



# **SEB Enskilda Metals & Oil Seminar**

Paul Fowler, CEO

10 December 2007, Stockholm

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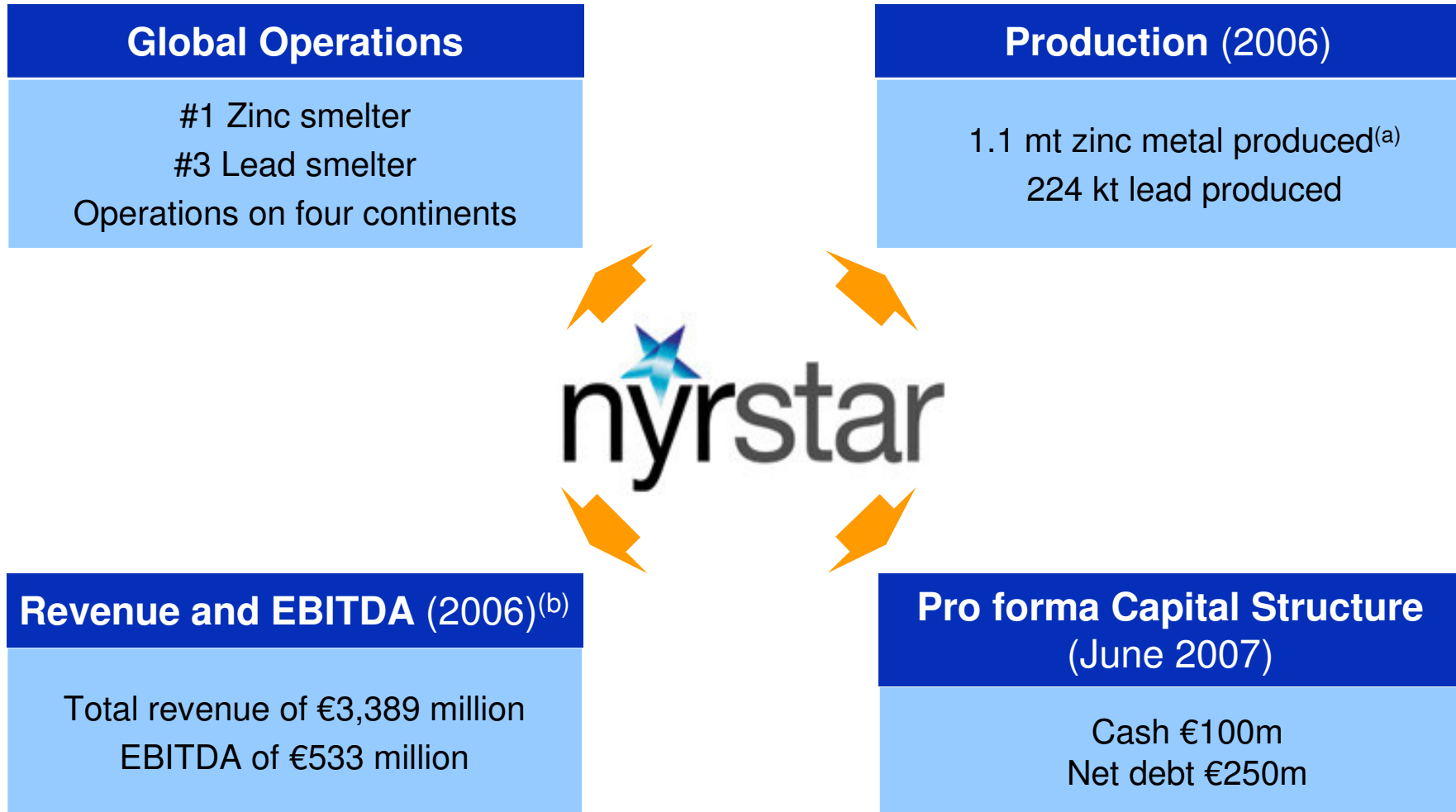
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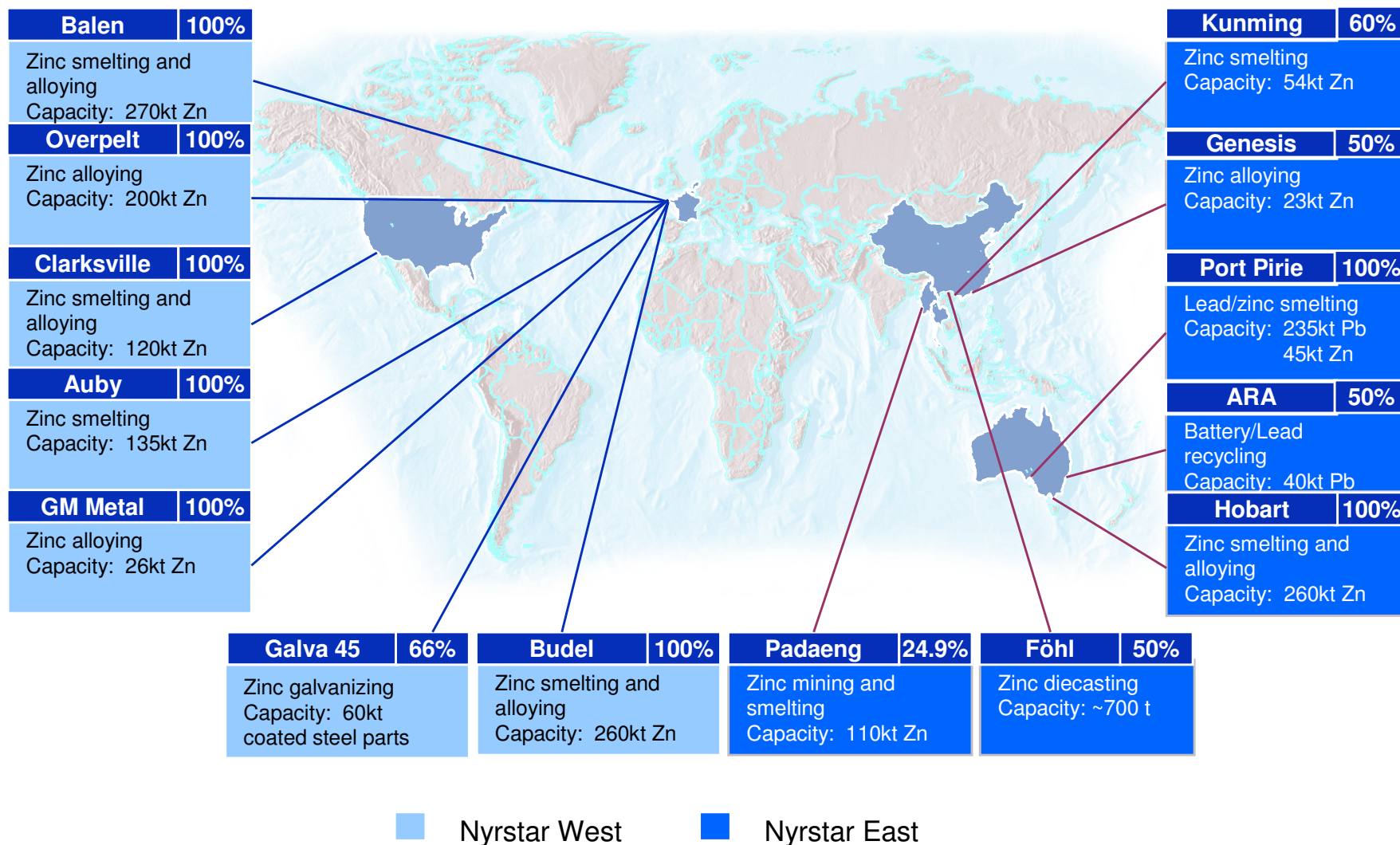
# Who we are



