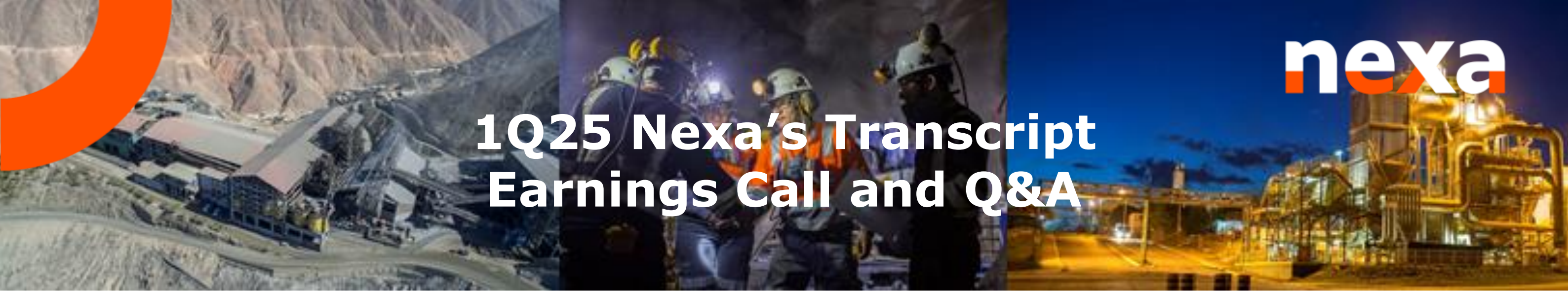

1Q25 Nexa's Transcript Earnings Call and Q&A

Participants:

I - Mr. Ignacio Rosado – CEO of Nexa Resources
J - Mr. José Carlos del Valle – CFO of Nexa Resources
R - Mr. Rodrigo Cammarosano – Head of IR & Treasury of Nexa Resources
L - Mr. Leonardo Coelho – Senior VP of Mining Operations of Nexa Resources
O - Operator

O – Good morning and welcome to Nexa Resources First Quarter 2025 Conference Call. [Operator Instructions].

I would now like to turn the conference over to Mr. Rodrigo Cammarosano, Head of Investor Relations, for opening remarks. Please go ahead.

R – Good morning, everyone, and welcome to Nexa Resources' first quarter 2025 earnings conference call. Thank you for joining us today. During this call, we will discuss the company's performance as outlined in our earnings release issued yesterday. We encourage you to follow along with the on-screen presentation through the webcast. Before we begin, I would like to draw your attention to slide number 2, where we outline our forward-looking statements about our business. Please refer to the disclaimer regarding these statements and their associated conditions. Now, it is my pleasure to introduce our speakers. Joining us today, are our CEO, Ignacio Rosado; our CFO, Jose Carlos Del Valle; and our Senior Vice President of Mining Operations, Leonardo Coelho. I will turn the call over to Ignacio for his comments. Ignacio, please go ahead.

I – Thank you, Rodrigo, and good morning, everyone. Thank you for joining us today as we review our first-quarter 2025 results. Let's move to slide number 3, where we highlight our results for the quarter.

Before discussing our quarterly performance, I want to briefly acknowledge the current macro environment. The past few months have been marked by significant volatility, with concerns over global economic slowdown, geopolitical tensions, inflation, and supply chain disruptions. While the environment remains challenging, we continue to see strong medium- and long-term fundamentals for zinc, copper, and other key metals, supported by demand drivers like infrastructure development and industrial revitalization. Supply constraints and historically low zinc treatment charges persist, but we believe new demand opportunities will continue to emerge. Nexa is well-positioned to navigate this environment, focused on improving margins through disciplined operational performance and cost control.

In the first quarter of 2025, we faced some operational challenges at certain sites, which led to production volumes slightly below our initial estimates. In the mine segment, this was mainly due to atypically heavy rainfall in the Pasco region, impacting El Porvenir and Atacocha's performance, as well as Aripuanã, where precipitation levels were approximately 30% above historical averages.

Although our smelters also operated slightly below our budget, we remain in line with our 2025 guidance, which anticipates a year-over-year reduction of approximately 15kt to reflect a more volatile market environment and lower TCs. Despite these challenges, we delivered an Adjusted

EBITDA of US$125 million, with margins remaining within historical ranges. Our consolidated net revenues totaled US$627 million, up 8% compared to 1Q24, even with lower smelting sales volumes. Net leverage stood at 2.1x at the end of the first quarter, temporarily impacted by seasonal working capital intensity, which is higher early in the year. We expect to normalize these variations over the coming quarters.

