

# Nexa Reports Second Quarter 2021 Results Including Adjusted EBITDA of US\$233 Million

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LUXEMBOURG, July 29, 2021 - [Nexa Resources S.A.](#) ("Nexa Resources" or "Nexa" or the "Company") (NYSE:NEXA)(TSX:NEXA) has published its 2Q21 Results.

CEO Message - Tito Martins

"We safely delivered another quarter of strong results and solid operational performance. In 2Q21, we achieved the highest quarterly Adjusted EBITDA in our history.

All protocols to mitigate the spread of COVID-19 in our operations, projects and host communities remain in place and we believe they have been effective. Mining and smelting operations are running at high utilization rates.

We are close to delivering our first greenfield project, which will be our sixth mine. Aripuanã is a long-life underground polymetallic mine, and we are on track to begin production in early 2022.

As the global economy continues to improve, we anticipate demand for our products will continue to recover. We will continue to invest and grow, with appropriate adjustments for both the opportunities and the challenges imposed by COVID-19, among other factors.

Considering favorable market conditions and solid financial performance, we are evaluating our capital allocation strategy and the jurisdictions where we are operating.

We have increased our CAPEX guidance for 2021 due to updated expenditures for the Aripuanã project, mainly driven by COVID-19 related costs and impacts, and for other growth projects, and also an estimated increase in sustaining investments.

With respect to our ESG initiatives, we are happy to say that we recently launched an exclusive lodge dedicated to women only, located in Cerro Lindo, Peru. It will provide well-being and comfort for our employees who work in shifts 14x7 days.

Our balance sheet remains strong, and we believe we are well positioned to continue to deliver sustainable results. We remain committed to building a path to grow steadily in zinc and copper, creating value for all our stakeholders by maximizing the returns of our operations and growth projects to build the mining of the future."

Highlights

Operational and Financial

- Consolidated net revenue reached US\$686 million in the second quarter compared with US\$337 million a year ago and US\$603 million in 1Q21, mainly driven by higher metal prices and volumes. In 1H21, net revenue was US\$1,289 million compared with US\$779 million in 1H20.
- Zinc production of 82kt in the quarter increased 31% and 5% compared to 2Q20 and 1Q21, respectively, primarily driven by higher production in Peruvian mines, which were impacted in 2Q20 by operating restrictions imposed by the Peruvian government due to COVID-19. Zinc production totaled 159kt in the first six months of 2021.

- In 2Q21, metal sales were 157kt, up 31% year-over-year and 6% from 1Q21, mainly driven by global demand recovery, and totaled 305kt for 1H21.
- Adjusted EBITDA was US\$233 million in 2Q21 compared with US\$40 million in 2Q20 and US\$180 million in 1Q21 with Adjusted EBITDA for the first six months ended June 30, 2021, totaling US\$413 million.
- Mining cash cost <sup>1</sup> in 2Q21 was US\$0.14/lb compared with US\$0.36/lb in 2Q20, mainly driven by higher by-products credits (volume and prices). Compared to 1Q21, mining cash cost decreased by 40%.
- Smelting cash cost <sup>1</sup> in 2Q21 was US\$1.08/lb compared with US\$0.70/lb in 2Q20, mainly explained by higher zinc prices. Compared to 1Q21, smelting cash cost increased by 9%.
- Incremental costs related to COVID-19 in 2Q21 amounted to US\$4.8 million and US\$9.0 million in 1H21, which were partially offset by other costs savings in the operations.
- Net income in 2Q21 totaled US\$122 million or US\$0.82 per share. In 1H21, net income was US\$154 million.
- Net debt to Adjusted EBITDA ratio for the last twelve months maintained its downward trend and stood at 1.19x, due to higher adjusted EBITDA reflecting the improvement in the results of our operations.
- Liquidity remains strong. Total cash <sup>2</sup> amounted to US\$1,076 million at June 30, 2021 and our current available liquidity is US\$1,376 million, including the revolving credit facility.

#### Operational efficiency program | Nexa Way

- Nexa Way program was initiated in mid-2019, aiming to structurally improve our business model and change our organizational culture. In that same period, we implemented initiatives that we expected to generate at least US\$120 million in annualized EBITDA by the end of 2021. At the end of 2Q21, these initiatives generated an estimated annualized impact to EBITDA of US\$110 million.
- As previously disclosed, new opportunities emerged in 2020 and continue to emerge in 2021. New initiatives were implemented in 2H20 and 1H21 with some non-recurring additional costs, temporarily increasing our sales, general and administrative expenses ("SG&A"). In 2Q21, new initiatives were implemented at a cost included in our SG&A of US\$0.5 million. These new initiatives are estimated to generate an additional annualized positive impact to EBITDA of US\$60 million and at the end of 2Q21, the estimated annualized impact to EBITDA was US\$57 million.
- Our ability to achieve our Nexa Way targets through 2021 depends on future metal prices, production and demand recovery, among other factors.

