

Nexa Reports First Quarter 2022 Results including Adjusted EBITDA of US\$208 Million

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LUXEMBOURG, April 28, 2022 - [Nexa Resources S.A.](#) ("Nexa Resources", "Nexa", or "Company") announces today its results for the three months ended March 31, 2022.

CEO Message - Ignacio Rosado

"We have delivered another strong result, overcoming operational challenges such as the emergence of Omicron variant and the flooding in Vazante. We believe that our financial discipline combined with our focus on operational efficiency along with constantly improving execution, will support our annual guidance and create sustainable value, allowing us to grow stronger as a socially responsible Company and an attractive investment option for the market.

Looking ahead, overall sentiment remains optimistic, and the fundamental outlook for base metals remains positive, supporting solid demand for our products. Nonetheless, we continue to closely monitor risks associated with the potential of new COVID-19 variants, the Russia-Ukraine war, and supply chain disruptions amid inflationary pressures.

The Aripuanã project is on track and commercial production is expected to begin in 3Q22, while exploration activities continue to progress with prospects of adding new resources during this year.

Unfortunately, this week we had a fatal accident with two of our contractors in El Porvenir. We would like to express our condolences to the families. A full investigation is in process. The safety of our employees remains our top priority and we continue to work in procedures to eliminate accident risks."

Summary of Financial Performance

US\$ million (except per share amounts)	1Q22	1Q21
Net revenues	722	603
Gross profit	197	174
EBITDA ⁽¹⁾	189	180
Net income (loss)	17	32
Basic and diluted earnings per share ("EPS")	0.17	0.18

Adjusted EBITDA EBITDA	180
(1)	
Adjusted net income	32
(loss)	
(1)	
Adjusted basic and diluted EPS	0.62 0.17
(1)	
Cash provided by operating activities before working capital	227 139
(1)	
(2)	
CAPEX	84
Free cash flows	(80)
(1)	
Total cash	1,034
(3)	
Net debt	933
(1)	

(1) Refer to "Use of Non-IFRS Financial Measures" for further information. Adjusted EBITDA, adjusted net income (loss) and adjusted EPS exclude the non-cash impact related to the offtake agreement. Please refer to the adjusted EBITDA reconciliation and "Offtake agreement" on pages 12 and 37 of this earnings release. For details on segment definition and accounting policy, please refer to explanatory note 2 - "Information by business segment" in the Condensed Consolidated Financial Statements ended on March 31, 2022.

(2) Working capital in 1Q22 had a negative impact of US\$156 million, while working capital in 1Q21 had a positive variation of US\$13 million.

(3) Cash, cash equivalents and financial investments.

Executive Summary

Operational Performance

- The mining segment performed well during the quarter with production generally in line with expectations. Zinc production decreased to 66kt in 1Q22 compared to 77kt in 1Q21 and 81kt in 4Q21 due to lower grades and Vazante temporary capacity reduction from mid-January 2022 until the end of March. Vazante resumed full production in early April. Furthermore, treated ore volume in Cerro Lindo decreased 11% from 4Q21 due to reduced workforce in January, in response to Omicron, and higher volcanic materials, which affected our productivity.
- Run of mine mining cost in 1Q22 was US\$45/t compared to US\$39/t in 1Q21 and US\$44/t in 4Q21.

- Mining cash cost net of by-products ^[1] in 1Q22 was US\$0.19/lb compared with US\$0.24/lb in 1Q21. Lower volumes and higher operational costs, resulting from inflationary pressures, were offset by lower TCs and higher by-products credits. Compared to 4Q21, mining cash cost decreased by 23%, positively affected by higher by-products prices.
- The smelting segment also performed as planned and metal production was 135kt, down 12% from 1Q21, mainly driven by the temporary decrease in supply from Vazante and the reduction of calcine availability, as previously disclosed. Compared to 4Q21, production also decreased by 12%.
- In 1Q22, metal sales were 134kt, down 9% and 15% compared to 1Q21 and 4Q21, respectively, following lower production volume.
- In 1Q22, smelting conversion cost was US\$0.25/lb compared with US\$0.18/lb in 1Q21 and US\$0.23/lb in 4Q21, due to inflationary cost pressures including energy and other variable costs. Costs were also affected by the Brazilian real appreciation against the U.S. dollar.
- Smelting cash cost ^[1] in 1Q22 was US\$1.26/lb compared with US\$0.99/lb in 1Q21, mainly explained by higher zinc prices. LME zinc price averaged US\$3,754/t in 1Q22, up 37% from 1Q21. Compared to 4Q21, smelting cash cost decreased by 2.2%, mainly due to higher by-products contribution.