Turning to Aripuanã, the heavy rains affected the performance of our tailings filters, and I would like to confirm that the acquisition of the fourth filter has been completed. It is currently under construction. We are confident that this filter will pave the way to utilization capacity increase and better support the operation during the rainy season. In line with our growth strategy and commitment to extend the life of our assets, phase one of the Cerro Pasco Integration Project, focused on the tailings pumping and piping system, is progressing well. I will share more details later in this presentation. Now let's move to slide number 4 to discuss our operating performance.

Turning to the operating performance of our mining segment, zinc production in the first quarter of 2025 reached 67 thousand tonnes, down 23% year-over-year and 8% quarter-over-quarter. The year-over-year comparison was also impacted by the cessation of operations at Morro Agudo. In addition, lower output at El Porvenir, Atacocha, and Aripuanã, mainly due to heavy rainfall, contributed to the decrease, while Vazante experienced restricted access to higher-grade areas during this period.

Looking at cash costs, our mining cash cost significantly dropped to US$0.11 per pound, compared to US$0.26 per pound in the same period last year. This reduction was mainly driven by higher by-product contributions, lower treatment charges, and foreign exchange gains, partially offset by lower zinc volumes. Compared to the previous quarter, the mining cash cost increased by US$0.12 per pound due to lower zinc volumes, which was partially offset by higher by-product prices and lower treatment charges.

Our cost per run-of-mine in the quarter was US$48 per tonne, up 7% year-over-year and 8% quarter-over-quarter, mainly due to lower treated ore volumes and the inclusion of Aripuanã in the consolidated run-of-mine from the quarter. Excluding Aripuanã, run-of-mine cost remained flat in both comparisons. Now, let's move to slide number 5.

Turning to our smelting segment, total sales in the first quarter reached 130 thousand tonnes, decreasing by 6% year-over-year and 14% quarter-over-quarter. This reduction was primarily driven by lower production at Três Marias and Juiz de Fora. The year-over-year decline was partially offset by better operational performance at Cajamarquilla. Our 2025 guidance had already anticipated a reduction in smelter volumes to accommodate a more volatile market environment and overall lower treatment charges.

Looking at costs, consolidated smelting cash cost in the quarter was US$1.17 per pound, up from US$0.98 per pound in the same period last year. This increase was mainly due to higher raw material costs, driven by increased zinc prices and lower TCs. These impacts were partially offset by higher by-product contribution and positive foreign exchange variations. Compared to the previous quarter, cash cost decreased by 7%, mainly reflecting lower zinc prices and reduced operational costs. However, these effects were partially offset by lower volumes and continued pressure from low TCs.

Our conversion cost for the first quarter was US$0.33 per pound. Compared to US$0.30 per pound in the same period last year. This slight increase was mainly due to higher variable costs and maintenance expenses, partially offset by foreign exchange gains. Compared to the previous quarter, conversion cost rose by 11%, driven by lower volumes and higher variable costs. Let's move to slide number 6, where we will begin discussing Aripuanã.

In the first quarter, Aripuanã's production volumes declined due to intense rainfall in the region, with precipitation volumes 30% higher than in previous years. This led to a temporary reduction in production to stabilize operations and prevent overloading the dry stacking process. Treated ore volumes also decreased quarter-over-quarter, as plant downtime increased due to preventive and corrective stoppages carried out during this period. Concentrate quality remained stable and within commercial specifications, while metallurgical recoveries improved, performing at target levels.

Regarding costs, reported for the first time since the start of operations, they stayed within the 2025 guidance range. We anticipate a reduction in unitary costs in the upcoming quarters as we enhance plant capacity and increase sales volume, thereby improving operational efficiency and cost-effectiveness.

As previously announced, Aripuanã's mine life increased to 15 years, compared to 13 years in 2023. This reflects our successful efforts to replace and expand mineral reserves year-over-year, reinforcing the assets' strength and sustainability. This year's exploration strategy for Aripuanã includes drilling programs to validate the continuity of mineralization and enhance geological confidence at the Massaranduba target, located in the southeast area of the mine.

