



# 1Q21 Nexa's Transcript Earnings Call and Q&A

**nexa**

## Participants:

**T - Mr. Tito Martins** – CEO of Nexa Resources

**M - Mr. Rodrigo Menck** – CFO of Nexa Resources

**R - Ms. Roberta Varella** – Head of IR of Nexa Resources

**O - Operator**

**O** - Good morning, and welcome to the Nexa Resources First Quarter 2021 Conference Call. [Operator Instructions] The presenters on this call are Mr. Tito Martins, CEO of Nexa Resources; Mr. Rodrigo Menck, CFO of Nexa Resources; and Ms. Roberta Varella, Head of Investor Relations. Please note this event is being recorded.

I would now like to turn the conference over to Mr. Tito Martins. Please go ahead.

**T** – Thank you. Good morning and good afternoon, everyone. Welcome to Nexa's earnings conference call. I hope you and your loved ones remain safe and healthy. Today, we will be talking about our results for the first quarter of 2021. But before I begin our presentation, I would like to thank our entire team for their resilience and commitment to our business, our customers and our host communities, and all of our stakeholders.

Please, let's move now to slide 3. In a still unprecedented scenario with COVID-19 cases increasing in Peru and Brazil during the quarter, our commitment to protect and preserve the well-being of our people and our host communities remain our highest priority. We have safely continued to operate, develop our Aripuanã project and progressed with our exploration program. Our financial performance recovered from the same period a year ago and we delivered the third highest EBITDA of our history. This strong result could not be achieved without the continuous commitment of our team, the desire to transform and capital allocation discipline. We ended the quarter in a strong financial position with cash above US\$1 billion and leverage down to 1.73x. Further details of our financials will be provided by Menck in his speech. In March, we announced the acquisition of approximately 9% of Tinka Resources. Tinka owns 100% of the Ayawilca project, one of the largest zinc projects in development in Peru with excellent potential. We maintain our efforts to build a sustainable business model generating value for all of our stakeholders. Now please move to slide 4.

On this slide, you can see our roadmap with regard to ESG. It's worth mentioning that our commitment with ESG comes even before the timeline presented here. By nature, I dare to say, mining companies are since day 1 committed with this matter. Corporate social responsibility is key for our industry and it is core to our strategy. Last year, we revised our material topics related to corporate goals and ESG management guidelines. And during this year, we are working to set clear targets and KPIs to enhance our transparency and accountability to our ESG initiatives. In addition, we are also establishing metrics related to our executive's annual compensation. Moving to the next slide, please, slide 5.

Slide 5, shows the main projects in our pipeline. As most of you probably know, we have projects in different stages of maturity. Aripuanã is our project under development, and I will discuss it in more details ahead. Despite some COVID related restrictions and protocols to be observed, we were able to progress with our engineering studies and our exploration program in the first quarter. Engineering studies at Magistral copper project have continued to progress and in 1Q21 we concluded the mining refinement study, which is the detailed study of mine engineering. The pre-feasibility studies at Puka remain on hold but metallurgical tests have continued to progress, and the first phase was concluded in 1Q21 with positive results. We are now updating the block models to initiate phase 2,

which is scheduled to begin in the third quarter of the year. Regarding Hilarión, exploratory drilling was completed at Mia target in two pending drillholes. We also began to drill test the Hilarión sur target. Our goal is to confirm the southeast continuity of the Hilarión deposit. With respect to Bonsucesso, we have carried out expansion drilling in the central zone of the project and scout drilling at the Carrancas target, located south of Ambrósia.

Turning now to slide 6, please. Here I will make some comments about the Aripuanã development. Construction works continue to advance and overall physical progress reached 79% at the end of March compared to 70% in December. In 1Q21, we invested US\$40 million in the project, totaling US\$353 million since the beginning of the construction. Mine development activities continue to progress in both Arex and Link mines. Trial activities at Arex have started in March. Regarding our exploration program, in 1Q21, we continued exploratory drilling on the northwest extension of the Babaçu body. As I mentioned before, the Aripuanã project is one of the few zinc projects under development in the world and we believe it will be a long-life mining operation with competitive costs.