Mining production (metals in concentrate)	1Q22	4Q21	3Q21	2Q21	1Q21	2021
Zinc	66.3	81.1	79.9	81.6	77.4	319.9
Copper	6.9	7.0	7.8	6.9	7.9	29.6
Lead	12.4	12.7	10.8	11.7	10.4	45.6
Silver	2.3	2.3	2.2	2.2	2.1	8.8
Gold	8.4	8.2	6.4	6.1	4.8	25.5

Smelting sales	1Q22	4Q21	3Q21	2Q21	1Q21	2021
Metal	14.3	158.4	155.5	156.6	148.4	618.8
Zinc metal	24.0	148.1	144.6	146.7	138.5	577.9
Zinc oxide	10.4	10.3	10.9	9.9	9.8	40.9

[1] Our cash cost net of by-products credits is measured with respect to zinc sold.

Corporate Highlights

- Nexa declared in February and paid in March a distribution to Nexa's shareholders of US\$50 million, US\$44 million as dividend and US\$6 million as share premium, or approximately US\$0.331275 per common share and US\$0.046258 per common share, respectively.
- Nexa is the first international-based sponsor partner of Artemis Project (based in Canada), which a year ago expanded its operations to Brazil. Artemis Project is a social enterprise founded by a collective of female entrepreneurs focused on disruptive changes in global economic, environmental, and social development in mining. Nexa will collaborate with companies associated with Artemis, aiming for access to innovative and sustainable solutions to increase diversity in its supply chain.
- Nexa and USP ("University of São Paulo") signed a partnership to improve risk management and enhance our existing operational safety program, which seeks to reduce the frequency and severity of accidents and illnesses and increase awareness of and practices to promote health and well-being.
- Nexa will release its 2021 Annual Sustainability Report in May, 2022, according to the Integrated Reporting Council (IIRC) standard and to the Global Reporting Initiative (GRI) standard, and for some metrics also according to the Sustainability Accounting Standards Board (SASB). The report provides detailed and transparent information on the main economic, financial, environmental, and social results achieved throughout 2021.
- Nexa provided training and published its Code of Conduct for Suppliers in the quarter. The purpose of this document is to establish the rules that are to guide our suppliers' ethical and socio-environmental behavior, which are directly related to our Code of Conduct and reflect a responsible and transparent performance.

- In April 2022, Moody's affirmed its "Ba2" rating and "stable" outlook for Nexa, reflecting the expectation that Nexa will maintain its competitive cost position and continue to invest to increase its mine-smelting integration. At the same time, Moody's expects Nexa to maintain adequate liquidity and leverage within the target set by its financial policies while carrying out its expansion projects.

Financial Performance

- Net revenues in 1Q22 were US\$722 million compared with US\$603 million in 1Q21 due to higher metal prices.
- In January, 2022 Nexa signed an agreement to replace an existing obligation of royalty payments from Aripuanã with a 5-year copper supply contract, limited to 31kt. 100% of the copper concentrate produced by Aripuanã will be sold at the lower of current market prices or a price cap. The accounting for the financial instrument related to this agreement resulted in the recording of a non-cash expense of US\$19 million in the quarter.
- Excluding this non-cash impact, adjusted EBITDA in 1Q22 was a record for a first quarter of US\$208 million, compared with US\$180 million in 1Q21 and US\$136 million in 4Q21. Higher prices and cost reduction initiatives were able to partially offset inflationary cost pressures and the Brazilian real appreciation.
- Adjusted EBITDA for the mining segment in 1Q22 was US\$127 million, up 31% and 16% from 1Q21 and 4Q21, respectively.
- Adjusted EBITDA for the smelting segment in 1Q22 reached US\$82 million compared with US\$84 million in 1Q21 and US\$27 million in 4Q21.
- In 1Q22, adjusted net income was US\$94 million. Adjusted net income attributable to Nexa's shareholders was US\$82 million resulting in an adjusted earnings per share of US\$0.62.