<sup>(a)</sup> Includes Nyrstar's pro-forma equity share of metal production (excludes production from Overpelt, Galva 45, GM Metal, Genesis and Föhl)

<sup>(b)</sup> Modified pro forma consolidated financial information

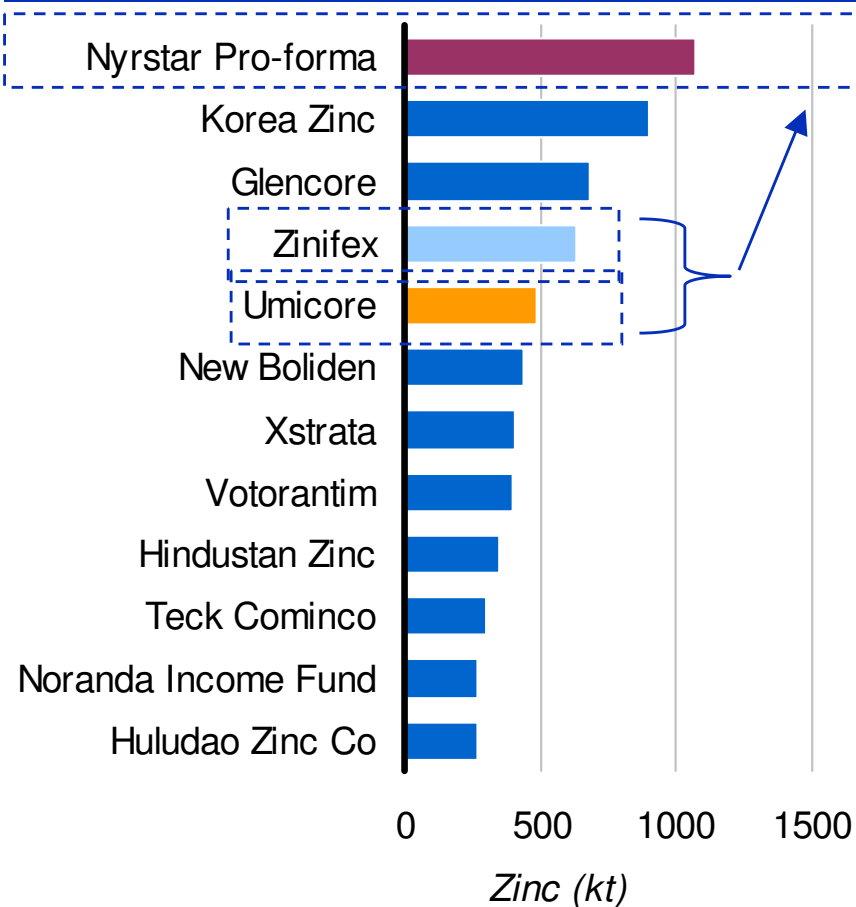
# Global presence



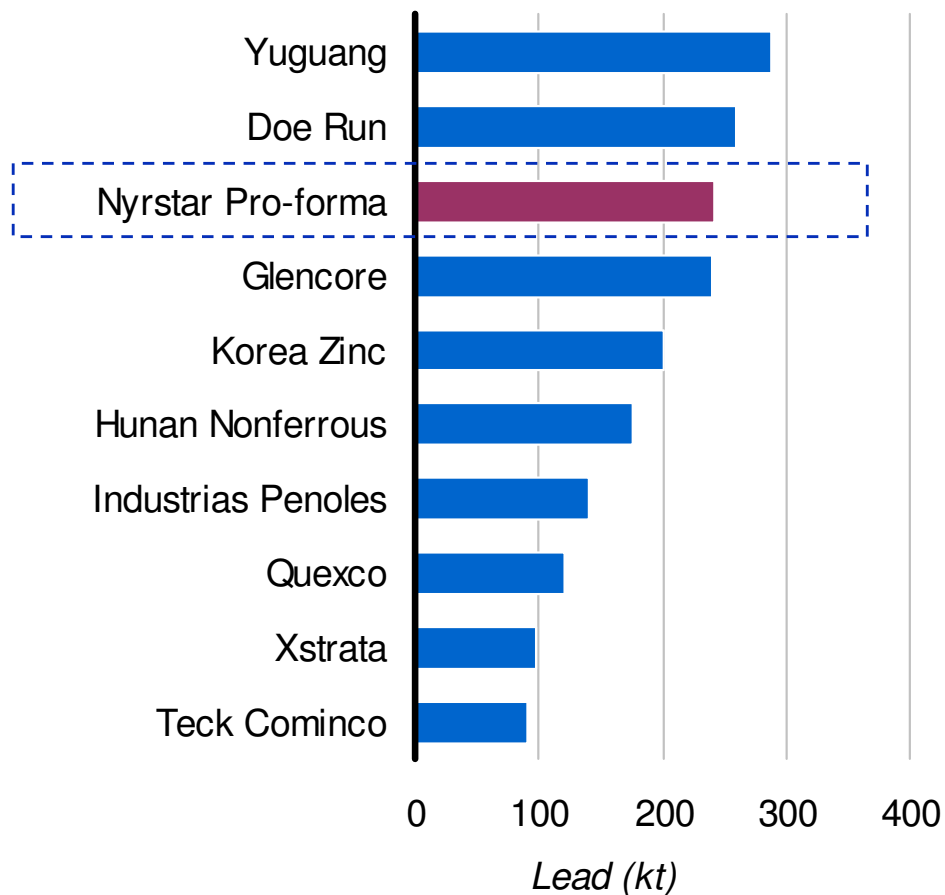


# Largest zinc producer and major lead producer

Top 10 zinc smelting companies (2006)



Top 10 lead smelting companies (2006)



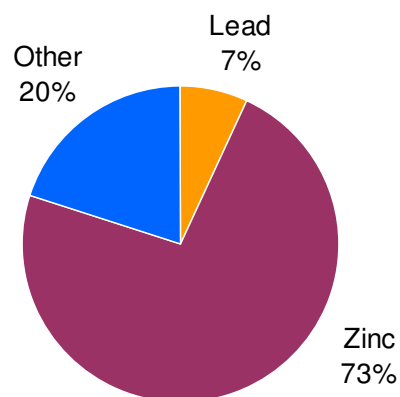
Note: Production based on Nyrstar's pro-forma equity share of metal production  
Source: Brook Hunt

# Solid income statement

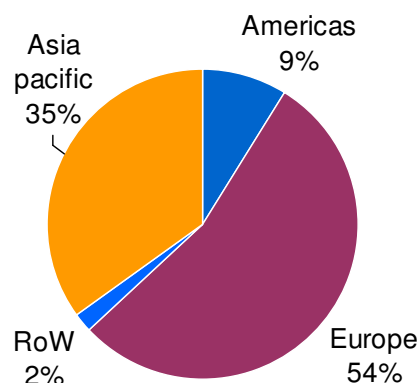
(€m)	2006	H1 2007	(€m)	2006	H1 2007
Revenue	3,389	2,090	Gross Profit	1,144	721
EBITDA	533	358	EBIT	462	319

