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## **INDUSTRIAS PEÑOLES, S.A.B. DE C.V. RESULTS REPORT FOR THE FIRST QUARTER OF 2021.**

Mexico City, April 30, 2021 – Industrias Peñoles, S.A.B. de C.V. (“Peñoles” or the “Company”) (BMV ticker symbol: PE&OLES), mining group with integrated operations in the smelting and refining of non-ferrous metals and the production of chemicals, reports its consolidated results for the first quarter of 2021 (1Q21) and the main variations in comparison with the same period of 2020 (1Q20).

### **EXECUTIVE SUMMARY**

During the initial quarter of 2021 and to date, we continue to apply strict prevention, control and hygiene protocols in our facilities to safeguard the health of personnel, contractors and third parties. We also continue to support the communities near our operations. Meanwhile, the Mexican government has begun the application of vaccines to prevent further spread of the disease.

The reporting period was better than last year’s, when the first consequences of the pandemic escalated globally, causing economic paralysis and with it, sharp falls in metal prices. Said that, the prices of the metals that Peñoles produces and sells recovered, with averages in 1Q21 above those registered in 1Q20 as follows: silver (+27.5%), lead (+10.8%), zinc (+21.3%), copper (+37.4%) and to a lesser extent gold (+1.6%).

In the mining operations, the increase in gold production stands out (17.8% higher than that in 1Q20), mainly due to a higher volume of ore deposited in Herradura with better grades. Silver obtained a favorable variation (+2.4%) due to contributions from Capela, which began operations in February 2020, and from Juanicipio —whose mineral from the first stopes is being processed at the Fresnillo beneficiation plant while construction of its own plant is being completed. Lead remained stable (-0.6%) and zinc was lower (5.8%) mainly due to the lack of production of Madero and Bismark, whose operations, as reported, were suspended in April 2020. The higher production of Capela was able to make up part of these deficits. Regarding copper, an increase of 45.6% was registered thanks to the better grade in Sabinas and greater recovery in Capela, while Milpillas' copper cathodes reported a 79.6% lower volume, since, as also was reported, cathode production from copper ore leached in patios continues, and the decision was taken by mid-year in 2020 to suspend extraction.

In the metallurgical division, the annual scheduled maintenance stoppage was carried out at the Lead Smelter during the 1Q20 and there was another programmed stoppage to interconnect the Silver Recovery II project at the Zinc Plant. Thus, during 1Q21, there were higher volumes of concentrates and other materials treated at the plants, benefiting the quarterly production of refined metals, comparatively. In the case of lead and zinc, volumes increased by 16.7% and 16.9%, respectively. For gold and silver, there was also a higher entry of rich materials to the Lead-Silver Refinery, with which the productions were favorable: gold (+ 27.7%) and silver (+ 12.6%).

In the chemical business, the output of sodium sulfate and magnesium oxide were 3.8% and 6.7% lower, respectively, as compared to 1Q20, due to the shortage of natural gas supply and power outages during February. Ammonium sulfate recorded higher production (+23.8%) due to the availability of sulfuric acid from the smelter, while the volume of magnesium sulfate was very similar.

Financial results for 1Q21 were favorable compared to those recorded in 1Q20. This was because the rebound in metal prices favored sales income, combined with higher volumes sold, especially refined gold, silver, and zinc. The cost of sales increased due to higher production costs affected by various factors, such as a higher pace of operations; inflation in certain items such as electricity; a higher depreciation charge because of Capelas' start-up; the cost of metal sold, due to higher average prices in inventories and volumes purchased from third parties for processing in the metallurgical plants — partially offset by the increase in revenues from treatment charges. Likewise, there was a charge for inventory movements, whereas the previous quarter there was a credit from accumulating inventories in process, as well as from the recognition of gold inventories in Herradura leaching pads.

Operating and financial expenses increased, the latter because of a higher level of debt than the previous year at longer term. Additionally, there was an exchange gain due to the revaluation of the peso —since the Company's monetary assets in that currency are equivalent to more dollars, which is its functional currency—, comparing favorably against the exchange loss for the same quarter of the previous year. The other expenses item was much lower because in 1Q20, impairment losses in long lived assets were recorded in the Milpillas and Madero units. The provision for income taxes, meanwhile, was similar.