Now, I would like to pass to Roberta Varella, our Head of Investor Relations, who will comment on our results. Roberta, please.

**R** – Thank you, Tito. Good morning, everyone. Please let's move to slide 8. Beginning with the chart on your upper left, consolidated net revenue in 1Q21 was US\$603 million, up 36% compared to the same period a year ago, mainly driven by higher metal prices. Adjusted EBITDA stood at US\$180 million, strongly recovering from the US\$44 million in 1Q20. As Tito mentioned, this is the third highest figure in our trajectory, a milestone for us. This performance reflects not only the increase in metal prices, but also our cost reduction initiatives and improved operational performance from Nexa Way program. It's worth mentioning that this number was affected by the impact of approximately US\$6 million related to the update of the environmental provision for the Três Marias smelter. On the next slide, we will discuss in further details our segments performance.

On slides 9 and 10, we will discuss our mining segment operational results. Zinc equivalent production reached 130kt, up 7% year-over-year, mainly driven by Cerro Lindo and El Porvenir mines. Note that mining production in Peru was temporary suspended by mid-March 2020 due to the mandatory measures announced by the Peruvian government to control COVID-19 spread. In 1Q21, zinc production was slightly higher compared to the same quarter a year ago, while copper production increased by almost 13%. As previously disclosed, Atacocha production was temporary suspended due to communities' blockades. Going forward, we expect a decrease in zinc production in Vazante, as Extremo Norte mine is expected to remain suspended until the end of the second quarter. Consequently, we decreased our annual zinc production guidance by 10kt. Production guidance for copper, lead and silver are maintained. In terms of net revenue, we reached US\$255 million in 1Q21, up 57% year-over-year, explained by: (i) higher average LME prices; and (ii) the increase in sales volumes. Adjusted EBITDA for the mining segment stood at US\$97 million, significantly recovering from the negative US\$17 million in 1Q20.

As you can see on slide 10, this performance was mainly explained by: (i) the increase in volume with a positive variation effect of US\$12 million dollars; (ii) followed by market related factors such as higher prices and lower TCs with an impact of approximately US\$80 million; and (iii) higher by-products credits. In terms of cash cost, as you can see on the bottom right, consolidated mining cash cost in 1Q21 compared to the same quarter a year ago decreased by 54% to US\$0.24/lb, positively driven by higher by-products prices and lower operating costs. Now let's turn to the smelting segment results.

On slides 11 and 12, we will discuss our smelting segment operational results. Metal sales amounted to 148kt, up 2% year-over year and down 8% from 4Q20 due to lower seasonal demand. Demand remains robust and we expect smelter sales to improve in the next quarters, following typical seasonality. Thus, our annual sales guidance is maintained. Net

revenue in the quarter was US\$467 million, positively driven by higher prices and volumes. Adjusted EBITDA for the smelting segment stood at US\$84 million, up 36% from 1Q20.

As you can see on slide 12, this increase in EBITDA was mainly explained by: (i) higher prices, higher TCs and the Brazilian real devaluation against the U.S. Dollar, all of which had a positive US\$25 million impact on EBITDA; and (ii) the increase in by-products and the decrease in costs also contributed with an additional US\$7 million. In terms of cash cost, consolidated smelting cash cost increased to US\$1.00/lb in 1Q21, mainly driven by market-related factors such as higher zinc prices, impacting the concentrate purchase price. Third-party services also had a negative impact in the quarter.

I will now turn over the call to Rodrigo Menck, our CFO, who will provide more detailed information about our balance sheet. Menck, please.

**M** – Thank you Roberta. Good morning and good afternoon, everyone. I am now on slide 13. As demonstrated in the upper left graph, our liquidity remains strong and we continue to report a healthy balance sheet with extended debt profile. By the end of the first quarter, our available liquidity was US\$1.3 billion, which includes our undrawn revolving credit facility of US\$300 million. As of March 31<sup>st</sup>, the average maturity of our total debt was 5.3 years, with an average debt cost of 4.7%. Our leverage measured by the net debt to adjusted EBITDA ratio decreased to 1.73x from 2.29x, mainly driven by the recovery of our cash generation, replacing a much lower 1Q20. The debt breakdown graphs are shown on the right side of the slide both by debt category and by currency.