## Diversified revenues

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

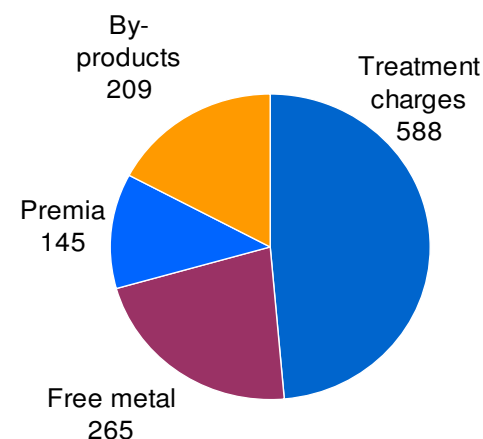


2006 modified pro-forma  
revenue by region = €3,389m



## 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

# Strong cash flow, balance sheet and financial policies

## Dividend

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

## Hedging

- Currently no structural metal and currency hedging
- Full coverage of transactional metal price exposure

## Pro forma balance sheet

(30 Jun 2007)

- Debt: €350m
- Total assets: € 2,446m
- Net assets: € 1,444m

## Pro forma cash flow

(30 Jun 2007)

- Cash: €100m
- Capex: €54m
- Working capital (decrease): €72m

## Pro forma provisions

(30 Jun 2007)

- Environmental: €129m
- Employee: €34m

## Tax

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

## Management long-term incentive plan (LTIP)

- Grant of share rights not share options
- First tranche of shares under Grant 1 to be allocated on 1 January 2008, this initial grant to be received in January 2011 at €20 IPO share price
- Total Shareholder Return and an appropriate Internal Financial Measure are the performance conditions attached to the LTIP

# Highly experienced board & management

## Board

### **Julien de Wilde**

Chairman

- Former CEO of Bekaert

### **Paul Fowler**

Executive Director

- Former COO of Zinifex

### **Peter Mansell**

Non-Executive Director

- Current Chairman of Zinifex

### **Karel Vinck**

Non-Executive Director

- Current Chairman of Umicore

### **Ray Stewart**

Non-Executive Director <sup>(a)</sup>

- Current CFO of Belgacom

### **Roland Junck**

Non-Executive Director <sup>(a)</sup>

- Former CEO of Arcelor Mittal

## Nyrstar management

### **Paul Fowler**

Chief Executive Officer

- Former COO of Zinifex
- Former CEO of Fletcher Challenge Forests
- Several senior management positions within BP

### **Heinz Eigner**

Chief Financial Officer

- Former VP Business Group Controller Zinc Specialities of Umicore
- Several senior management positions within Honeywell

### **Paul Bibby**

Chief Development Officer

- Former General Manager Technical Support of Zinifex
- Senior positions held at CRA, Rio Tinto, General Motors, Capral Aluminium and ION

### **Leo Jacobs**

Chief Operating Officer  
Western Hemisphere

- Former Managing Director of Umicore Zinc Alloys Belgium and France
- Several senior positions with Umicore in Belgium, South Korea, Thailand and France

### **Greg McMillan**

Chief Operating Officer  
Eastern Hemisphere

- Former General Manager of Zinifex's Century Mine and Hobart Smelter
- Several management positions with Delta Group, Boral and Brambles Ltd.

### **Erling Sorensen**

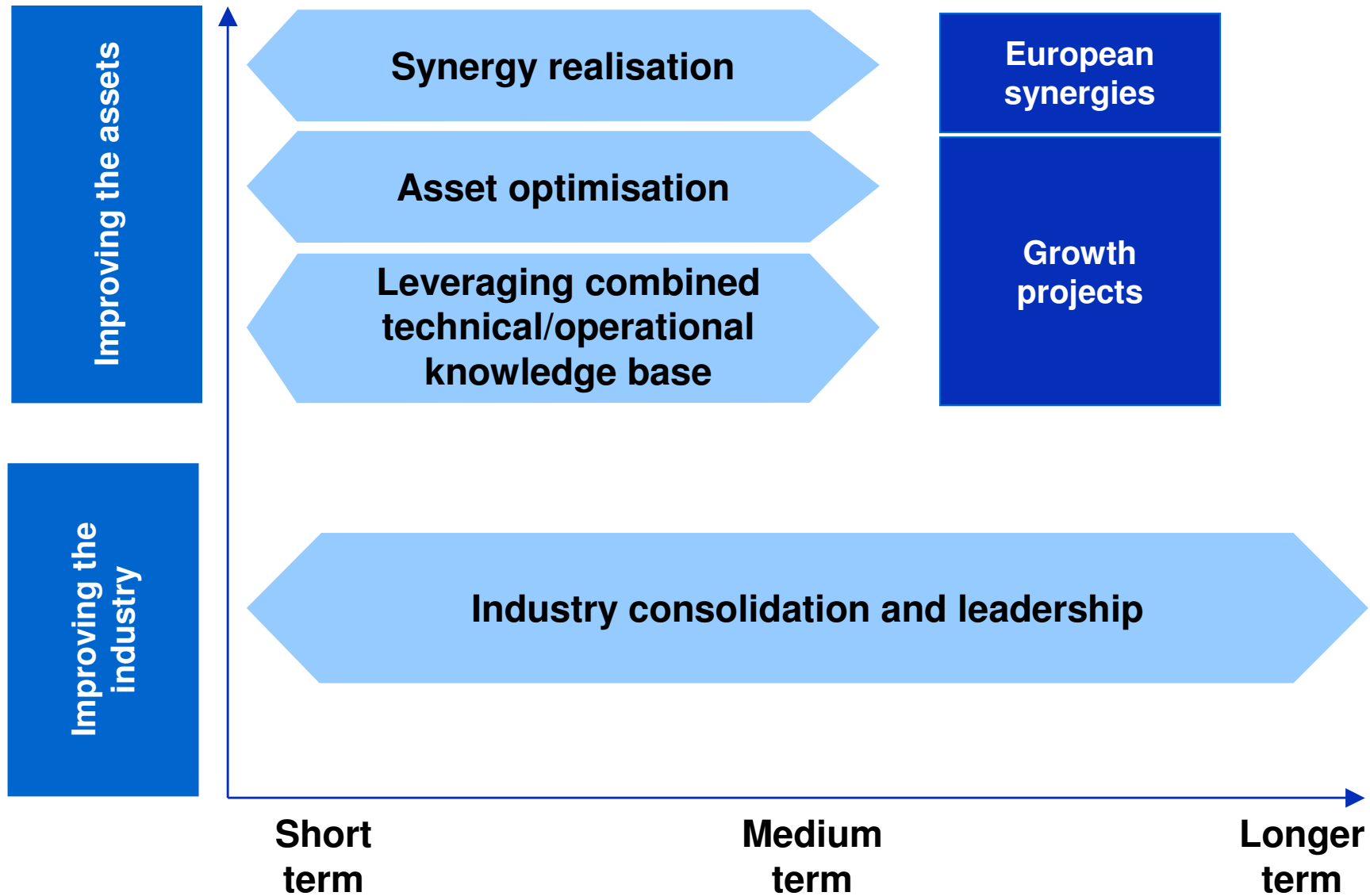
Chief Marketing Officer

- Former General Manager of Global Marketing and Sales at Zinifex
- Several management positions with Elkem, Setaf Asia, Clipper Maritime and Norclip Shipping

(a) Independent Non- Executive Director



# Our strategy



## **How to use excess debt capacity**

- factors driving the choice between acquisition, internal investment or return to shareholders