As disclosed last quarter, we approved the acquisition of a fourth tailings filter. This investment will improve operational efficiency by enhancing our filtering capacity and supporting full production. We expect the filter to be delivered and installed in 2025, with commissioning planned for the first quarter of 2026. We expect to deliver higher Adjusted EBITDA and operating cash flow in 2025, supported by our ongoing efforts to reduce costs and improve margins. Let's move to slide number 7 to discuss the latest advancements in the Cerro Pasco Integration Project.

On this slide, I would like to highlight our progress with the Cerro Pasco Integration Project. During the quarter, we advanced on phase I, which comprises the tailings pumping and piping system. Engineering activities for the tailings infrastructure at El Porvenir and Atacocha proceeded on schedule, and major equipment manufacturing is underway, with construction scheduled to commence during the 2Q25. Preparatory work for phase II, including technical assessments of the Picasso shaft and the underground integration, is also progressing as planned.

As mentioned before, phase I involves the construction of a tailings treatment plant at El Porvenir along with a 6 km tailings pipeline connecting the El Porvenir processing plant to the Atacocha tailings storage facilities. The primary goal is to significantly extend the operational capacity of the tailings storage infrastructure, ensuring long-term sustainability at the Cerro Pasco Complex. This phase also lays the groundwork for subsequent stages of the project, which includes integrating the underground mines and upgrading the ore shaft at El Porvenir. Now, let's move to slide number 8, where we will discuss some of the key value-drivers of the project.

A key value driver is access to high-quality mineral resources in the underground section of Atacocha, unlocking its economic potential through a highly attractive net smelter return. Tapping into these resources will boost mineral resources and reserves, improve average head grades, and provide greater operational flexibility for the asset. Moreover, our exploration focus remains on the integration target, a region with exceptional geological potential and a highly promising upside for the project. Ultimately, the combination of these levers adds substantial value and paves the way for long-term success at the Cerro Pasco Complex. We remain confident in the project's progress and, most importantly, in its potential value addition.

I will turn the call over to José Carlos Del Valle, our CFO, who will walk us through our financial results. José, please go ahead.

J – Thank you, Ignacio. Good morning, everyone. I will now continue with slide number 9.

Starting with the chart on the upper left, total consolidated net revenues for the first quarter increased by 8% year-over-year. This growth was mainly driven by higher metal prices - except for lead. These gains were partially offset by lower smelting sales volume. However, compared to 4Q24, net revenues declined by 15%, mainly due to lower smelting sales volume and decreased zinc and lead prices. Moving on to profitability, our consolidated Adjusted EBITDA for the first quarter reached US$125 million, representing a 3% decrease year-over-year. This decline was primarily driven by lower smelting sales volume, partially offset by higher zinc prices, increased by-products contribution and foreign exchange gains. Compared to 4Q24, Adjusted EBITDA decreased by 36%, mainly due to lower sales volume in both smelting and mining segments, higher costs and expenses, and lower TCs paid by third-party concentrate suppliers. Finally, our consolidated Adjusted EBITDA margin reached 20% in the period, 2 percentage points lower than in the same period a year ago. Let's now move on to slide number 10.

Looking at the top left of the slide, in 1Q25, we invested US$50 million in capex, with nearly all of this amount directed toward sustaining activities, including mine development, maintenance, and tailings storage facilities. Additionally, investments related to phase I of the Cerro Pasco Integration Project totaled US$1 million, in line with the project's execution plan. As previously disclosed in our annual guidance, the total investment expected for this project in 2025 is US$44 million.

Accordingly, our 2025 capex guidance for the year remains unchanged at US$347 million, with disbursements expected to accelerate in the upcoming quarters. With respect to mineral exploration and project evaluation, we invested a total of US$16 million. Of this amount, US$12 million was specifically allocated to mineral exploration and mine development to support ongoing exploration activities. We expect investments in these areas to also accelerate in the upcoming quarters, the reason why we are reaffirming our 2025 guidance for exploration and project evaluation at US$88 million. Now, let's move on to the next slide, to discuss our cash flow generation for the quarter.

Starting with our US$125 million Adjusted EBITDA, net of non-operational items, Nexa generated a healthy operating cash flow before working capital variations of US$158 million for the quarter. From this amount, we paid US$76 million in interest and taxes and invested US$51 million in capex across our operations. Additionally, loans and investments had a positive net impact of US$4 million. We also saw a positive impact of US$4 million related to foreign exchange variations, primarily due the appreciation of the Brazilian real against the U.S. Dollar.

