

Nexa Reports Second Quarter 2022 Results Including Adjusted EBITDA of US\$286 Million

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LUXEMBOURG, July 28, 2022 - [Nexa Resources S.A.](#) ("Nexa Resources", "Nexa", or "Company") announces today its results for the three and six months ended June 30, 2022.

CEO Message - Ignacio Rosado

"We delivered strong results across the Company and recorded the highest quarterly Adjusted EBITDA in our history. We would like to thank our teams for the hard work in safely improving our performance and mitigating inflationary cost pressure and supply chain constraints. We are fine-tuning our operating strategy to improve our value propositions to remain competitive through the commodities' cycle.

We have seen increased volatility in the capital markets, as well as growing concerns about a global recession, which has put downward pressure on commodity prices. In the short- to mid-term, we expect this scenario will persist, as well as the risks associated with the Russia-Ukraine war, supply chain disruptions, and potential new waves and/or variants of COVID. At Nexa, we will continue to focus on the well-being of our employees and host communities, cost controls, efficiency, and cash flow generation, while delivering sustainable results.

During my first six months as CEO and amid the many challenges, I have been most impressed by the willingness of our people to continually embrace change. In this context, we are revisiting both our growth strategy and our organizational structure to prepare Nexa for a changing world, focusing on a collaborative culture to continue building shared value for our stakeholders. We are also working in our ESG strategy to reflect our public commitment to sustainability and long-term value creation.

Finally, we are pleased to report that Aripuanã is ramping up as expected, and we have already produced our first copper concentrate batch. Initial results from exploration activities also indicate that we should be able to add new resources during the year."

Summary of Financial Performance

US\$ million (except per share amounts)	2Q22	2Q21	1H22	1H21
Net revenues	829	686	1,552	1,289
Gross profit	273	217	470	391
Net income	124	122	198	154
EBITDA ⁽¹⁾	314	233	503	413

Basic and diluted earnings per share ("EPS")	0.82	1.30	1.00
Adjusted net income (1)	95	122	189
Adjusted EBITDA (1)	233	494	413
Adjusted basic and diluted earnings per share EPS	0.61	0.82	1.23
Cash provided by operating activities before working capital (1) (2)	241	271	468
Capex	116	180	200
Free cash flows (1)	40	(139)	(40)
Total cash (3)	1,076	633	1,076
Net debt (1)	1,045	867	1,045

(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 15 and 38 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 June 30, 2022.

(2) Working capital in 2Q22 had a negative impact of US\$23 million, totaling a negative variation of US\$179 million in 1H22. Working capital in 2Q21 had a negative impact of US\$35 million, totaling a negative variation of US\$22 million in 1H21.

(3) Cash, cash equivalents and financial investments.

