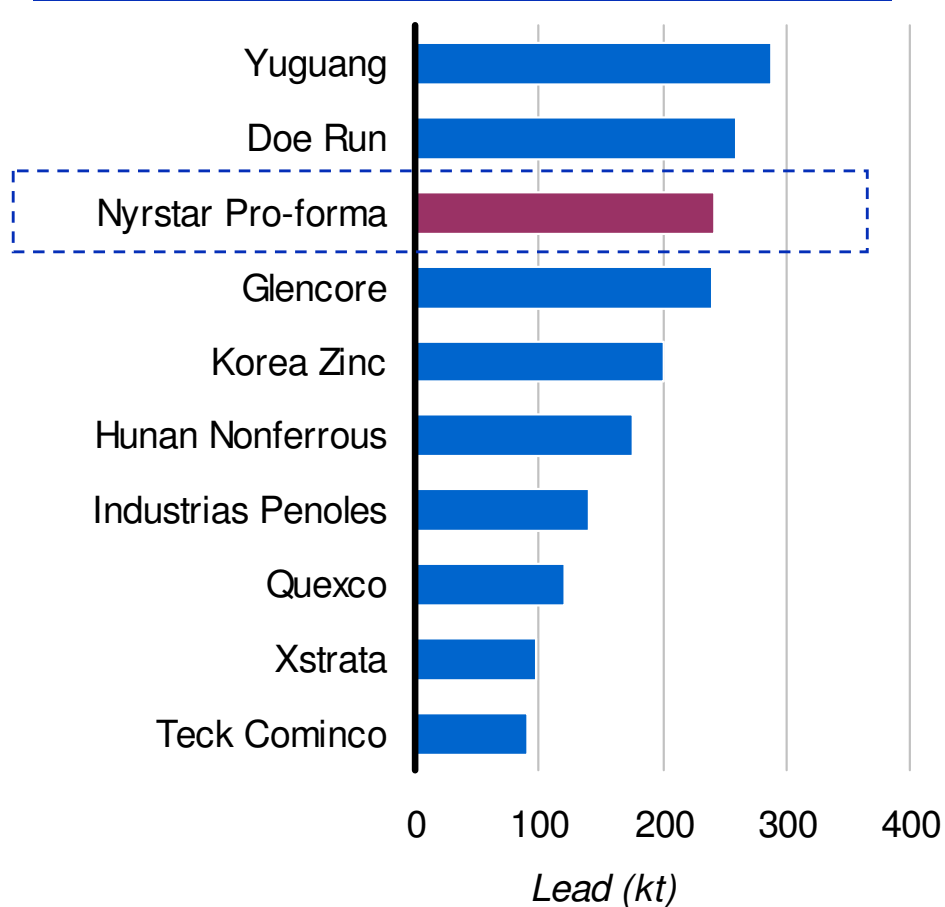
Note: Others include: By-product credits, net zinc premium and free zinc  
Source: Brook Hunt