Due to the aforementioned factors, the financial results obtained by Peñoles in 1Q21 and their variation with respect to the figures of 1Q20 were the following (figures in millions): Net Sales US\$ 1,548.1 (+48.7%), Gross Profit US\$ 429.4 (+159.5%), EBITDA US\$ 480.4 (+121.9%), Operating Profit US\$ 296.4 (+590.8%) and Net Profit of the Controlling interest of US\$ 146.7, favorable compared to the Loss of -US \$175.6 registered in 1Q20.

## **I. FINANCIAL RESULTS**

The Company's consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The analysis of the consolidated financial statements is presented in millions of United States dollars (US\$), which is the functional currency of Peñoles and the figures for 1Q21 are compared with those for 1Q21, unless otherwise indicated.

### **FINANCIAL HIGHLIGHTS:**

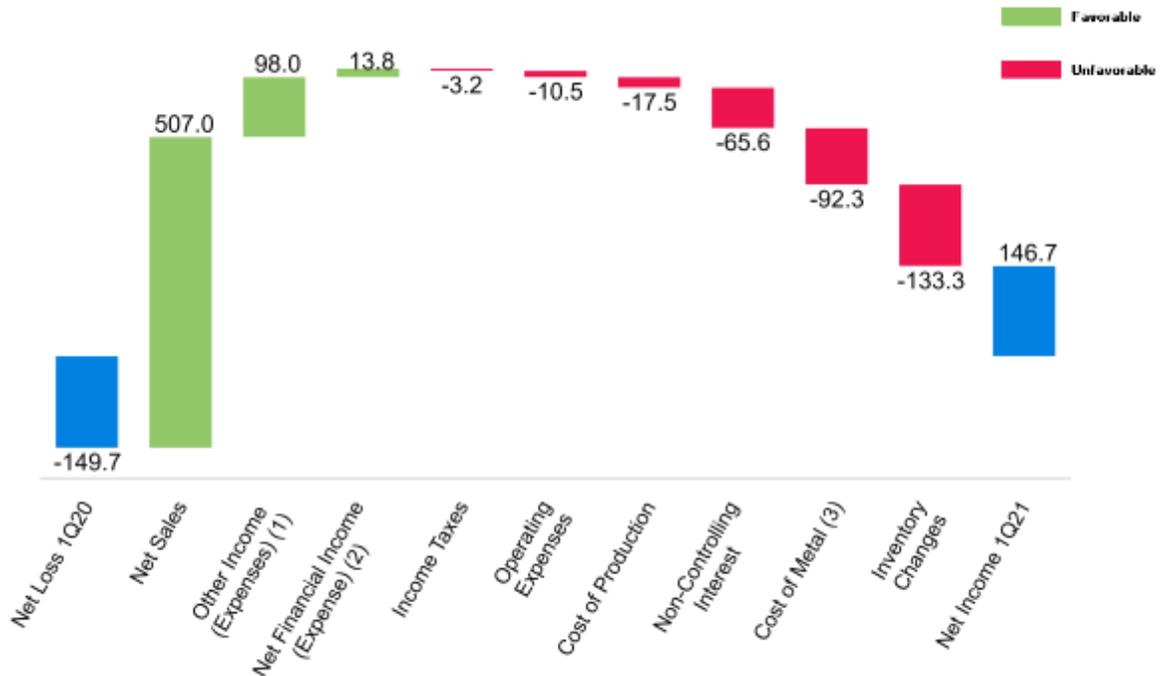
(Million US\$)	1Q21	1Q20	% Var
Gross Sales	1,569.8	1,038.1	51.2
Net Sales (1)	1,548.1	1,041.1	48.7

<b>Gross Profit</b>	429.4	165.4	159.5
<b>Gross Margin</b>	27.7%	15.9%	
<b>EBITDA (2)(3)</b>	480.4	216.5	121.9
<b>EBITDA Margin</b>	31.0%	20.8%	
<b>Operating Profit (3)</b>	296.4	42.9	590.8
<b>Operating Margin</b>	19.1%	4.1%	
<b>Other Income (Expense) (4)</b>	-5.4	-103.3	n.a.
<b>Financial Income (Expense)</b>	-27.3	-41.1	-33.5
<b>Controlling Interest on Net Income</b>	146.7	-149.7	n.a.
<b>Net Margin</b>	9.5%	-14.4%	

- (1) Includes the results of hedging metal prices.  
(2) Earnings before Interest Expense, Taxes, Depreciation and Amortization.  
(3) Does not include Other Income (Expense).  
(4) Includes impairment losses.