Executive Summary

Operational Performance

- Zinc production of 79kt in 2Q22 increased 19% compared to 1Q22, due primarily to the resumption of Vazante to fully-production following the successful dewatering process after the mine was partially flooded due to higher than historical rainfall levels in the state of Minas Gerais in mid-January. Compared to 2Q21, zinc production decreased by 3% driven by an anticipated lower average grade at Cerro Lindo. Zinc production totaled 146kt in the first six months of 2022, compared to 159kt in the comparable period of 2021.
- Run of mine mining cost in 2Q22 was US\$43/t compared to US\$38/t in 2Q21 reflecting both inflationary pressure on cost, and lower ore throughput. Compared to 1Q22, run of mine mining cash cost decreased by 5%, with improved volumes due to the Vazante resumption of operations and return to operational stability at Cerro Lindo, and our initiatives of costs control, such as the optimization of reagent consumption in Brazil. The Brazilian real appreciation against the U.S. dollar had a negative impact in the quarter.
- Mining cash cost net of by-products^[1] in 2Q22 was US\$0.16/lb, increasing by US\$0.02/lb from 2Q21 mainly due to lower zinc volumes and higher operating costs, partially offset by higher by-products credits. Compared to 1Q22, cash cost decreased by 14%, positively affected by higher zinc volume, by-product credits and lower unit cost.
- The smelting segment also performed as planned, with metal production increasing to 156kt from 135kt in 1Q22, primarily due to the resumption of supply from the Vazante mine and the expected increase in Cajamarquilla production, after the temporary decrease in roaster utilization during March in anticipation of a 13-day scheduled maintenance shutdown in April 2022. Production was flat compared to 2Q21.
- In 2Q22, metal sales were 152kt, down by 3% from 2Q21, explained by logistics issues (shortage of ships and increased lead times), which resulted in higher inventory levels during the period. Compared to 1Q22, sales increased 13% due to higher production volume.
- In 2Q22, smelting conversion cost was US\$0.29/lb compared with US\$0.20/lb in 2Q21 and US\$0.25/lb in 1Q22, due to inflationary impacts on costs and the Brazilian real appreciation against the U.S. dollar.
- Smelting cash cost¹ in 2Q22 was US\$1.46/lb compared with US\$1.08/lb in 2Q21, mainly explained by the market-related factors, such as higher zinc prices with a negative impact of US\$0.34/lb, and an increase in operating costs of US\$0.07/lb. LME zinc price averaged US\$3,915/t in 2Q22, up 34% year-over-year. Compared to 1Q22, smelting cash cost increased by 8%, due to higher operating costs and increased maintenance costs, which were partially offset by higher volumes. Costs in 2Q22 were also affected by the negative impact of FX.

Mining production

(metal in concentrate)		2Q22	1Q22	1H22	1Q21	2Q21	3Q21	4Q21	2021
Zinc	kt	79.2	66.3	145.5	77.4	81.6	79.9	81.1	319.9
Copper	kt	9.6	6.9	16.5	7.9	6.9	7.8	7.0	29.6
Lead	kt	14.2	12.4	26.5	10.4	11.7	10.8	12.7	45.6
Silver	MMoz	2.6	2.2	4.8	2.1	2.2	2.2	2.3	8.8
Gold	koz	6.9	6.4	13.2	4.8	6.1	6.4	8.2	25.5
Smelting sales		2Q22	1Q22	1H22	1Q21	2Q21	3Q21	4Q21	2021
Metal	kt	152.1	134.3	286.4	148.4	156.6	155.5	158.4	618.8
Zinc metal		141.4	124.0	265.3	138.5	146.7	144.6	148.1	577.9
Zinc oxide		10.8	10.4	21.1	9.8	9.9	10.9	10.3	40.9

Financial Performance

- Net revenues in 2Q22 were US\$829 million compared with US\$686 million in 2Q21 due to higher base metals average price. Compared to 1Q22, net revenues increased by 15% as a result of higher volumes and higher zinc prices. In 1H22, net revenues were US\$1,552 million, up 20% over 1H21 also because of higher prices.
- Adjusted EBITDA^[2] in 2Q22 was a record high of US\$286 million, compared with US\$233 million in 2Q21 and US\$208 million in 1Q22 with Adjusted EBITDA for the six months ended June 30, 2022, totaling US\$494 million. Pre-operating expenses related to Aripuanã amounted US\$19 million in 2Q22, totaling US\$29 million in 1H22.

- Adjusted EBITDA for the mining segment in 2Q22 was US\$145 million, up 3% and 14% from 2Q21 and 1Q22, respectively. In 1H22, Adjusted EBITDA totaled US\$273 million compared to US\$239 million a year ago.
- Adjusted EBITDA for the smelting segment in 2Q22 reached US\$140 million compared with US\$93 million in 2Q21 and US\$82 million in 1Q22. In 1H22, Adjusted EBITDA was US\$223 million, up 27% compared to 1H21.
- In 2Q22, adjusted net income was US\$95 million and totaled US\$189 million in 1H22. Adjusted net income attributable to Nexa's shareholders was US\$81 million in 2Q22 and US\$163 million in 1H22, which resulted in adjusted earnings per share of US\$0.61 and US\$1.23, respectively.