Finally, we experienced a negative working capital impact of US$265 million. This is in line with the typical payment cycle observed in the first quarter of each year, reflecting our established payment terms and annual tax and labor obligations in the jurisdictions where we operate. As in previous years, we reaffirm our focus on implementing initiatives to optimize Nexa's working capital cycle, such as enhanced receivables and payments management. We expect this working capital position to gradually reverse in the following quarters. Combining all these factors, our total free cash flow in 1Q25 was negative at US$226 million. Now, let's move to slide number 12.

As you can see, our liquidity position remains healthy, allowing us to maintain a solid balance sheet and an improved and extended debt maturity profile. At the end of 1Q25, our available liquidity stood at approximately US$721 million, including our undrawn US$320 million sustainability-linked revolving credit facility. Looking at our debt profile, the average maturity at the end of 1Q25 was 5.3 years, with an average cost of debt of 6.3%. Importantly, as of March 31st, our total cash position was sufficient to cover all obligations maturing over the next 3 years.

In terms of leverage, our net debt to Adjusted EBITDA ratio increased from 1.7 at the end of 2024 to 2.1 times at the end of 1Q25. This increase was primarily due to the seasonal decrease of US$226 million in our cash balance quarter-over-quarter, and to a lesser extent, to a slightly lower Adjusted EBITDA over the last twelve months.

As previously disclosed, and in line with our proactive approach to liability management, in April, Nexa successfully extended its debt maturity profile from 5.3 years to approximately 8 years, through a new bond issuance and through Tender Offers for the existing notes due in 2027 and 2028. The new US$500 million 12-year bond carries a 6.600% coupon and allowed us to repurchase around US$105 million and US$289 million of the existing 2027 and in 2028 notes, respectively.

Additionally, as announced on April 23rd, the remaining 2027 notes, of approximately US$110 million, are planned to be fully redeemed via a make-whole call option, to be executed on May 23rd. These transactions mark a significant milestone for the company, extending Nexa's debt maturity profile, enhancing financial flexibility, reinforcing our solid credit metrics and our investors' confidence, and reducing near-term refinancing risk.

We continue to evaluate opportunities to further optimize our capital structure, diversify our funding sources, and strengthen our liquidity. As I have mentioned before, maintaining a debt maturity profile aligned with the long life of our assets, while securing the most competitive financing costs, remains a top priority. In line with this, we consistently explore strategic initiatives to extend maturities, reduce our average cost of debt, and assess financing alternatives, all with the goal of enhancing our financial position and long-term resilience. Now, moving to slide number 13.

Regarding zinc market fundamentals, in the first quarter, the LME zinc price averaged US$2,838 per tonne, reflecting a 16% increase year-over-year and a 7% decrease quarter-over-quarter. The quarter was marked by volatility, driven by geopolitical tensions and macroeconomic uncertainties, including concerns over a potential global economic slowdown and speculation about the impact of tariffs. Despite this, zinc market fundamentals remain resilient and continue to support prices.

On the supply side, concentrate inventory levels remained limited, reflecting the ongoing tight market and, even considering some restocking after the Chinese new year, they still remain limited, reinforcing expectations of lower refined metal production ahead. Spot TCs in China started to timidly recover from the negative territory seen last year, turning slightly positive in January and reaching US$79/t in March, a sign of market improvement, although the environment remains tight. Meanwhile, benchmarking negotiations resulted in a sharply lower TC of US$80/t, down 52% from 2024. This level is critical for smelter margins and may lead to further constraints in the refined metal supply. Looking ahead, we maintain a positive mid- to long-term outlook, with continued support for zinc prices. Moving now to slide number 14.

During the first quarter, the MLE copper price averaged US$9,340 per tonne, up 11% year-over-year and 2% quarter-over-quarter. The U.S. investigation on copper imports triggered accelerated buying and boosted premiums. Copper market fundamentals continue to be strong, and prices are expected to remain supportive. As for silver, the LME price averaged US$32 per ounce, up 37% year-over-year and a 2% quarter-over-quarter. Short-term fundamentals for silver remain positive, largely driven by concerns around future availability and its role as a safe haven asset. Over the mid-to-long term, the outlook is expected to remain bullish, as demand continues to outpace supply expectations. Looking ahead, metal prices in general are likely to remain volatile amid ongoing trade tensions and macroeconomic uncertainty. For base metals, in particular, strong fundamentals are expected to continue to sustain prices in 2025, driven by low inventories, challenged smelter production, and their role in the global energy transition. I will now hand the presentation back to Ignacio for his final remarks.