Now moving on to slide 14. For 2021, our investment guidance remains unchanged. In the first quarter, we invested US\$84 million in capex. The Aripuanã project amounted to US\$40 million, 50% of the total approximately. For the year, as previously disclosed, we estimate to invest US\$232 million to further develop Aripuanã. Sustaining investments (including HSE) amounted to US\$31 million in the quarter. As projects advance, we expect disbursements to increase over the quarters meeting guidance. In terms of mineral exploration and project evaluation, we invested a total of US\$14 million in the quarter. For 2021, we expect to continue our mineral exploration and project evaluation investments as we will maintain our efforts to replace and increase mineral reserves and resources, supporting our business growth. As we anticipated to the market, this quarter, we published our first exploration report. I encourage all of you to read it and hope the document provides further clarity on our exploration program strategy and its results.

Turning now to the next slide, slide 15. On this slide, we present Nexa's free cash flow generation. During the quarter, we consumed US\$80 million of our liquidity, describing it further and starting from our US\$180 million adjusted EBITDA, we had a US\$13 million gain in working capital, which was more than offset by sustaining capex, interest paid and taxes. Still, Nexa has generated US\$105 million of cash flow before expansion projects during the analyzed period. After that, we invested US\$52 million in non-sustaining capex, which includes mainly our Aripuanã development project. Also, we had US\$42 million from loans during the quarter, US\$6 million of the acquisition of 9% equity interest in Tinka Resources, US\$33 million in net dividend payments and finally other non-operational impacts of US\$51 million, including FX.

I will now handle the call back to Tito. Tito, please.

**T** – Thank you, Menck. We are now on slide 17. Here, we will make some comments about the market fundamentals. During the quarter, zinc prices were up by 29% compared to the same quarter a year ago and around 5% compared to the 4Q20. This increase continued to be driven by a strong economic activity in China and also by a better sentiment towards commodities in general. The robust recovery in manufacturing activity, in addition to expectations of global economic growth in 2021 are also supporting this performance. In terms of zinc supply, most mines in LATAM resumed their activities last year, with no further production impact in 1Q21. In China, on the other hand, some mines reduced production in 1Q21 due to the winter season disruptions and Chinese New Year,

which caused a reduction of concentrate availability. This contributed to additional pressure in an already-highly competitive market, and Chinese spot TCs have decreased dramatically in the quarter, affecting smelter's profitability. In terms of our home market, LATAM, zinc metal demand remained strong, exceeding pre-pandemic levels. We notice that demand recovery has been sustained mostly by construction, infrastructure, energy and agribusiness sectors. Base metals demonstrated strong performance during the quarter. Looking ahead, we believe this trend will remain at least in the first half of the year. Now, please move to the last slide.

As I stated earlier, we recorded the third highest quarterly result in our history. We were able to overcome the challenges we faced and deliver a strong performance. COVID-19 remains a risk factor, not only for our business, but for the global GDP recovery. Our health protocols to mitigate the spread of the virus remain in place in our operations and projects, and we will continue to monitor and evaluate COVID-19 potential impact in our value chain. In order to navigate in this still uncertain scenario, we will continue to maintain our capital discipline and costs control. We believe we have an attractive pipeline of projects and we have been preparing ourselves to generate long-term value, building the mining of the future.

Thank you all for your time and let's move on to the Q&A session.

### Q&A Session:

**O** - Thank you. We will now begin the question-and-answer session. [Operator Instructions] And the first question will come from Gabriel Galvão with Credit Suisse. Please go ahead.

**Question** - All right. Good morning, everyone. First of all, congratulations on the results and thank you for taking my questions. So, my first question would be regarding the Nexa Way program. So, you said you found additional opportunities in light of the COVID-19 outbreak. It has been some quarters. Already they do have been saying that could unlock additional US\$60 million in annualized savings, right, with additional opportunities. So, maybe you could comment a little bit on why these initiatives were not identified before. And it would also be helpful if you guys could give us some examples and practical examples of these initiatives, so we can better understand their nature. And my second question would be regarding treatment charges. So, could you comment on your expectations for TCs for the rest of the year? Thank you, guys.