# Largest zinc producer and major lead producer

## Top 10 zinc smelting companies (2006)



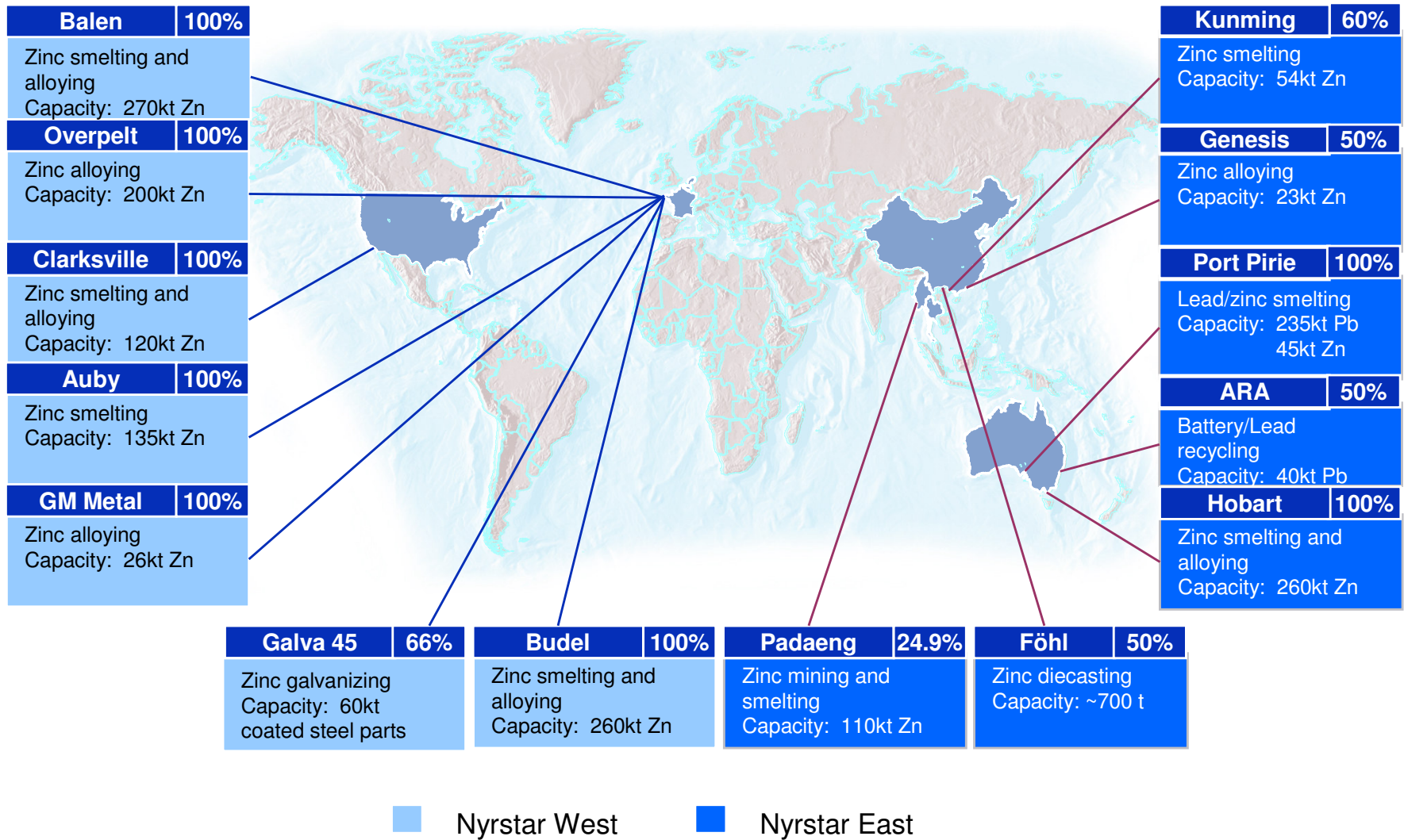
## Top 10 lead smelting companies (2006)