I – Thank you, Jose Carlos. I would like to briefly highlight our key priorities for 2025 and where we are focusing our efforts. Starting with growth — the Cerro Pasco Integration Project is moving forward as planned. Construction of the tailings pumping system should begin in the second quarter, and the project will support us in extending operations for over 10 years, adding substantial value. At Aripuanã, we are working to increase production, improve filter performance, and make the mine more flexible, while keeping our cost-efficiency efforts in place. This will support better margins and stronger cash flow going forward. Exploration remains a key pillar of our long-term strategy. We are working to extend the life of our assets, particularly by advancing geological studies in Aripuanã, progressing in the 'integration' zone in Pasco, and deepening our efforts at Cerro Lindo.

On the ESG front, we continue to track our progress toward public commitments actively. I want to mention that we have just published our 2024 annual report, which brings a comprehensive view of our performance and progress on strategic fronts. The report is available on our investor relations website. Financially, we are continuing to execute our liability management and deleveraging strategy, aiming to improve financial flexibility. A quick reminder that our annual general meeting will be held in Luxembourg on May 8th. The convening notice and proxy card have already been made available to shareholders.

Finally, we remain guided by financial and operational discipline, prioritizing cash generation and smart capital allocation, in line with our long-term strategy. In a dynamic and currently volatile environment, this disciplined approach continues to be the foundation of our strategy and resilience. Thank you all once again for joining today. We appreciate your continued support and confidence in Nexa. Operator, please open the line for questions.

Q&A Session:

O – We will now begin the questions and answers session. [Operator Instructions] The first question today comes from Hernán Kisluk with MetLife.

Question – I was wondering maybe if you can provide more color on what you mean by geotechnical issues that you're having at Vazante. And, we have been monitoring Cerro Lindo's production levels. And in the last 2 quarters, it has been below historical averages. So, if you can also provide some color on what is happening there. So, particularly focusing on the near term, if you think production will recover in the coming quarters? And, particularly at Vazante, if these geotechnical issues have consequences for the medium and long-term operations of the mine.

I – Now, the geotechnical issues related to a stope that we had that one of the pillars that support the stope collapse. This was isolated. And what happened is that the mineral contained in that stope had a very high grade. So, we have to isolate the zone, and we couldn't extract the mineral to provide that in the coming months to the plant to have a higher grade that was anticipated in our mining plan. The idea is that we recover some of the production of Vazante. We are still working on recovering the mineral from this stope. But the idea is that we recovered part of the production of Vazante in the year. Okay? And that is the main explanation.

In the case of the other mines, in Pasco, the rainy season, as we said, impacted the pit of Atacocha. It's not raining anymore. So, the projections show that we will recover all of our production that we couldn't have in the first quarter through the year. And then that is going to be the same for Porvenir. Porvenir is going to recover also full production through the year. In the case of Aripuanã, it's more difficult because, as I said before, this has been a very difficult project to build. And the only bottleneck that we have today is the tailings filters.

And as I said in the last quarter, these tailings filters really perform, but it's difficult to maintain them. It's difficult to change parts when we have to change parts. So, we have capacity constraints that, with the rainy season deteriorate even more. The fourth filter will solve that problem, but it's coming in the first quarter of next year. So Aripuanã might be in the lower range of the guidance. So, if you add Vazante mid to lower range of the guidance, achieving guidance in the other 2 mines, Cerro Lindo going very well, and Aripuanã low range, the average should be that we will be in around the mid-range of the guidance. So that's what we are expecting. We are putting all the measures to make sure that the second quarter is better, and in the rest of the year, we will show this improvement.

O – I have Camilla Barder with Bradesco BBI on the line.

Question – Two questions on my side. First on TC. I just wanted to hear a little bit about your views on the impact of the recent trend on TCRCs for Nexa. I know you have some fixed contracts for next years, but you still have some exposure. So I just wanted to get your thoughts on that? And the second question is about leverage. So Nexa has done a good job on its deleverage path over the past quarter. But last quarter, leverage went up following a compressed free cash flow, as you mentioned, should be reversed. So my question is, how do you see leverage evolving in next quarters? And what would you consider as a reasonable target for the end of the year?