# Our business model enables us to choose equally between acquisition or internal investment

## 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

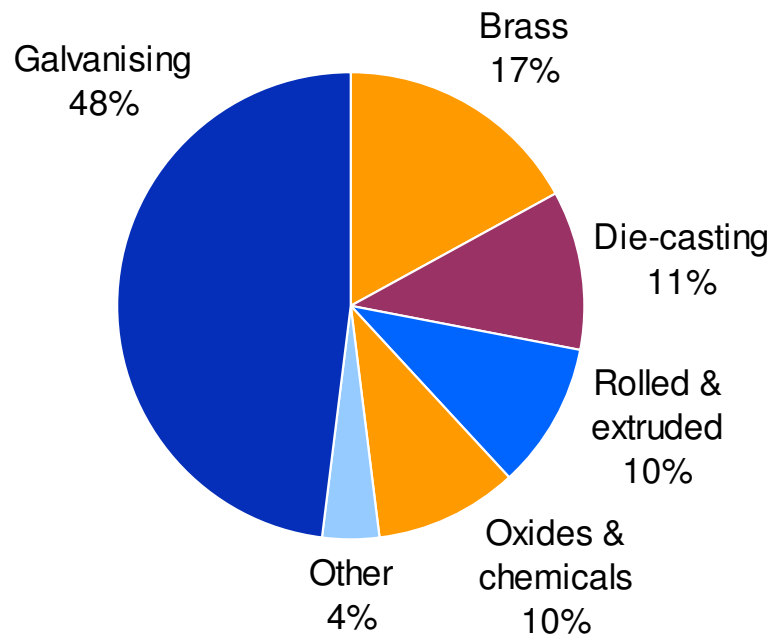


Strongly cash  
generative

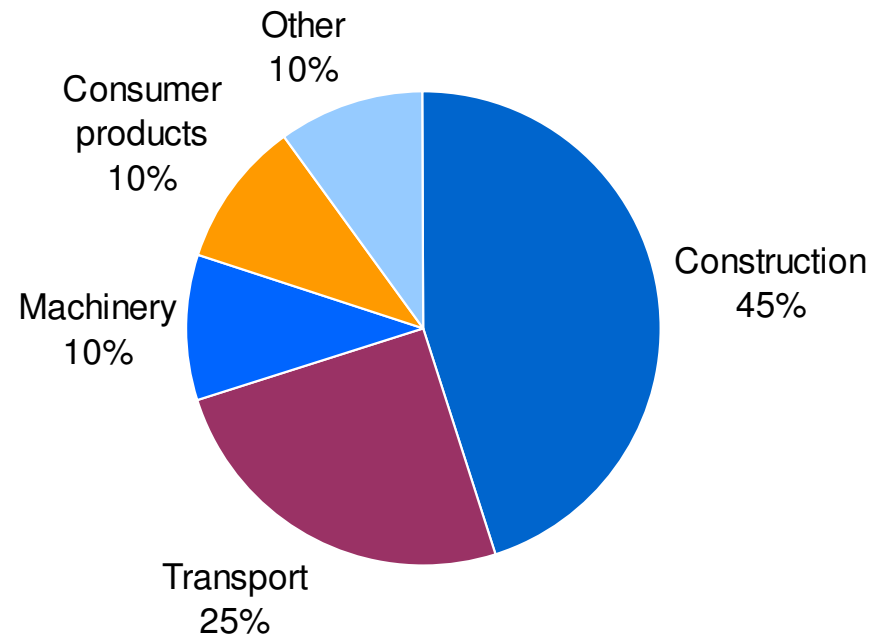
Significant  
organic and  
acquisition  
growth potential

# Zinc usage is driven by steel demand

**Zinc by first use**



**Zinc by end use**

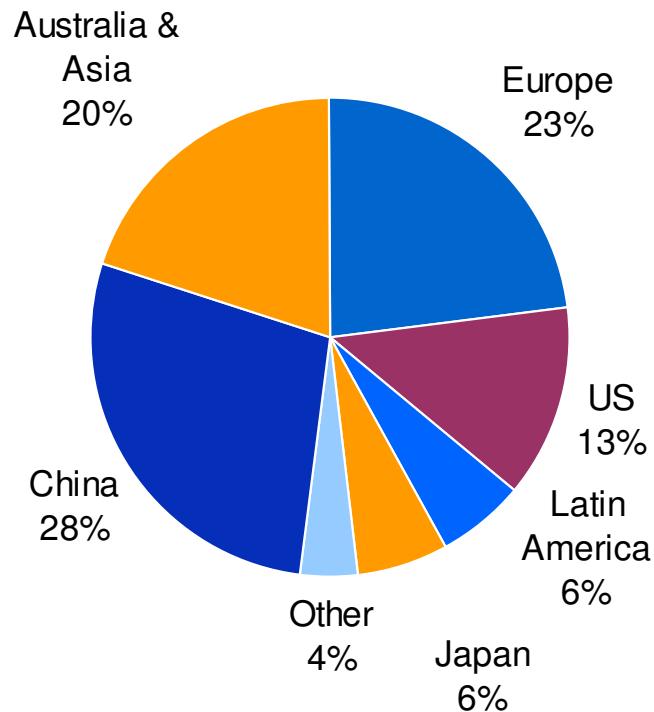


Source: Brook Hunt

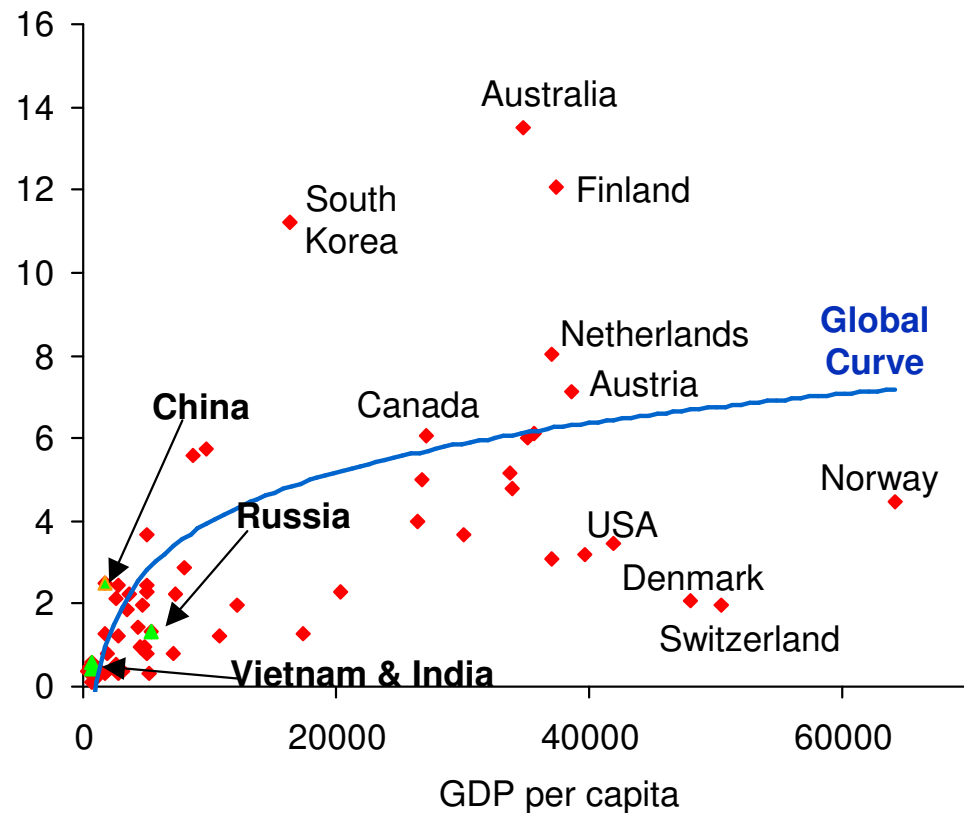
## 1 Strong zinc fundamentals

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

Global zinc consumption (2006)