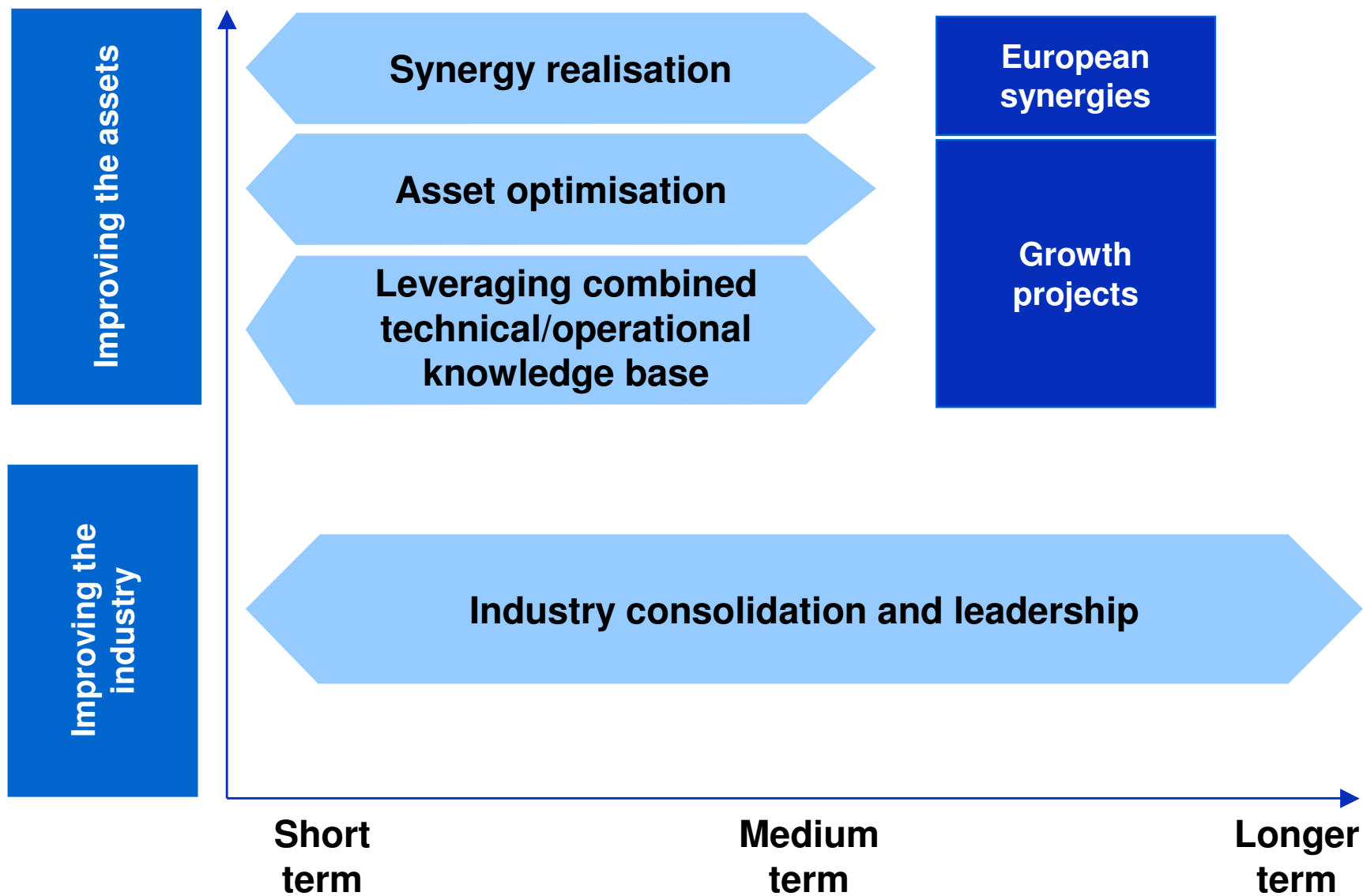
Note: Production based on Nyrstar's pro-forma equity share of metal production