Financial Position and Financing

- Cash flows from operating activities excluding working capital changes amounted to US\$241 million. Interest and income tax payments amounted to US\$49 million, while we invested US\$69 million in sustaining (including HSE) CAPEX. As a result, Nexa has generated US\$123 million of cash before expansion projects and working capital.
- This cash was primarily used to invest in Aripuanã (US\$27 million). Regarding financing activities, we had a negative net effect of US\$17 million, including the US\$7 million investments in Tinka. Pollarix, Nexa's energy subsidiary, paid dividends to non-controlling interests of US\$9 million in the quarter. The foreign exchange effect on cash and cash equivalents had a negative effect of US\$16 million.
- Working capital changes were negative at US\$23 million in the second quarter. This performance is mainly explained by higher LME prices on receivables and inventories, in addition to higher volumes and lower outstanding amounts of trade payables.
- Consequently, free cash flow in 2Q22 was positive at US\$29 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 decreased to 1.33x compared with 1.53x at the end of March 2022 and increased compared to 1.19x a year ago.

ESG and Corporate Highlights

- On June 06, 2022, Mr. Rodrigo Menck announced his resignation as a Senior Vice President of Finance and Group Chief Financial Officer ("CFO") and Mrs. Claudia Torres, head of Corporate Controlling, was appointed as interim CFO. We are working on Rodrigo's replacement and on implementing a review and simplification of Nexa's corporate structure to strengthen our competitiveness and continuously improve our operational efficiency.
- Nexa is updating its ESG strategy to reflect the evolution of its environmental, social, and governance best practices. The strategy is based on commitments and aspirations focused on nine topics - Climate Change, Natural Capital, Responsible Production, Human Rights, Social Legacy, Health, Safety & Wellbeing, People and Work Culture, Integrity and Transparency - aimed at the demands of society and all its stakeholders. We expect to publish the updated strategy and its new KPIs during 2H22. Specific ESG milestones reached during 2Q22 include:
 - In May 2022, Nexa Peru was included in the list of companies that are part of the S&P Dow Jones Sustainability Index of the Lima Stock Exchange ("BVL") for the second consecutive year. The list includes 17 institutions that meet best ESG standards defined by their eligibility criteria^[3].
 - Also, in May 2022, Nexa's Supplier Assessment Program recognized 19 suppliers/companies in Brazil and Peru that have excelled in adopting ESG practices and focused on diversity and inclusion initiatives that leverage gender equality in the value chain.
 - Nexa completed tests that convert waste from Juiz de Fora metallic zinc production into raw material for new applications (such as inputs for the construction sector and industrial paints) as part of its commitment to the circular economy and waste management. Three market opportunities were identified during the quarter, and their commercialization potential is being assessed.
- On May 31, 2022, Nexa subscribed for 40,792,541 common shares of Tinka Resources at a price of C\$0.22 per share, and now owns approximately 18.2% of the issued and outstanding common shares of the company at an average price of C\$0.24 per share. Tinka holds 100% of the Ayawilca zinc-silver project, one of the largest zinc deposits in Peru.
- In July 2022, Fitch affirmed its "BBB-" rating and "stable" outlook for Nexa.

Growth Strategy

- In the short term, we continue to work to improve our operational performance while capitalizing on high base metal prices and generating cash in our mines and smelters, expanding our current resources through infill and exploratory drilling in all our mines.

- We are evaluating our capital allocation strategy, our existing project portfolio and the jurisdictions in which we operate.