Zinc consumption per capita (2006)



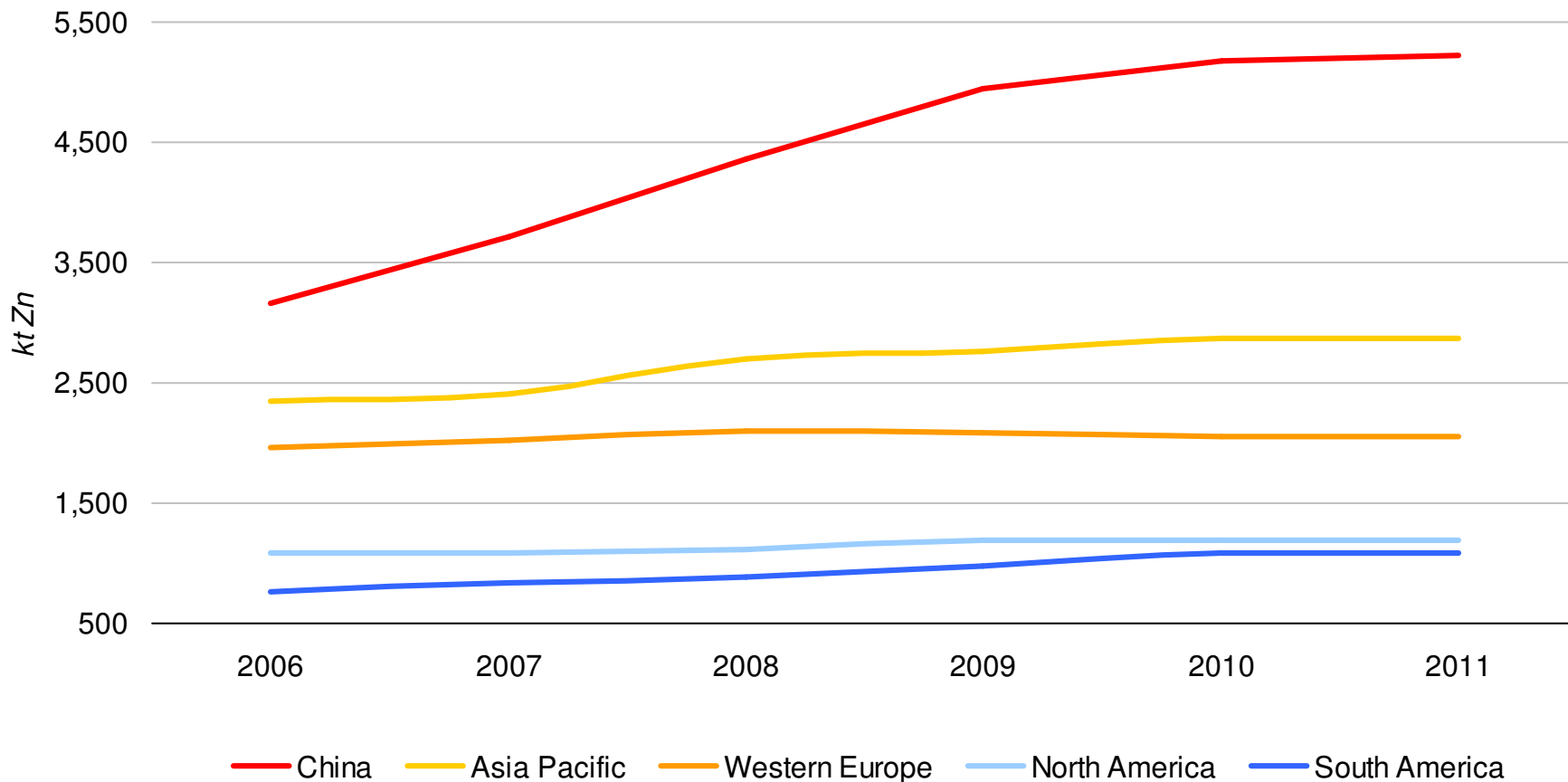
Source: Brook Hunt, broker analysis



## 1 Strong zinc fundamentals

# Zinc smelter production growth driven by China

### Forecast zinc smelter production

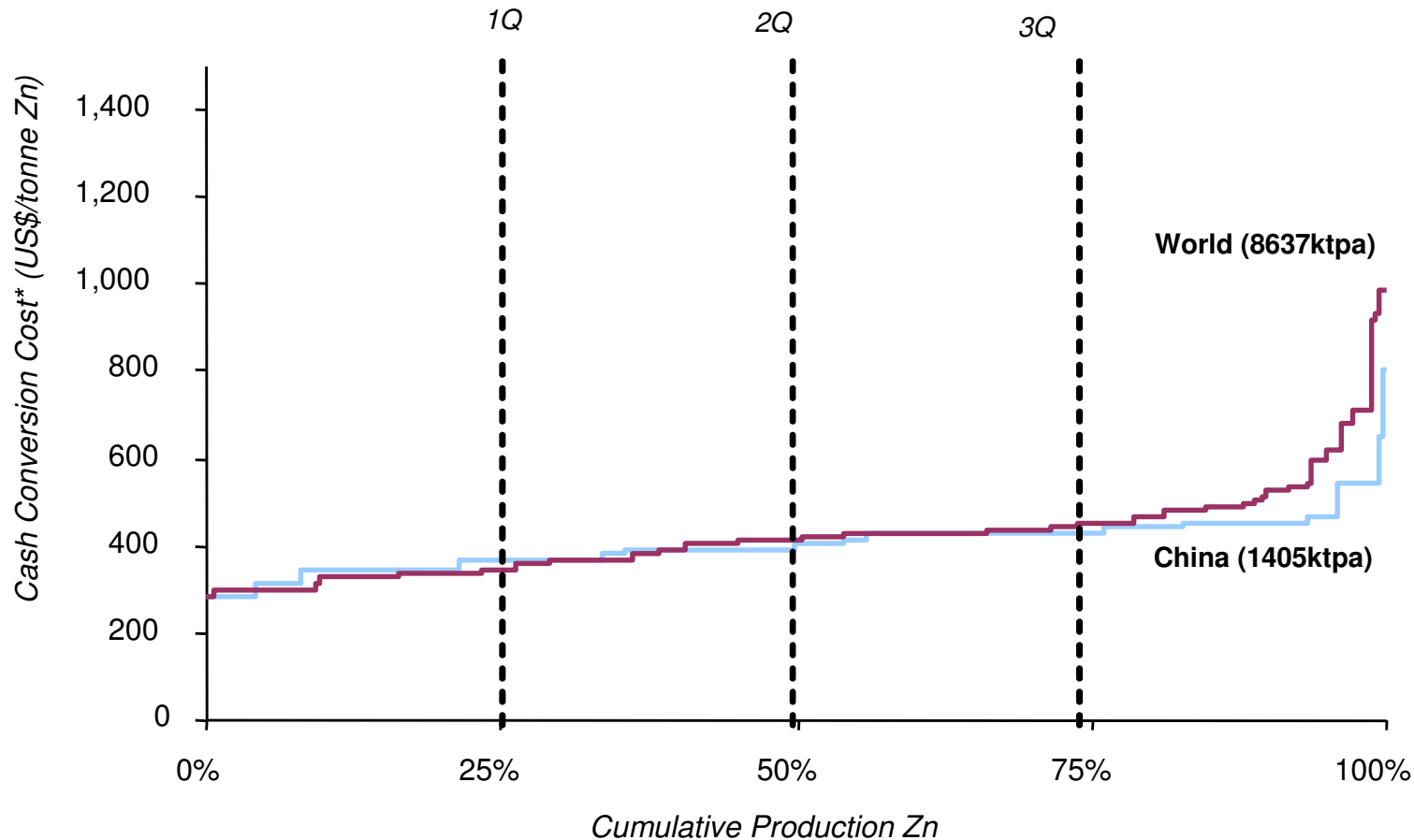


Source: Brook Hunt (October 2007)