Source: Brook Hunt

# Global presence

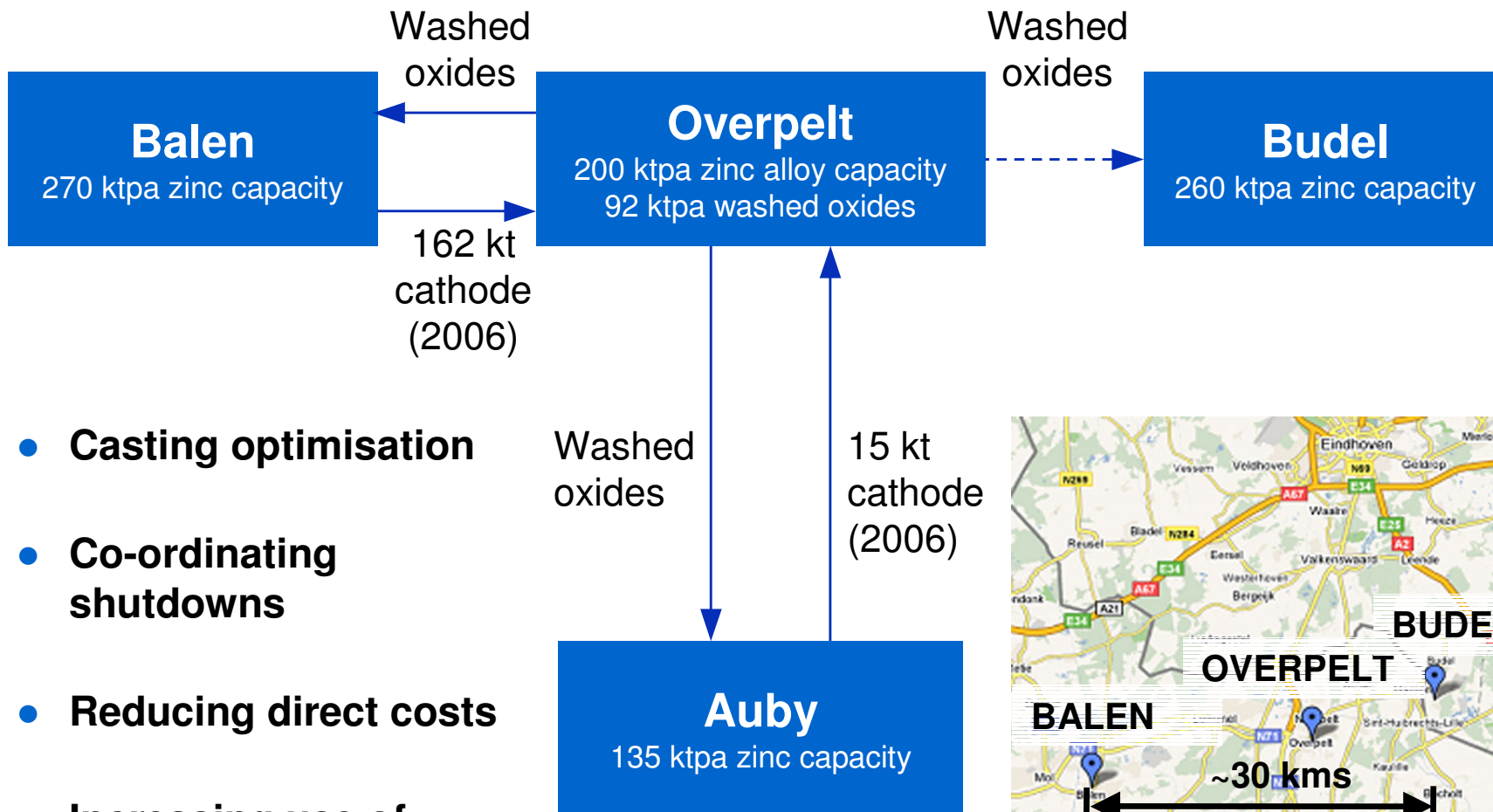


# Nyrstar's strategy





# Synergy realisation

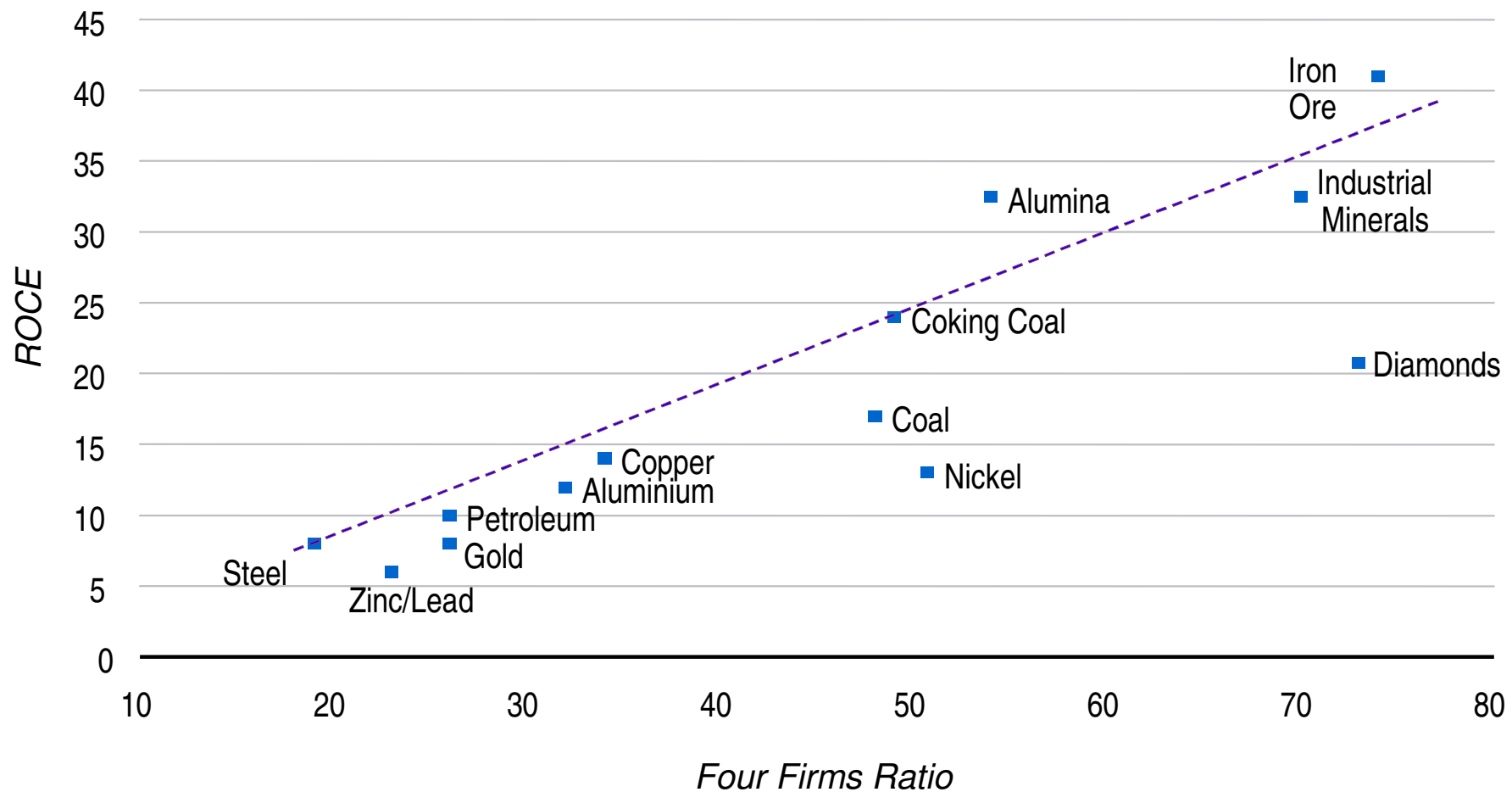


- **Casting optimisation**
- **Co-ordinating shutdowns**
- **Reducing direct costs**
- **Increasing use of secondaries**

## Improving the industry

Consolidation=returns

### Industry concentration vs ROCE



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

Source: Citigroup analysis

# Strong cash flow, balance sheet and financial policies

## Dividend

- Initial intention to pay minimum 30% of net income