### INCOME STATEMENT:

The following rainbow chart summarizes the variation that each income item had and its influence on the change in the net loss of 1Q20 compared to the net profit registered in 1Q21:



- (1) Other expenses include impairment losses on long-lived assets.  
(2) Financial expenses include Exchange result  
(3) Cost of Metal net of Revenue from Treatment Charges, Income on inventories and other items.

The variations are explained below:

**Net Sales** for the quarter amounted to US\$ 1,548.1, higher by US\$ 507.0 (+48.7%), whose variation is integrated as follows: +US\$ 370.6 from better metals and realization prices in the sale of concentrates; +US\$ 167.1 of higher volumes sold, mainly gold, zinc and silver; lower income from the sale of other products and services (-US\$ 6.0). This is accompanied by hedging losses of -US\$ 24.7.

**Cost of Sales** of US \$ 1,118.7, increased US\$ 243.1 (+27.8%), which is explained as follows:

Higher **Cost of Metal** in US\$ 92.3, mainly because of higher metal prices and volumes of materials purchased from third-party senders for processing in metallurgical operations, as well as expenses related to importing concentrates. This was partially mitigated by higher income from treatment.

Higher **Production Costs** in US\$ 17.5, attributable to the costs added by Capela's entry into operation during 1Q20 while the current quarter it operated at full processing capacity, in addition to the increase in prices of some inputs, mainly electric power. The foregoing was mitigated with savings in various items due to the reduction measures implemented and the favorable effect of the higher average exchange rate when converting the cost of inputs incurred in pesos to US dollars —approximately 50% of the costs originate from in pesos. The main variations were the following:

- Energy (+US\$ 12.8, +13.4%) due to increases in electricity and natural gas. In the case of electricity, the increase was due to transmission costs, as well as the annual stoppage for maintenance at Termoeléctrica Peñoles —which lasted longer than expected—, in addition to the adjustment in the variable costs stipulated in the supply agreement.
- Depreciation, Amortization and Depletion (+US\$ 10.7, +6.3%), due to the entry into operation of the Capela unit.
- Human Capital (+US\$ 4.1, +5.9%), mainly due to a higher provision in the variable general benefit reserve.
- Maintenance and Repairs (-US\$ 6.1, -7.2%), due to lower spending on major repairs and mechanical repair materials.
- Operating Materials (-US\$ 2.8, -3.1%), due to lower consumption of explosives and detonators, iron, steel, anchors and various reagents.
- Contractors (-US\$ 2.2, -1.9%), due to less development work in mining and civil works, less hauling and dumping of ore.

Likewise, there was a charge to the cost of production for **Inventory Changes** of US\$ 39.3 (unfavorable by +US\$ 133.3 against the credit of -US\$ 94.0 in 1Q20) mainly because in that quarter there were credits for inventory accumulation and recognition of gold inventories in Herraduras' leaching patios in 119 thousand ounces.

Due to the above, **Gross Profit** for 1Q21 amounted to US\$ 429.4, favorable in +US\$ 263.9 (+159.5%) as compared to US\$ 165.4 in 1Q20.

**Operating Expenses (General Expenses)** totaled US\$ 133.0, a variation of +US\$

10.5 (8.6%) from the following items:

- Higher **Administrative Expenses** (+US\$ 7.7, 12.8%) for paid fees, dues and associations that were partially offset by lower travel expenses.
- Higher **Selling Expenses** (+US\$ 4.3, 16.1%) for extraordinary mining rights, royalties on sales, and other market expenses.
- A slight decrease in **Exploration and Geological Expenses**, in -US\$ 1.6 (-4.2%).