I – Okay. So, I will talk about the TCs and then I will let Jose Carlos answer the question on the leverage. So, the TCs, it was a surprise to have this US$80 TC agreed between and Korea Zinc, yes. As you said, we have closed most of our contracts already for the year. And one thing that we have is that we have bid contracts which account that the conditions of our TCs have a 3-year program. So, we have also conditions on TCs for the previous 2 years that were better, and we will be affected by this year's TCs. Having said that, between our mines, we use a benchmark. So, the benchmark we used before was above US$100. Today it's US$80. But among our mines, it doesn't matter because it will go from one packet to another packet. So, the mines will benefit, and the smelters will be hit by this US$40 difference that we have.

In the case of the rest of the concentrate that we buy for Cajamarquilla and the smelters in Brazil, as I was saying, we already have closed contracts and most of them are not exposed to benchmark. So, we believe that in that regard, for us this year, the TCs are sort of under control. We don't have a lot of spot sales or purchasing concentrate for our smelters this year. Having said that, I would like to comment that with this TC of US$80 with prices of zinc today as US$2,600 and premiums that were already low last year and this year as well, the smelters profitability in the world are going to suffer very much. Stocks are low today. So, we will see that evolution during the first half of this year, and we expect to see a reduction in metal as well because these are very low numbers for the market.

We don't know what will happen with the supply, and that's also something that we would have to wait because we don't know what will happen. But in any case, with this context, smelters are going to be hard by profitability. And our view, if the supply remains is that in the second quarter, the zinc price is going to go up substantially because otherwise, there won’t be metal, won't be inventories and the market will react and have an impact on prices. So that's more or less the context. That's more or less the context on our smelters and mines. Jose Carlos, please go ahead.

J – Yes. Thank you, Ignacio, and thank you for the question. In terms of leverage, you're right, we have seen an increase in leverage from 1.7 at the end of 2024 to 2.1 at the end of the first quarter. This is something that we expected because of the seasonality that we have in our first quarter related mostly to working capital. However, we do expect that we will -- as we have done in the last couple of years, that this trend will reverse throughout the year. And the expectation is that at prices similar to the ones we had in the first quarter, we should have a leverage at the end of the year that is equal or slightly lower than what we had at the end of 2024. So, we continue to believe that will be the case. I hope that answers your question.

O - Our next question comes from Carlos De Alba with Morgan Stanley.

Question – Just following up on the prior comment on working capital. Yes. So look, the negative working capital in the quarter was US$265 million. I understand the seasonality of the first quarter, but this was twice as negative as we have seen in the first quarter of prior years. And as you have mentioned, the market is challenging with prices and TCRCs. So, do you do you expect at this point in time to fully reverse that US$265 million net working capital in the year and finish 2025 with a cash inflow from working capital?

J – Thank you, Carlos. I can comment on that. For planning purposes, what we normally assume is that working capital should be flat on an annual basis. So, despite these fluctuations within the year that we have been seeing in the last few years, our assumption is that it will be flat. So, it should be net 0. One particular aspect that affected the working capital in the first quarter, I would say, is related to taxes, taxes because we have better profitability in 2024 compared to prior years, we had to pay more taxes, and this all happens in the first quarter. And there was one nonrecurring item that is mentioned in an earnings release. We paid US$61 million related to some of the tax contingencies that we have to take advantage of discounts on interest and penalties.

And there's an Amnesty related to one of the years that we also had pending related to Atacocha and El Porvenir. So, this was a one-off effect of US$61 million. That by itself is already a significant difference. So, the combination of those 2 factors is what has, in a way, enhanced this volatility that we see in the first quarter. So, we continue to expect that throughout the year, we will be able to reverse that and then close to flat.

Question – And my second question is, so if during the remainder of the year, zinc prices don't improve too much, but the way the market works out, the current tough situation for smelters is for TCs to improve, spot to improve and the benchmark contract next year to improve. And therefore, that improves the profitability of smelters. That would not be the best scenario for Nexa. Am I right on this view? You would benefit more if zinc prices go up, that if only TCs go up, right?

I – Yes. As I was saying, we have already closed our TCs. So, we won't have a lot of impact -- if the spot price improves, we won't have a lot of impact this year. However, we started negotiating. As I was saying, we have big contracts. So, we will start negotiating for next year and next year will be a net benefit. But for this year, we will mostly benefit for better prices, okay? Having said that, Carlos, you see that we also produce silver and copper. And the price of silver today is at US$33, and we produce 12 million ounces of silver. And then almost 30,000 tonnes of copper and price of copper is also up.