- First payout 2008

## Hedging

- No structural metal and currency hedging at start
- Full coverage of transactional metal price exposure

## Pro forma capital structure

- Cash (30 June): €100m
- Debt (30 June): €350m

## Pro forma provisions

- Environmental (30 June): €129m
- Employee (30 June): €34m

## Tax

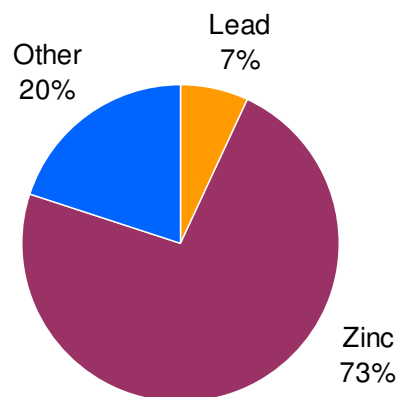
- Deferred tax assets (30 June): €131m
- Expected effective P&L tax rate 30%

# Solid income statement

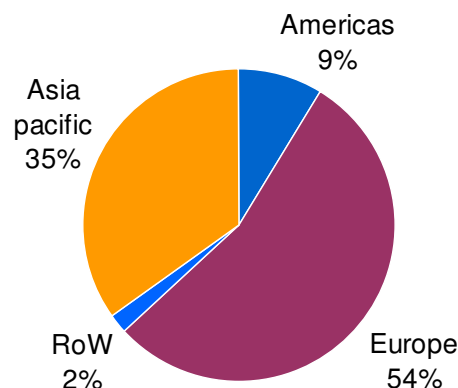
(€m)	2006	H1 2007	(€m)	2006	H1 2007
Revenue	3,389	2,090	Gross Profit	1,144	721
EBITDA	533	358	EBIT	462	319