Quarterly **EBITDA** reported US\$ 480.4, favorable at US\$ 264 (+121.9%) compared to that registered during 1Q20. Similarly, **Operating Income** of US\$ 296.4 was higher by US\$ 253.5 (+590.8%).

US\$ 5.4 were recorded during 1Q21 for **other expenses, net**, a reduction of -US\$ 98.0 against US\$ 103.3 incurred in 1Q20, mainly because in that quarter there were charges from impairment of long-lived assets at the Milpillas (US\$ 56.6) and Madero (US\$ 45.9) mining units—as their operations were suspended indefinitely.

In the **Financial Result**, an expense of US\$ 27.3 was incurred, favorable compared to US\$ 41.1, as result of:

- **Financial income** of US\$ 9.5, higher than US\$ 5.7 (+US\$ 3.8), mainly due to profit from changes in the fair value of financial instruments (+US\$ 5.0), which was partially offset by lower interest earned and other financial income (-US\$ 1.2).
- **Financial expenses** of US\$ 44.3, higher than US\$ 30.4 (+US\$ 13.8), due to higher interest accrued on financial debt (+US\$ 11.9), and loss due to changes in the fair value of derivatives and other financial expenses (+US\$ 1.9).
- **Exchange rate fluctuation.** In terms of conversion, the result was favorable by +US\$ 23.8, since in 1Q21 an exchange gain of US\$ 7.4 was recorded, while there was an exchange loss of -US\$ 16.4 in the same quarter of the previous year. This item comes from the conversion—at the exchange rate on the date of the balance sheet—of monetary assets and liabilities in currencies other than the US dollar, including the Mexican peso.

The **Provision for Income Taxes** totaled US\$ 76.7, a variation of +US\$ 3.2 compared to the provision of US\$ 73.6. In 1Q21 it consisted of accrued taxes for US\$ 44.4, as well as a provision for special mining rights of US\$ 16.5, and for deferred taxes of US\$ 15.8; while, in 1Q20, the amounts of accrued taxes, mining rights and deferred taxes were US\$ 53.7, US\$ 0.3 and US\$ 19.8, respectively.

The **Non-Controlling Interest** in the results of the quarter was a profit of US\$ 39.1, a difference of +US\$ 65.1 against the loss of -US\$ 25.9, due to the better results of the subsidiaries with minority interest, mainly Fresnillo plc. On the other hand, the **Interest in the Results of Associated Companies and Joint Ventures** had a marginal variation of +US\$ 0.5.

Due to the factors described above, in 1Q21 the US\$ 146.7 **Net Income of the Controlling Interest** was favorable compared to the loss of -US\$ 149.7 obtained in 1Q20.

## CASH FLOW:

At the end of 1Q21, the Company had **Cash and cash equivalents** for US\$ 1,611.3, an increase of +US\$ 14.9 as compared to the balance of US\$ 1,592.7 at the end of 2020 fiscal year (net of exchange rate fluctuation and conversion effects of US\$ 3.7).

The most relevant concepts are discussed below:

- 1) **Net cash flows from operating activities** of +US\$ 212.8. This line item consists of items directly related to the operation without considering those that do not have an impact on cash (such as depreciation) and includes changes in working capital, as well as taxes on profits, employee profit sharing and participation in the results of associated companies and joint ventures.
- 2) **Net cash flows from investing activities** of -US\$ 129.9, comprising:
  - a) Investments in property, plant and equipment for -US\$ 150.9, highlighting the construction and development of the Juanicipio mine and the leaching pad 14 in Herradura. Additionally, it includes the development of amortizable mining works, the construction of tailings deposits, the purchase of mining equipment and other fixed assets for the operating units.
  - b) Advance payments and loans to third parties +US\$ 26.8.
  - c) Other concepts for -US\$ 5.8 that include the purchase of intangibles, interest collected and income from the sale of fixed assets.
- 3) **Net cash flows from financing activities** of -US\$ 68.0, derived from:
  - a) Interest paid on financial debt -US\$ 31.1
  - b) Amortization of short-term loans for -US\$ 33.7
  - c) Payment of lease liabilities -US\$ 6.2.
  - d) Other items +US\$ 3.0.