**M** - Hello, Gabriel. Thank you very much for your question. This is Rodrigo Menck. Nexa Way, the way we disclosed right at the beginning of the program, we anticipated up to US\$120 million through the end of this year, of which we have captured until this first quarter, US\$105 million, right. The program officially ended last September, and we didn't want the market to mix new initiatives that could arise after the first number was disclosed. This is a continuous process. So, then a dynamic process and we intend to incorporate in our culture here in the company. But initiatives that came up during the period from September last year to December, they were estimated to be reaching up to US\$60 million additional to the US\$120 million and that's why we are dividing. Sometimes it might get confusing, but this is why we did it so that we can have different controls over the amounts. We are really seeing which was the impact during this period ever since December. And probably in the second quarter, we'll have an additional figure to disclose to you, so this is what we have from numbers. Initiatives come from all sorts of activities within the company, it can be from efficiency programs in terms of our financial flows, it can be procedures in terms of how we spend our capex, how we analyze, how we analyze projects in terms of being one after the other not doing everything altogether. So, there are many efficiency aspects that are being pursued. That's really caused the gains that you are seeing. So, the US\$60 million that are additional initiatives were the ones that were not initially anticipated or were caused by the other initiatives that were contributing



to US\$120 million. So, this is a continuous process and you will be able to follow throughout the year. I hope this addresses your question. And Tito will address the TC.

**T** – Yeah. Hi, Gabriel. Thank you for your question. Regarding TCs, as you probably know, the benchmark was set less than a month ago, now it is US\$159. It is interesting to mention that we are still seeing TCs in a very low level in Asia. The average TC in Asia right now is around US\$80 - US\$90 per ton. In our case, as we said before, we have, what we call, the brief contracts. So, most of our TCs on an annual basis are only affected by our contracts – are only affected by one-third when the new benchmark is set. Usually, our TCs with our suppliers, they stay in the ranging between 5% to 10% below or above the benchmark. They are negotiating on an individual basis. We have to see what's going to happen next year because interesting or not, this situation in Asia, mostly in China having TCs in very, very low levels. And actually have an impact of the smelters there. They dropped in the very fast way, I mean, coming down from US\$300 to US\$159 is huge. It is a huge difference. I don't think that we ever saw anything like this. Anyways, in our case, we benefit because we are balancing between mining and smelter. And we have to see how it's going to be reacted in the next year.

**O** - Thank you. And the next question will come from Jackie Przybylowski with BMO Capital. Please go ahead.

**Question** – Thanks very much. Thanks for taking my question. I wanted to ask you about the investment that you made in Tinka. Can you tell us a little bit about your rationale for that investment? Is it something that you're planning to do to work more closely with Tinka going forward or is this really just the investment? And if so is, should we just think that this is sort of the best use of your cash for now or there is no alternative growth projects in your own company like, how should we be thinking about this?

**T** - Hi, Jackie. Thank you for your question. Basically, what happened is the following. We see Tinka Ayawilca project specifically as a very attractive one. Our interest in this investment up to now has to be in a position to potentially follow up the project. Of course, in the future, we have a pipeline of projects, but in the future, we have the obligation to pay attention to different projects, mostly in our area of influence, right. So, when you look at the pipeline of projects to be developed in Peru, clear there are not many, except by two or three that belong to us and one or two that belong to other company. There are not many. So, the idea is to follow-up and see if there is opportunity in the future with them. But so far, it's just a follow-up, I would say. An investment was not a significant one, right. So, it was an opportunistic approach, I would say.

**Question** – Got it. So, are you thinking that this might be something that would make sense to acquire, but in the future, and you're just using the investment as a way to monitor it, is that right?

**T** – Right now, just a way to monitor it. I cannot say that we're going to do something else or not, not today. Would not be appropriate. But we are not 100% sure what we're going to do with that.