Financial Position and Financing

- Total cash ^[2] decreased to US\$599 million at March 31, 2022, due to the early redemption of all outstanding 4.625% Notes 2023 and the continued investment over the quarter in excess of operating cash flows. Our current available liquidity remains strong at US\$899 million, including the revolving credit facility.
- In March 2022, Nexa entered into a 5-year export credit note agreement in the principal amount of US\$90 million.
- Cash flows from operating activities excluding working capital changes amounted to US\$227 million. Interest and income tax payments amounted to US\$93 million, while we invested US\$46 million in sustaining (including HSE) CAPEX. As a result, our net cash flow from operations excluding working capital changes net of our interest and income tax payments and sustaining CAPEX was positive in US\$88 million.
- This cash was primarily used to invest in Aripuanã and pay shareholders' dividend and share premium. Regarding financing activities, we had a negative net effect of US\$43 million due to the early redemption of our Notes 2023, partially offset by the new export credit note. Foreign exchange effect on cash and cash equivalents had a positive effect of US\$31 million.
- Working capital changes were a negative of US\$156 million in first quarter. This performance is mainly explained by higher LME prices on inventories and receivables, and lower outstanding amounts of trade payables.
- Consequently, free cash flow in 1Q22 was negative in US\$168 million. Refer to our "Net cash flows from operating activities excluding working capital changes and free cash flow - Reconciliation" section for further details.
- Net debt to Adjusted EBITDA ratio for the last twelve months increased to 1.53x compared with 1.37x at the end of December and decreased compared with 1.73x a year ago.

(2) Cash and cash equivalents and financial investments

Growth Strategy

- In the short term, we are working to improve our operational performance while capitalizing on high base metal prices and generating cash in our mines and smelters and expand our current resources through infill and exploratory drilling in all our mines.
- We continue to evaluate our capital allocation strategy and the jurisdictions where we are operating.
- In the medium-term, our aspiration is to increase copper production to 100kt per year.

Aripuanã

- The project mechanical completion is concluded, and the beneficiation plant commissioning is more than 75% complete.
- We continue with mine development activities in both the Arex and Link mines. Approximately, 630kt of ore has been stockpiled, accounting for 3.3 months of production.
- Commercial production is expected to begin in 3Q22.
- In 1Q22, we invested US\$27 million, for cumulative CAPEX of US\$593 million since the beginning of construction.
- Refer to our "Aripuanã project" section for further details.

Outlook

Production and Sales Guidance

- Guidance for 2022 is outlined below and remains unchanged. As of the date of this report, Nexa has not experienced significant disruptions to production, sales, or its supply chain due to COVID-19, the Russia-Ukraine war or inflation.
- In 2022, we expect an additional 7% of cost into our operating costs related to workforce, energy, material and supplies due to inflationary cost pressure.
- Our guidance assumes that we will continue to overcome the scenario of restricted protocols to access our mines and potentially more limited workforce and logistics due to COVID-19 and ongoing pressure in our supply chain. However, guidance is subject to change given a higher-than-normal degree of uncertainty due to the duration of COVID-19 and the Russia-Ukraine war, and their impact on the global economy. We continue to monitor developments related to the COVID-19 pandemic, the Russia-Ukraine war, the inflationary pressure on costs, the appreciation of the Brazilian real, and demand for our products.