Aripuanã

- On July 05, 2022 we announced the start of the ramp-up of Aripuanã. On July 07, 2022 we delivered the first batch of copper in concentrate and ramp-up activities are progressing as expected. We continue with mine development activities in both the Arex and Link mines. At the end of June, approximately 670kt of ore is available in stockpiles, which is enough to cover six months of the estimated ramp-up period.
- We invested US\$27 million in 2Q22, US\$54 million in 1H22, and for a cumulative CAPEX of US\$620 million since the beginning of construction. The Brazilian real appreciation against the U.S. dollar had a negative impact of US\$5 million in 1H22.
- Refer to our "Aripuanã project" section for further details.

Outlook

Production, Sales and Cash Cost Guidance

- 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, communities' blockages, weather conditions or inflation in 1H22.
- Nexa reiterates its 2022 production guidance for all metals, which is outlined below. We believe we are on track to achieve from the mid to the upper range of the production guidance for all metals. Further details are outlined below.
 - Cerro Lindo: in 2H22, zinc, copper and lead production is expected to be slightly lower compared to 1H22 due to an estimated lower feed grade for both metals.
 - Vazante: after the unplanned decrease in production in 1Q22, mine throughput has returned to normal levels, and zinc production for the second half of the year is expected to remain at similar levels to 2Q22.
 - Aripuanã: ramping up is progressing as expected and 2022 production is tracking toward the low to mid-range of the guidance, subject to risks around the ramp-up of a new mine, among other factors.
 - El Porvenir: based on mine sequencing, zinc production in 2H22 is expected to remain relatively stable compared to 1H22. Lead and silver production are estimated to be slightly down, following estimated lower head average grades.
 - Atacocha: zinc production is estimated to increase in 2H22 compared to 1H22, which was affected, albeit not materially, by host communities illegally blocking the road access to the plant.
 - Morro Agudo: zinc production in the next quarters is expected to remain at a similar level of 2Q22.
- Sales guidance also remains unchanged at 565-590kt and is tracking to achieve the upper range of the guidance.
 - Peru: we expect production in 2H22 to remain stable and at the same levels as 2Q22, improving from 1H22 levels.
 - Brazil: after planned maintenance in Três Marias and the resumption of the supply from Vazante during 2Q22, we estimate production to be slightly higher in 2H22 compared to 1H22.
- We have increased our 2022 cash cost guidance for our mining and smelting segments. The main assumptions are:
 - Mining and smelting volumes are in the guidance range and remain unchanged, as noted above.
 - Base metal prices in 2H22 are expected to decrease compared to 1H22. Consequently, commodities price assumptions have been updated (2H22e - Zn: US\$1.44/lb, Cu: US\$3.44/lb, Pb: US\$0.99/lb, Ag: US\$22.9/oz, Au: US\$1,850/oz versus 2022e - Zn: US\$1.36/lb, Cu: US\$4.22/lb, Pb: US\$1.00/lb, Ag: US\$25.2/oz, Au: US\$1,799/oz).
 - Foreign exchange rates have been updated (2H22e BRL/USD: 5.10 and Soles/USD: 3.75 versus 2022e - BRL/USD: 5.50 and Soles/USD: 4.02)
 - Zinc treatment charges ("TCs") of US\$230/t concentrate versus 2022e US\$165/t concentrate.
 - Full year cash costs guidance for mining has been revised to US\$0.28/lb compared with US\$0.23/lb given year-to-date performance and forecasts for lower by-product metal prices.
 - Smelting cash costs have been updated to US\$1.37/lb from US\$1.15/lb, primarily driven by higher-than-expected zinc prices in 1H22, which averaged US\$1.74/lb, and additional cost pressure on energy, fuel, and consumables prices.
 - Our estimates included an inflation assumption of 7%, however, we believe additional cost pressures may emerge, increasing the average cost of energy, materials, and other input costs in 2H22.

- Nexa continues to monitor risks associated with global supply chain disruptions, which could be exacerbated by the Russia-Ukraine war, unusual weather conditions and/or increased restrictions related to the COVID-19 pandemic; global recession, and the potential impact on the demand of our products; inflationary cost pressure, lower base metal prices, communities protests and changes to the regulatory framework in the countries we operated that could affect our level of productions; among others. Refer to "Risks and uncertainties" and "Cautionary Statement" for further information.