**Question** – Got it, OK. And maybe just more broadly, can you talk about what Nexa's view or what your view is of the political landscape in Peru right now and specifically on the Presidential runoff elections?

**T** – This is an excellent question. Because to be honest with you, everybody was really surprised with the first round. Listen to what the candidate ahead of the pools, saying right now is, he scares everybody for sure. He has very radical positions in some of when the matter in our business, specifically in mining. But at the same time, we have to consider that the democracy in Peru has been well-established. The law works very well. We already know that if this candidate wins he will not have the Congress on his side, because the Congress has a more center approach. So, as long as the formal situation prevails, we should not be worried about who is going to win. And by the way, it is still



too early to say that he really will win. We've seen in the past changes at the last minute in previous elections. So, we have to just wait to see. If you ask anybody in Peru today what they think about the situation they're leading there? Lots of different opinions, yeah. But everybody agrees that Castillo is being ahead of the polls is a huge surprise, a really huge surprise, and it can change.

**Question** – Okay. Yeah, we'll wait and see. That's probably all we can do. Thanks very much, Tito.

**T** – Thank you, Jackie.

**O** – The next question will be from Isabella Vasconcelos with Bradesco BBI. Please go ahead.

**Question** – Thank you. Good morning all. I have two questions on my side. The first one, Tito, you were talking about demand exceeding pre-pandemic levels in the home markets. My question is regarding inventories throughout the chain. And do you see restocking already supporting demand already or has the process hardly happened yet? And the second question on the Aripuanã project, it seems to be making good progress now. Is there any possibility of anticipating the start-up dates or not really? Thank you.

**T** – Hello, Isabella, thank you for your questions. Regarding demand, no, we are not seeing any imbalance in the stocks. There was a restocking sometime in last six months. But what we're seeing today is really demand. The demand is strong, not only in the home market, but demand is strong everywhere. I mean, if we have a drop in demand in Latin American today, I'm sure that we would easily sell anywhere in the world. Why is it happening? It's a huge impact from the incentives provided by the different governments, not only in LATAM but everywhere. And when you look at the situation in the US and China, you see clearly that the incentives are working and demand for base metals are really strong. I don't see this situation changing at least for the next six months. I remember, in the last call we had, I was saying that we were sure that demand was strong for the first half. Now we already can see what's going to happen in the third quarter and it looks that this will remain pretty much the same. You may have, for example, Brazil suddenly demanding less material but it will be compensated by a lot of countries in LATAM, but we are not concerned about what the short-term shows us today. In terms of Aripuanã, Aripuanã is doing well, it is, and despite the difficulties we are still facing with COVID-19. You have to remember, Aripuanã is located in a very remote area. So, we had to implement a lot of different protocols and measures in order to keep people safe. Just to give an example, we have more than 3,000 people right now working in our site in Aripuanã. There's a lot of people working together in a city with the 25,000 people as total population. So more than 10% of the people in Aripuanã are working for us. So, our involvement with the authorities to implement measures was huge. Do we expect to anticipate? No, I would not say that. I think maybe if you were not facing the difficulties with COVID, the situation will be different, and we could try to anticipate. But given what we have today, I don't think -- we are on schedule and we expect to be on schedule. Thank you.

**Question** – Very clear. Thank you, Tito.

**O** – The next question is from Orest Wowkodaw with Scotiabank. Please go ahead.

**Question** – Hi, good morning. Tito, I was wondering if you could give us some more color on how the operations are faring, given the COVID situation in both Peru and Brazil? And specifically, I was wondering, there's a comment in your release about the Cajamarquilla smelter, I guess, some of the feed that you were anticipating in Peru has been I think shut down. I'm just wondering if that's COVID-related or how the mines and smelters are handling the supply chains right now.