## 1 Strong zinc fundamentals

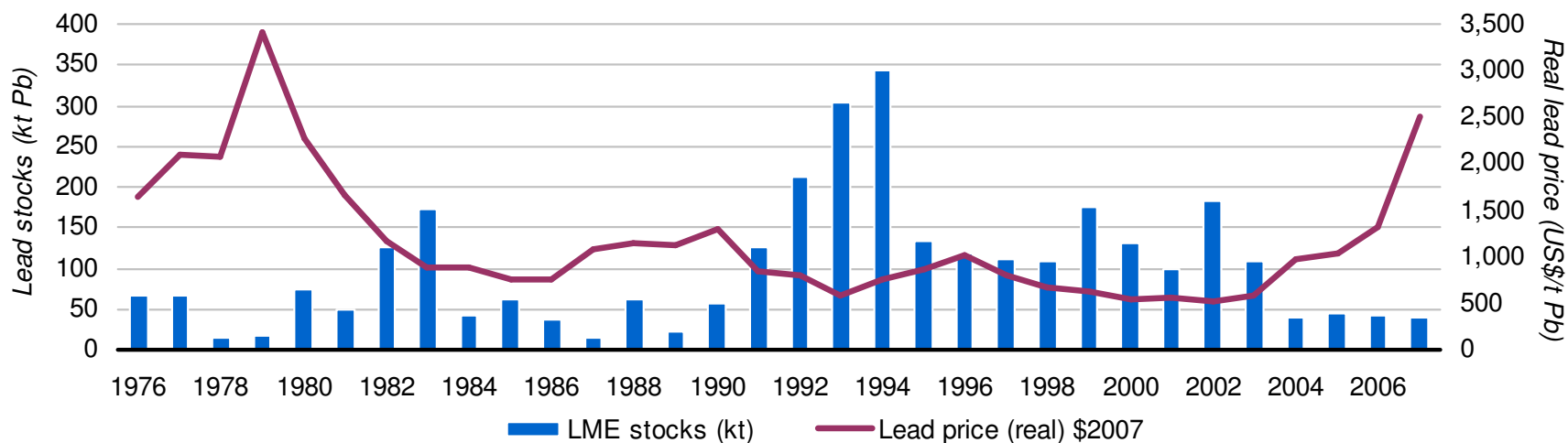
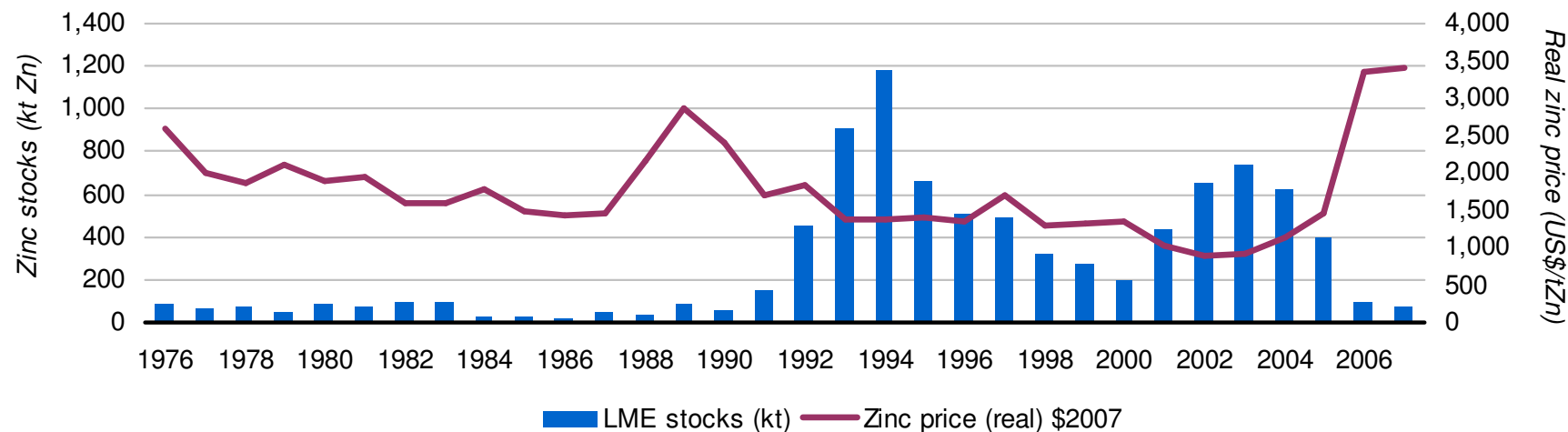
China's cost curve is no different to the rest of the world

### Primary zinc smelting cost curve



Note: \*Cash conversion cost includes labour, energy, maintenance materials, consumables and other on site costs  
Source: Brook Hunt (2005), Pacific Strategy Analysis