Mining
production
(metal
in
concentrate)

	1Q22	2022	
Zinc	287	-	318
Cerro Lindo	81	-	86
El Porvenir	49	-	53
Atacocha	8.5	-	9.4
Vazante	118	-	127
Morro Agudo	16	-	19
Aripuanã	14	-	23
Copper	28	-	35
Cerro Lindo	26	-	33
El Porvenir	0.3	-	0.3
Aripuanã	1.6	-	2.3
Lead	46	-	55
Cerro Lindo	11	-	12
El Porvenir	15	-	18
Atacocha	10	-	11

Vadante	1.0	-	1.2
Morro Agudo	4.3	-	4.8
Aripuanã	5.0	-	7.7
Sum	8.6	-	10
Cerro Lindo	3.9	-	4.1
El Porvenir	3.1	-	3.6
Atacocha	1.0	-	1.1
Vadante	0.3	-	0.4
Aripuanã	0.3	-	0.5

	Cost ROM	Cash cost ⁽¹⁾ net of by-product (US\$/lb)		
Opening 1Q22	1Q22	2022	e	
costs (US\$/t)	(US\$/lb)			
Mina	0.02	0.19	0.23	
Cerro Lindo	0.02	(0.34)	(0.41))
El Porvenir	0.03	0.37	0.43	
Atacocha	0.02	(0.30)	(0.03))
Vadante	0.02	0.46	0.51	
Morro Agudo	0.02	0.93	0.86	

(1) 2022 C1 Weighted Cash cost net of by-products credits is measured with respect to zinc sold per mine.

	Conversion cost	Cash cost ⁽²⁾ net of by-product (US\$/lb)		
Opening 1Q22	1Q22	2022	e	
costs (US\$/t)	(US\$/lb)			
Sr	0.25	1.26	1.15	
Ca	0.27	1.12	1.07	
Três Marias	0.16	1.47	1.22	
Juiz de Fora	0.36	1.35	1.29	

(2) 2022 C1 Weighted Cash cost net of by-products credits is measured with respect to zinc sold per smelter.

Capital Expenditures ("CAPEX") Guidance

- Nexa made investments of US\$83 million in 1Q22. Of this amount, 35% was allocated to expansion projects, mainly driven by Aripuanã. The Brazilian real appreciation against the U.S. dollar had a negative impact of US\$4.7 million in the quarter.
- We expect the disbursement of investments to accelerate in the upcoming quarters and 2022 CAPEX guidance remains unchanged at US\$385 million.

CAPEX (US\$ million)	
1Q22	2022 e
Expansion projects	75
Araruama	59
Others (1)	16
Net Expansion	16
Sustaining (2)	256
HSE	36
Others (3)	18
Reconciliation to Financial - Statements (4)	
TOTAL	385

(1) Including Vazante LOM extension, Magistral FEL3 and Bonsucesso FEL3 studies completion.

(2) Investments in tailing dams are included in sustaining expenses.

(3) Modernization, IT and others.

(4) The amounts are mainly related to capitalization of interest net of advanced payments for imported materials.

Exploration & Project Evaluation and Other Expenses Guidance

- Total planned exploration and project evaluation expenditures are expected to be US\$82 million in 2022 and remain unchanged.
- As part of our long-term strategy, we will maintain our efforts to replace and increase mineral reserves and resources. We expect in the future to continue advancing our exploration activities, primarily focusing on identifying new ore bodies and upgrading resources classification through infill drilling campaigns.

Other Operating Expenses (US\$ million)	
1Q22	2022 e
Exploration	64
Mineral Exploration	43
Mineral rights	8
Sustaining (mine development)	13
Project Evaluation	18

Exploration
& 16 82
Project
Evaluation

Other 18
Technology
Communities

For a full version of this document, please go to our Investor Relations webpage at:

<http://ir.nexaresources.com>

About Nexa

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 also currently owns and operates three smelters, two located in Brazil and one in Peru, Cajamarquilla, which is the largest smelter in the Americas. Nexa was among the top five producers of mined zinc globally in 2021 and also one of the top five metallic zinc producers worldwide in 2021, according to Wood Mackenzie.

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