**T** – Hello, Orest. Thank you for the question. Let's explain how we are operating. In Brazil, we have protocols in our sites. We try to have on-site the minimum number of people. So, administrative people, they are not working on our sites. They are working from home. Then we have the operators only, and they follow specific protocols. We have implemented active testing, which means that 100% of our people have been tested from time to time, which gave us more assurance that we would not have problems with the disease internally, the contamination internally. We also started to make some specific programs with the families of our employees exactly to educate them and having them being careful about the contamination. So, if we had some people contaminated mostly because they go back home and they interact with others, but we were never affected in Brazil. In the case of Peru, it's a little bit different because we have turned shifts, so people move to the mines, they spend 14 days there, then they go back home for seven days. So, we have to test everybody who comes in, and after seven days, we test them again. At some point last year, when we came back to production after the lockdown in Peru, it took us almost a month and a half to reach 100% production because we had a lot of people being tested positive. This is not happening anymore, despite the level of contamination we are seeing in Peru. Fortunately, our protocols in the education we provide about the disease is working well and the number of contaminated people now in our operations was reduced. We are also with the active testing there, so things are going well in general. In the case of the second question about Cajamarquilla, not only Cajamarquilla, but Juiz de Fora as well. In the last three years, we were using some consigned material, from Doe-run, Doe-run is a stated-own smelter in Peru. It has been in liquidation for the last 10 years, the Peruvian government tried to sell it. Sometimes along those 10 years, they never were successful with that because Cajamarquilla has some issues, labor disputes and other things. They had planned a maintenance shutdown at the end of February. We knew that, but when they were returning to operate, the justice forced them to not return. It looks like the general attorney wants to speed up the liquidation process. I personally don't think that it will last longer. I think that because we are talking about more than 2,000 jobs that are at risk right now with this stoppage. So, I think, sooner or later, they should return. How it affects us? It has not affected yet, and I don't think we will affect because we have other alternatives to bring in additional material, not only from suppliers of concentrate, but also from producers of outside countries the consummated material, either in Brazil, in US or in Europe. So, we should keep the level of production we have guided based on the understanding that these materials could be available. Thank you.

**Question** – Thanks, Tito. And just getting back to Jackie's question about Peru, does the political scene there make you rethink any of your future growth projects in that country? But could we see you shift more of an allocation of priority to Brazil versus Peru?

**T** – Not, it's very premature. As I said before, we believe that the lawsuit should prevail. So, of course there are concerns about very far leftist politician. But when you look back, Peru has had Presidents along the last two decades, from left, from right, from center and the law always was stronger than that. As I said, the Congress has a lot of power in Peru. They impeached last year 2 Presidents, right. So, this Congress is not supporting the leftists. So, we should have a more stable behavior from the future President if he is elected. So, it's not time actually, it's premature to decide about anything.

**Question** – Okay. Thank you. Just one more follow-up if I could. I noticed on your slide of projects, page 5 of your presentation that Florida Canyon is not there. Just wondering what's happened there. If that's just been pushed out from a timeline perspective.

**T** – No, it's because Florida Canyon is not yet considered as a project. It's still in the phase of drilling, the campaigns are going well. Sometime last year, we had to interrupt it because of the COVID but now we're back and when it returns to the route of the FEL 1, then it becomes a real project, but we are relying on that, still looking at that.

**M** – Just adding to that, Orest. This is Rodrigo. It's not on the presentation, but it's on the earnings release on page 27, so that you can have a reference.

**Question** – Yes, good. And is the expectation here that as Aripuanã reaches completion around the end of the year that we should anticipate one of mildest trial or sponsors to move forward given the feasibility stage.

**T** – We are ending the feasibility study of Magistral, given the delay we had in Aripuanã and even the COVID have some impact in the project because we were not allowed to access the area for some time, so that's why we are a little bit late. We are in the FEL 3 of Magistral, but the idea is actually to spend the rest of the year trying to de-risk the project. If the project shows a good return, we should be approving, needs to be implemented, I would say, beginning of next year. Soon after we finish the Aripuanã. We still have not concerns, but we still have some things to be addressed in order to de-risk the project. But if everything goes as we expected, we should be starting implementation next year, in 2022.