# Zinc and lead: low inventories, high metal prices

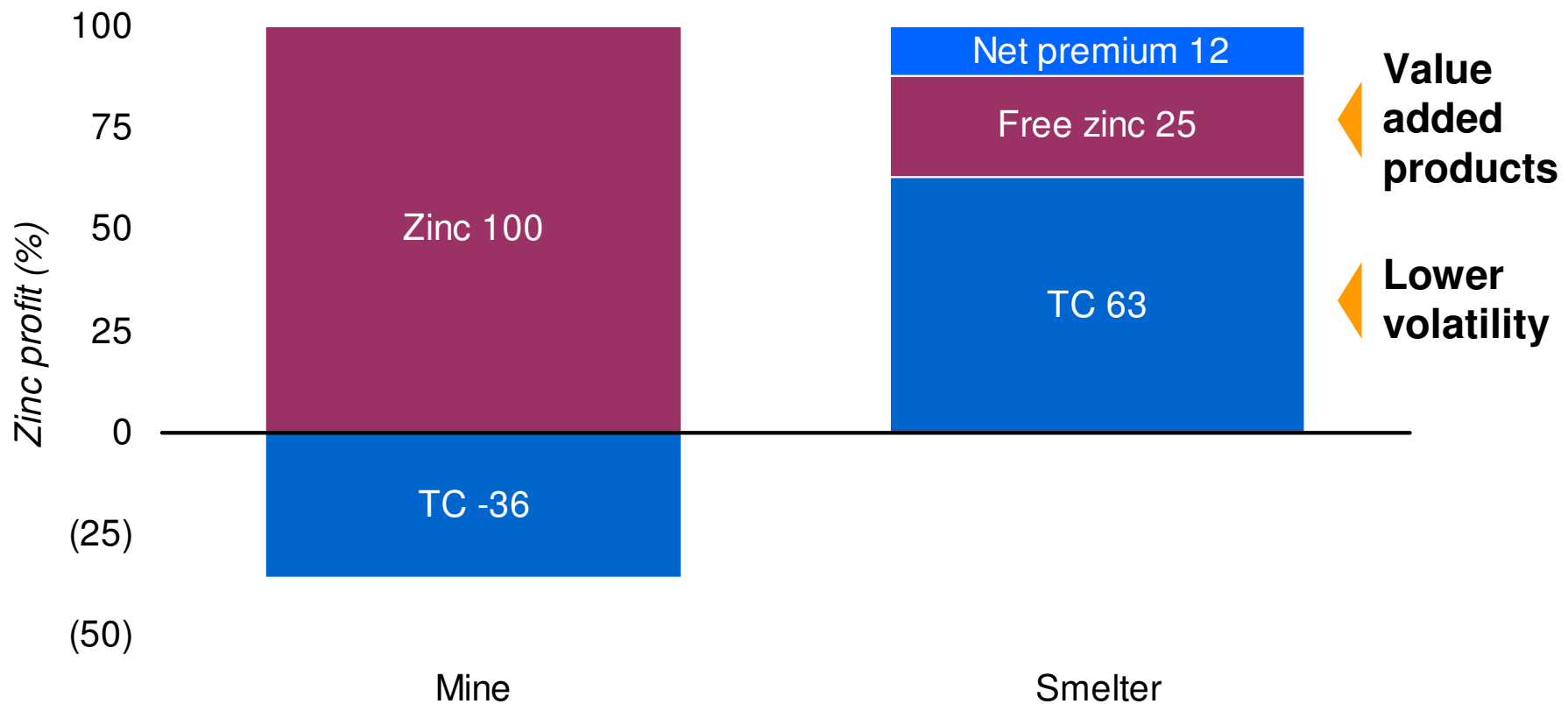


Note: All zinc and lead prices are annual average prices with 2007 average to 31 October

Source: Brook Hunt

# Mines vs smelters: two different business models

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

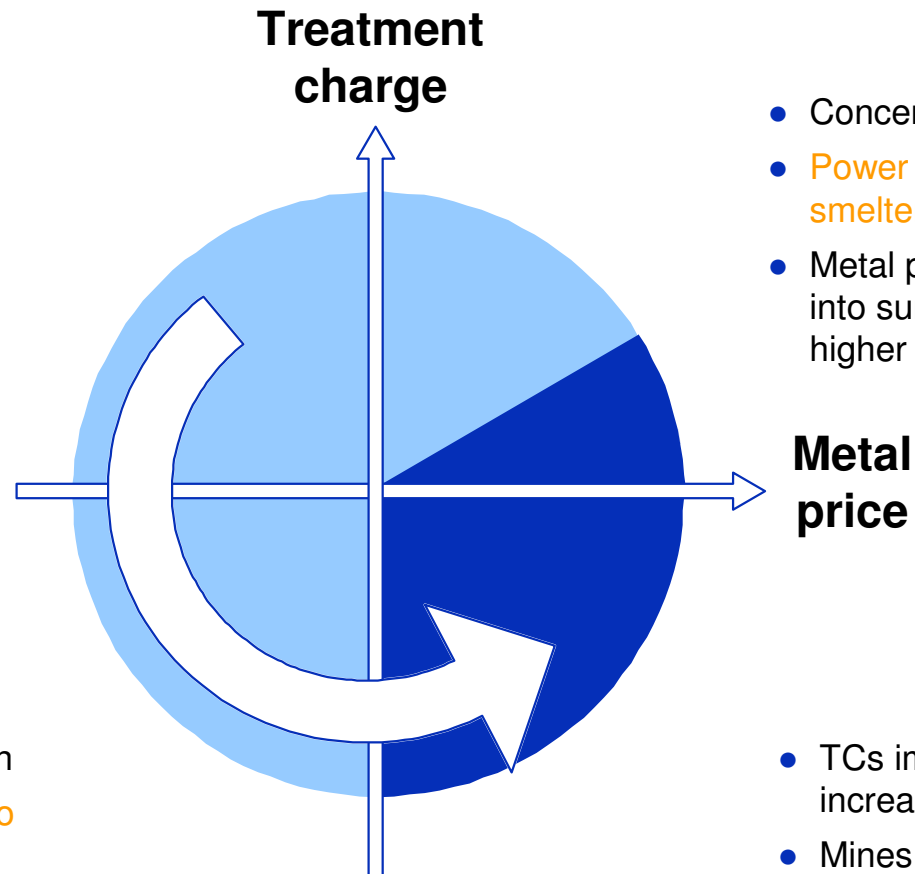


Note: Excludes by-products  
Average over last 30 years

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

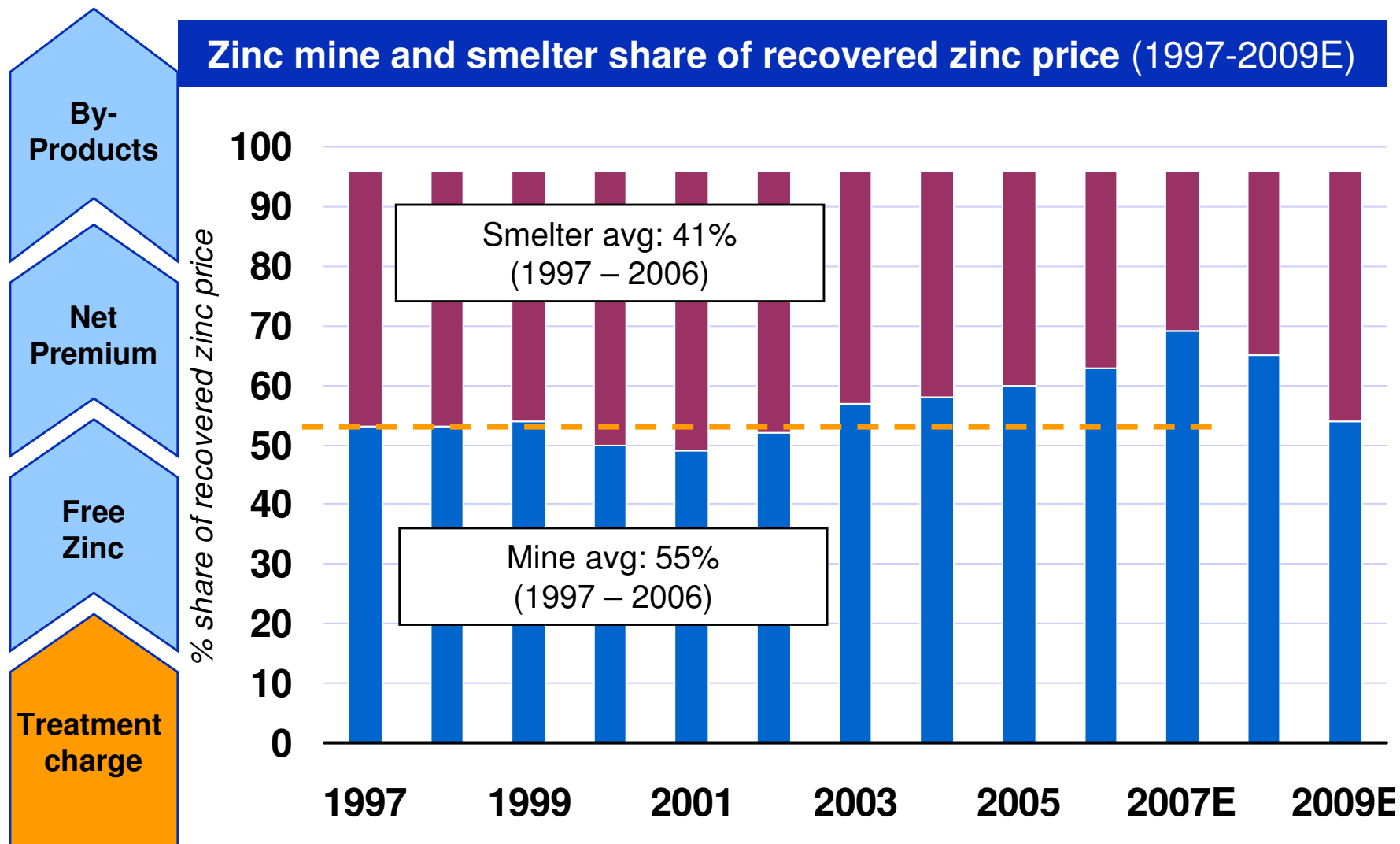
- Concentrate stock drawdown
- Power shifts from smelters to mines
- Metal stock drawdown