So that is something that is going to help us mitigate these price levels of zinc that we have today. In any case, we are concentrating our efforts on what we can control, which is the operational improvement of our mines. We are aware that this quarter was really bad, and we acknowledge that. And we believe that we have the rest of the year to show the market that most of our operations are going to improve. And Aripuanã, we have to wait for the fourth filter, but still it's going to improve because in the dry season, the filters will perform as expected.

O – Okay. Now I would like to turn the call over to the company for the written questions. Please go ahead.

R – Thank you, operator. So, thank you, everybody, for the questions. I will start with a question, actually, it was a question from Henrique Braga from Morgan Stanley about the impact on working capital, but I believe that it was already addressed by Jose Carlos and also about the production, which was also addressed by Ignacio.

The second question comes from Declan Hanlon from Santander. And it's basically the first part of the question, which is in regard to the working capital was already answered.

And the second part is still an expectation of reversing the majority of this working capital in the following quarters, already addressed. And the second part of the question is if the company can talk about the tariffs risks and how the company is managing the expectations over those risks and contingency plans that the company may have if the scenario deteriorates.

I – Yes. So, about tariffs, as we have been saying this, we are not exposed to tariffs in terms of zinc today. As I was saying, most of our contracts are already closed. And the relationship we have with the States is mainly through Cajamarquilla in Peru. The U.S. has applied a 10% tariff in Peru, but there is an exception on zinc. The zinc market in the U.S. is around 1 million tonnes. They demand 1 million tonnes. Most of it comes from Canada and Mexico, okay? And we provide the States with almost 8% of what they demand. So, we are not expecting a drop in our demand for our zinc there.

Having said that, we don't know what will happen. But the comment that I can make that is that if there is no recession this year in the U.S., this 1 million tonnes demand is going to be there, and they will demand that. They will have to pay more. And given that Mexico has a tariff today on zinc, I believe it's 25% and Canada as well, I don't see American companies buying zinc from other parts of the world because, as I was saying, there is no zinc available. So, most of the measures that States put is hurting the customers in the U.S. In terms of, let's say, consumables at the mines, we don't have tariffs. We don't import most from the States, and we don't have tariffs there. So, all the logistics chain hasn't been interrupted. So, for this year, we are only tracking, I would say, expectations, which is something that is influencing the zinc price mainly. And so far, there is resistance for the zinc at US$2,600.

We'll see what happens next year, and we are monitoring that. Monitoring that means that we want to accomplish our operational budgets, but we are aware of cash flow as well. So, we will benefit from probably better prices on silver and copper, but we will be helped from prices on zinc. So, the idea is we take measures to try to stabilize our cash flow and reach levels that will help us with the leverage that Jose Carlos has been explained. So, this is more or less what we do through the year. We keep control every 2 weeks of what is going on. We make sure that our mines are always being tracked on production costs and capex. So, this is the only thing we can do. So, we'll see what happens in the coming months. And yes, yes, we are aware of all of that.

O –Thank you. This concludes the question-and-answer session. I would now like to hand the call over to Mr. Ignacio Rosado for his closing remarks. Please go ahead, sir.

I – Okay. Thank you very much for attending the call. As I said before, we are aware that we have had a tough quarter in terms of our operations. We are working on these measures to make sure that we recover most of the production for the rest of the year. We are also aware that we have a volatility environment, and we are prepared to face that environment in the coming months. We are very proud that the Cerro Pasco project is going as expected, on time and on capex. And we are confident that we will have the S4 filter of Aripuanã in the first quarter of next year.

Even if this year has this volatility and this uncertainty, as Nexa, we work on the long term. And what we want to make sure is that we finish the expansion capex of the projects. We extend the life of the mines. So, in the coming years, given the fundamentals of zinc, we start bringing the cash flow to start lowering the debt, to start giving dividends and also to start looking for other acquisitions as well. Thank you very much for attending. We look forward to having you on this call in 3 months. Have a good day.

O –Thank you. This concludes today's conference call. We appreciate your participation and interest in Nexa. You may disconnect now.

Participants of the Q&A:

Hernán Kisluk – *Metlife*

Camila Barder – *Bradesco BBI*

Carlos De Alba – *Morgan Stanley*

Henrique Braga – *Morgan Stanley*

Declan Hanlon – *Santander*

(Call Duration: 48 Minutes)