Mining segment - production

Mining production

(metal in concentrate) 1H22 2022e

Zinc	kt	146	287 - 318
Cerro Lindo		44	81 - 86
El Porvenir		26	49 - 53
Atacocha		4.5	8.5 - 9.4
Vazante		61	118 - 127
Morro Agudo		9.5	16 - 19
Aripuanã		-	14 - 23
Copper	kt	16.5	28 - 35
Cerro Lindo		16	26 - 33
El Porvenir		0.2	0.3 - 0.3
Aripuanã		-	1.6 - 2.3
Lead	kt	27	46 - 55
Cerro Lindo		7.8	11 - 12
El Porvenir		11	15 - 18
Atacocha		4.3	10 - 11
Vazante		0.5	1.0 - 1.2
Morro Agudo		2.8	4.3 - 4.8
Aripuanã		-	5.0 - 7.7
Silver	MMoz	4.8	8.6 - 10
Cerro Lindo		2.2	3.9 - 4.1
El Porvenir		2.0	3.1 - 3.6
Atacocha		0.5	1.0 - 1.1
Vazante		0.2	0.3 - 0.4
Aripuanã		-	

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Mining segment - costs

Operating costs	Cost ROM	Cash cost ⁽¹⁾ net of by-product (US\$/lb)		
	1H22 (US\$/t)	1H22	2022e Previous	2022e Updated
Mining	43.8	0.18	0.23	0.28
Cerro Lindo	39.5	(0.47)	(0.41)	(0.26)
El Porvenir	61.1	0.34	0.43	0.39
Atacocha	36.7	(0.81)	(0.03)	(0.03)
Vazante	44.7	0.53	0.51	0.55
Morro Agudo	42.3	0.84	0.86	0.94

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

Smelting segment - sales

Smelting sales	1H22	2022e
Metal sales	kt 286	565 - 590
Zinc metal	265	528 - 551
Zinc oxide	21	37 - 39

Smelting segment - costs

Operating costs	Conversion cost	Cash cost ⁽²⁾ net of by-product (US\$/lb)		
	1H22 (US\$/lb)	1H22	2022e Previous	2022e Updated
Smelting	0.27	1.41	1.15	1.37
Cajamarquilla	0.29	1.30	1.07	1.34
Três Marias	0.18	1.58	1.22	1.38
Juiz de Fora	0.38	1.43	1.29	1.44

⁽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\$98 million in 2Q22, totaling US\$180 million in 1H22. Of this amount, 32% was allocated to expansion projects, mainly driven by Aripuanã. The Brazilian real appreciation against the U.S. dollar had a negative impact of US\$8 million in the quarter and approximately US\$13 million in 1H22.

- 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)	1H22	2022e
Expansion projects	58	75
Aripuanã	54	59
Others ⁽¹⁾	4	16
Non-Expansion	120	310
Sustaining ⁽²⁾	101	256
HSE	14	36
Others ⁽³⁾	5	18
Reconciliation to Financial Statements ⁽⁴⁾	2	-
TOTAL	180	385

(1) Including Vazante LOM extension. Greenfield project portfolio is under review.

(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

- In 2Q22 we invested US\$24 million in exploration and project evaluation, for a total of US\$40 million in 1H22.
- 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)	1H22	2022e
Exploration	32	64
Mineral Exploration	19	43
Mineral rights	4	8
Sustaining (mine development)	9	13
Project Evaluation	8	18
Exploration & Project Evaluation	40	

Other	9	18
Technology	4	12
Communities	5	5

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

[2] Adjusted EBITDA excludes the non-cash impact related to the offtake agreement - US\$28 million in 2Q22 and US\$(19) million in 1Q22.

[3] For further information please access
<https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-bvl-peru-indices.pdf>.

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