- TCs improve, prices increase
- Mines increase production

Source: Brook Hunt



TCs are reflective of the relative 'market power' between mines and smelters



Note: Based on recovered zinc (average of 96%)

Source: Brook Hunt

## Internal growth or consolidation?

Internal growth	Consolidation
Zinc smelting is extremely fragmented, each participant having grown their operations historically by.....	
<ul style="list-style-type: none"><li>• Incremental increases in capacity at both peaks and troughs to enhance unit cost</li><li>• Takers in TC price negotiations</li></ul>	<ul style="list-style-type: none"><li>• Price and production discipline at both peaks and troughs of the cycle</li><li>• Less cyclical in sales and profits</li></ul>
...with the result	
<ul style="list-style-type: none"><li>• Historically low returns</li><li>• Price and earnings volatility</li><li>• Weak balance sheet, poor outlook<ul style="list-style-type: none"><li>– no investment in new capacity</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Enhanced structure</li><li>• Better conduct</li><li>• Improved performance</li></ul>

# Benefits of consolidation

## Industry Consolidation – Theory and Market Perceptions

Illustrative

### Theory

“When the industry is highly concentrated ... the **leaders can impose discipline** as well as play a coordinative role in the industry ...”

Porter

### Research

“The Structure – Conduct – Performance (SCP) model, predicts that the **structure of the market** in which the firm operates will be the most important **determinant of its profits**”

“Firm’s profits are positively and significantly related to the structures of their markets ... A firm’s **market share** in contrast, is found to be **uncorrelated with its profitability**”

Slade

### Perception

“Concentration is a positive development ... concentration of production in the hands of fewer, more financially able companies should result in **greater price and production discipline**:

- More likely to **resist overexpansion** at the peak and trough of the cycle
- Should result in **less volatility** in sales and profits through the course of the business cycle”

Standard and Poor’s

### Why?

Structure

*Measured by consolidation  
(e.g. HHI, CR4)*

*Drives*

Conduct

*Through discipline*

- Volume allocation
- Capacity management
- Price efficiency

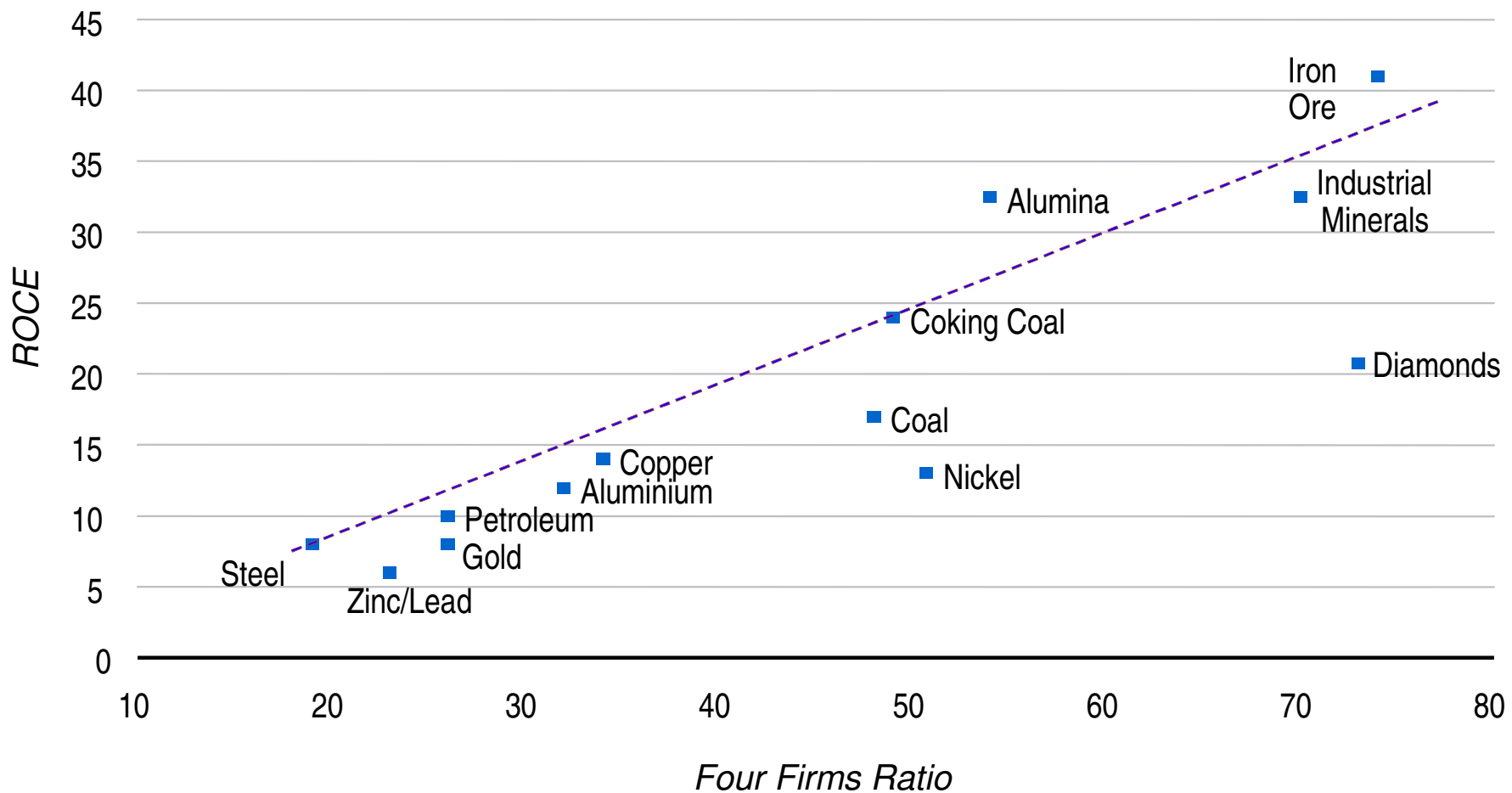
*Delivers*

Performance

*Measured by return (e.g. TSR, ROE)*

# 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



Q&A





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