**Question** – Thank you.

**O** – [Operator Instructions] The next question comes from Carlos the Alba with Morgan Stanley. Please go ahead.

**Question** – Yeah. Thank you very much everyone. I hope you're doing well. Just a couple of questions, if I may. First one is on your mining cash cost, they came out US\$0.24. The guidance for the year is US\$0.33, how do you feel about the guidance? Are you being conservative because of COVID? I know that matters, maybe the reduction in zinc production a little bit on the conservative side on the cost guidance. But if you could elaborate a bit more on what you see in the coming quarters that will be very useful. And the second question is, if we can get a little bit more color on how you are seeing the situation of metal purchase from third parties in Brazil to complement what the company smelters, they are producing, given the strong demand. Thanks a lot.

**M** – Hey, Carlos. Thank you for the question, this is Rodrigo. On the mining cash cost, it's not about being conservative at all, it's just that there are three elements there, one of which is the efficiency program that comes with the brand of our Nexa Way but it permeates all of the procedures that we have. So, it accounts for our share of it. We have higher by-products prices, which impacts positively the mining cash cost and also the FX devaluation, especially in Brazil, but also in Peru recently. It was more recent, it's much more about the Brazilian currency devaluation, which are highly impacted. When you look at the graph that we included in our presentation, we kind of highlight the market-related effects, but there is also a fair share of our internal processes. Could you repeat the second question, please?

**T** – I can answer that. Well, basically what happen is the following, we were surprised by the level of demand that we have from some of our main customers, our contracts, they have a range for volumes on an annual basis and because of that, at the end of the day, we have to bring in some metal from abroad, actually bought it from Mexico, we've got a relevant amount, but just to balance the stocks. Just to give an example, we turned the year with stocks below our regular levels because of the demand we're having. I don't know if it answers your question.

**Question** – Yes, Tito. Do you think that will continue in the coming months?

**T** – I hope it continues. We don't know why because we make money, we make money with that. And I said that in the last call, if you were able to produce more, we would sell it. And we are not foreseeing a major change in the market at least for the next, I would say, 3-6 months, it's good, it's really good.

**Question** – And then, so in general, the market must be quite tight in Latin America because Grupo Mexico's smelter had a fire in first quarter. The sales of refined metal were lower than expected so they are still just ramping up. So, you're probably experiencing very good premiums across the whole region, right, Peru and South America.

**T** – Yeah, yeah, yeah. It's important to mention half of what we produce, we sell in LATAM, right, and half we export to other places. So, every time we have this excess demand, we actually reduce what we sell to outside LATAM.

**Question** – Fair enough. Thank you, Tito, Rodrigo and Roberta.

**T** – Thank you, Carlos.

**M** – Thank you, Carlos.

**R** – Thank you, Carlos.

**O** – Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Tito for his final remarks. Mr. Martins, please go ahead.

**T** – Thank you. I'm not repeating myself, but I would like to tell you, we are very confident about 2021. If you look back in the last 3 quarters, we managed to face the COVID difficulties and we delivered what we were planning to deliver. So, second half of last year and the first quarter of this year in terms of operations and performance, were really good. Despite the challenges we are still facing, it has to do with COVID, some issues we had with Vazante, with the Extremo Norte, some difficulties with the local communities at the beginning of the year, we managed to overcome them and deliver what we had planned. Of course, market is helping, clients are good. We are not foreseeing prices coming down to the levels we saw last year. It seems to us that we should see a price ranging in between of what we saw at the beginning of the year and what we are seeing today. And as I said, demand has been the main reason for that. So, the incentives that in different economies in the world are providing to the business. So, we are confident about the year and the message here is, hope to talk to you next quarter saying the same, good quarter, good performance. Once more, thank you for you being here with us. I, Menck, Roberta and the Investor Relations team are available, anytime you want to speak with us. Have a good day, a good weekend and stay healthy. Thank you.

**O** - [Operator Closing Remarks]

**Participants of the Q&A:**

**Gabriel Galvao** – *Credit Suisse*

**Jackie Przybylowski** – *BMO Capital Markets*

**Isabella Vasconcelos** – *Bradesco BBI*

**Orest Wowkodaw** – *Scotiabank*

**Carlos de Alba** – *Morgan Stanley*

(Call Duration: 48 Minutes)