## Diversified revenues

2006 modified pro-forma  
revenue by metal/product = €3,389m

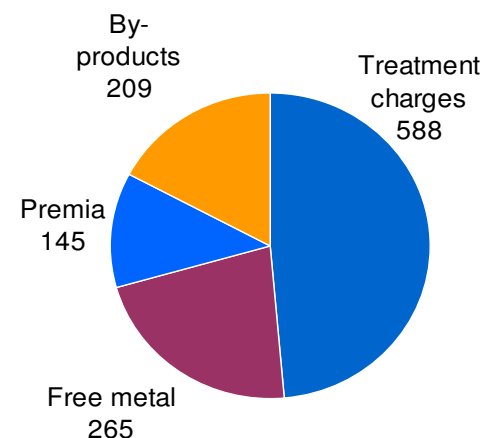


2006 modified pro-forma  
revenue by region = €3,389m



## Gross profit breakdown

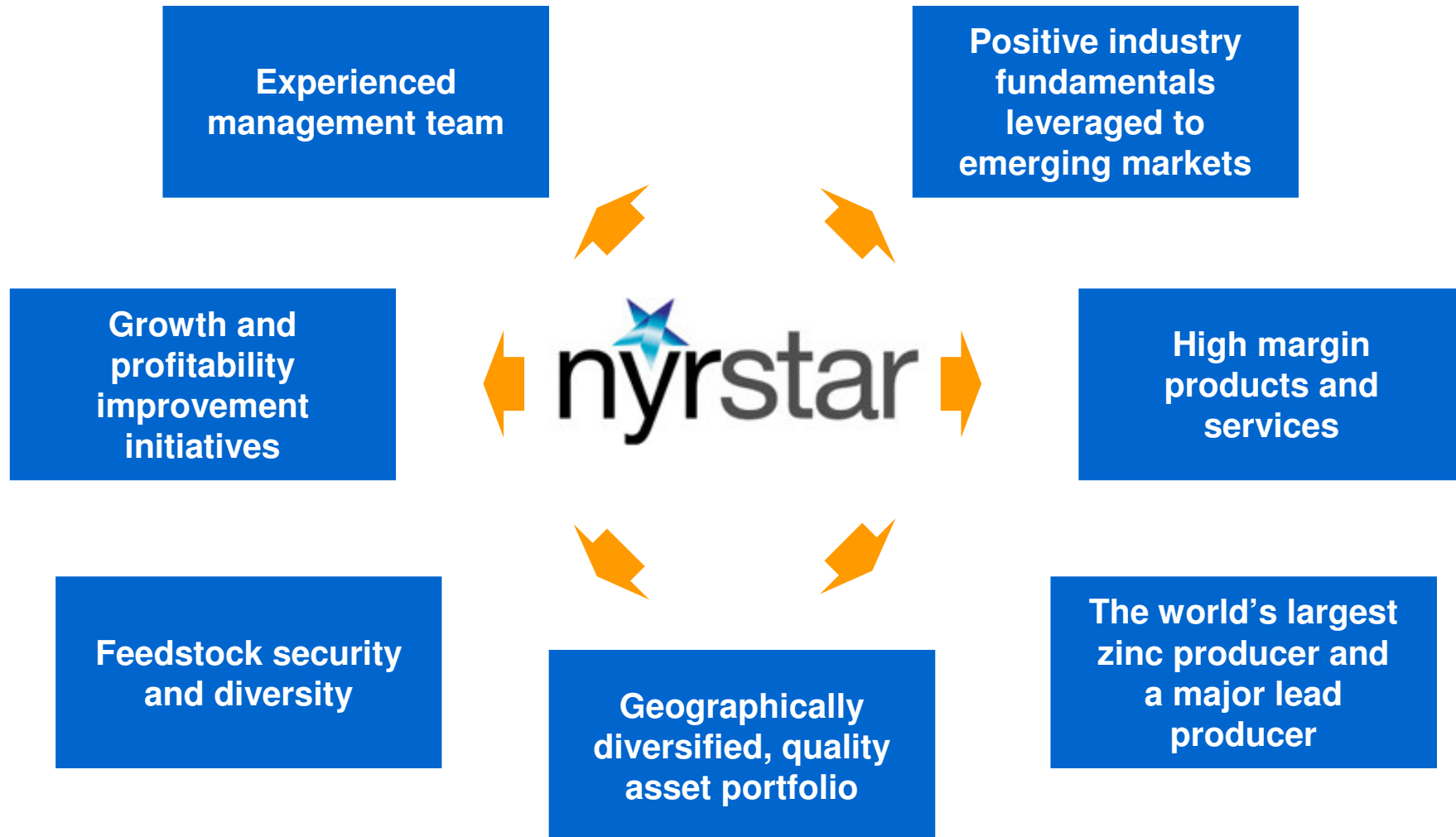
2006 modified pro-forma  
gross profit = €1,207m<sup>(a)</sup>



Note: Pro forma consolidated income statement data modified to reflect the current transactional and structural hedging policy of Nyrstar  
EBITDA includes the share of equity accounted subsidiaries

(a) Excludes other gross profit of €(63) million which comprises realisation expenses and, where applicable, the cost of aluminium and other alloying metals

# Key highlights





Q&A





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