#### Guidance

- Production, sales and cash cost guidance remain unchanged.
- 2021 CAPEX guidance has been revised to US\$510 million versus US\$450 million due to the updated expenditures for the expansion projects, including Aripuanã.
- Guidance is subject to the continuous evaluation of several factors, including the impact of COVID-19 on our operations, supply chain and demand for our products.
- Refer to our "Nexa | Outlook" section for further details.

#### Projects

##### Aripuanã

- The project's physical progress reached 88.7% at the end of June 2021. We are on track to conclude mechanical completion in 4Q21 and to start production in early 2022.
- As a result of COVID-19 related-measures, inflation and our commitment to the project timeline, total CAPEX is estimated to increase to US\$575-595 million compared to the previous estimate of US\$547 million released in October 2020.
- In 2Q21, we expended US\$59 million, totaling US\$99 million in 1H21 with cumulative CAPEX of US\$407 million since the beginning of the construction.
- We continue with mine development activities in both the Arex and Link mines. In June, we achieved 100% of the vertical development project scope, almost one month ahead of the timeline presented in October 2020. We have 340 employees working on mine development at Aripuanã.
- The qualification program for future mining operators has continued to progress. In July, we are completing the training of 56 students in our third training class. Of the total number of participants, 44% are women and we expect to have at least 50% women in our future workforce.
- Refer to our "Aripuanã project" section for further details.

#### Potential growth projects

- Magistral FEL 3 studies continue to progress and further detail engineering for project access also has advanced. External analyses to mitigate the project execution risks are underway, before moving forward with the project's approval by our Board.
- At Hilarión, the exploratory drilling program is continuing and has confirmed two potential new orebodies at Hilarión Sur target, the southern extension of the Hilarion deposit.
- Bonsucesso engineering studies (FEL3) continue to progress. We continued brownfield drilling in the central zone, and we have confirmed that the Bonsucesso mineralized zone extends at depth along a parallel southwestern trend.

## ESG and Corporate

- Nexa signed the letter of adhesion and the 10 commitments of the LGBTI+ Business and Rights Forum, an institution that brings together companies committed to the inclusion and defense of the LGBTQIA+ community and human rights. Joining the Forum reinforces the importance of the plurality program within the Company and in the mining sector.
- We are supporting our host communities to combat COVID-19. We donated oxygen plants in Chinca and Pasco, in Peru, and hospital equipment and food baskets to communities in social vulnerability in Brazil.
- Nexa and Artemis, a social enterprise founded on a collective of female entrepreneurs focused on disruptive change in global economic, environmental, and social development in mining, have partnered so Artemis companies can provide solutions to Nexa challenges through our innovation program Mining Lab. This initiative seeks to transition from ESG compliance to using ESG as an imperative for genuine change and improved business performance.
- In Aripuanã, we are supporting the City Hall in the improvement of structural issues, such as the renovation and improvements of the city's water treatment station and the expansion of the aerodrome.
- We are also acting to reduce our GHG emissions contributing to a low-carbon economy. We remain committed to diminish our waste volumes and transforming them into secondary products, reducing the usage of our tailing dams.
- Ian Wilton Pearce, a member of our Board of Directors who served on the sustainability and capital projects committee, resigned from Nexa's board, effective July 29, 2021. Jaime Ardila, Chair of Nexa, commented, "On behalf of everyone at Nexa, we would like to thank Ian for his contributions to our growth strategy and success as a company. Mr. Ian Pearce has been a valued director since 2019 and the Company wishes him success in his future endeavors."

For a full version of this document, please go to our Investor Relations webpage at:  
<http://ir.nexaresources.com>

## About Nexa Resources

Nexa is a large-scale, low-cost integrated zinc producer with over 60 years of experience developing and operating mining and smelting assets in Latin America. Nexa currently owns and operates five long-life underground mines - three located in the Central Andes of Peru and two located in the state of Minas Gerais in Brazil - and is developing the Aripuanã Project as its sixth underground mine in Mato Grosso, Brazil. Nexa was among the top five producers of mined zinc globally in 2020 and also one of the top five metallic zinc producers worldwide in 2020, according to Wood Mackenzie.

## Contacts

Nexa Resources - Investor Relations  
Roberta Varella  
[ir@nexaresources.com](mailto:ir@nexaresources.com)

<sup>1</sup> Our cash cost net of by-products credits is measured with respect to zinc sold.

<sup>2</sup> Cash and cash equivalents and financial investments

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