## II. ECONOMIC ENVIRONMENT AND METALS PRICES.

Among the principal variables that had a significant impact on the Company's results, the following are noteworthy.

	1Q21	1Q20	% Var
<b>Inflation rate for the Period (%):</b>	2.34	0.85	
<b>Exchange Rate (peso-dollar):</b>			
<b>Close</b>	20.6047	23.5122	-12.4
<b>Average</b>	20.3190	19.8551	2.3

Period	Gold (US\$/Oz)	Silver (US\$/Oz)	Lead (UScts/lb)	Zinc (UScts/lb)	Copper (UScts/lb)
1Q20	1,583.23	16.87	83.80	96.51	255.74
4Q20	1,873.24	24.50	86.34	119.35	325.40
1Q21	1,797.80	26.29	91.65	124.63	384.58
% Var 1Q21 vs 1Q20	13.6	55.9	9.4	29.1	50.4
% Var 1Q21 vs 4Q20	-4.0	7.3	6.2	4.4	18.2

Risk sentiment prevailed throughout 1Q21 in global markets, as investors were encouraged by the launch of vaccination programs and a larger-than-expected US stimulus package, betting on a strong post-pandemic-crisis recovery, not only in the country but in other major economies. Much of the complex of commodities and other risk assets performed well, reflecting a growing confidence in the world's economic outlook.

In this context, gold lacked luster in its quality of safe heaven investment, falling to levels below 1,700 US\$/oz, after reaching all-time highs of 2,072 US\$/oz in August 2020. This decline was mainly due to the increase in US Treasury yields. Despite the correction, gold remains at high levels, supported by an accommodative monetary policy, the increase in public debt and inflationary pressures. For its part, silver price has been volatile, as the metal was attacked by social media groups in the stock markets, similarly to "GameStop". Although silver had a major jump due to comments on the Reddit platform, this was not enough to overcome the resistance of US\$30/oz, returning to a level of around US\$25/oz, in which it has remained stable.

For base metals, the rally in prices has been supported by a recovery in industrial activity and increased infrastructure spending in China, combined with some supply constraints, particularly for copper. However, the second wave of Covid-19, especially in Europe, as well as border closures, are negative factors that have slowed down the rise in prices.

### III. OPERATING RESULTS

The main factors that had a bearing on the changes in operating results in 1Q21 with respect to those obtained in 1Q20 were as follows:

#### **MINING OPERATIONS:**

Production	1Q21	1Q20	% Var
Ore Milled (Mton)	3,912	4,511	-13.3
Ore Mined (*) (Mton)	7,185	7,460	-3.7
Gold (oz)	244,217	207,384	17.8
Silver (koz)	15,517	15,158	2.4
Lead (ton)	20,892	21,023	-0.6
Zinc (ton)	69,687	73,988	-5.8
Copper (ton)	2,999	2,059	45.6
Copper Cathodes (ton)	893	4,388	-79.6

(\*) **Herradura and Noche Buena (open-pit mines) and Milpillas.**

**Gold (+17.8%):** The higher quarterly gold production was due to the increase in the volume of processed ore and a higher grade than expected in Herradura and, to a lesser extent, the production of Capela and a higher grade in Saucito. This was partially offset by lower ore volume processed and grade at Noche Buena as the mine approaches its planned closure.

**Silver** (+2.4%): The increase in silver contents was mainly due to the progress in Capela's operations, which reached 99% of its installed capacity for milling and mineral beneficiation in December 2020; Juanicipio's processing of development mineral in Fresnillo's beneficiation plant; the productions of San Julián (Disseminated), Tizapa, Fresnillo and Sabinas —due to better head grades; and Tizapa —also due to higher volume of beneficiated ore. These mines mitigated the lower productions of Saucito — due to lower grade, volume and recovery; Herradura and Ciénega —due to lower grades; and the deficit of Madero —due to the suspension of its operations.

**Lead** (-0.6%): The better grade at Saucito mitigated Madero's and other mining unit's production deficit, mainly due to a lower volume of milled and processed mineral.

**Zinc** (-5.8%): The production of zinc content was mainly affected by the suspension of activities in Madero and Bismark, the shortfalls of which were mitigated with the volume from Capela, the better grades and recoveries in Saucito, and to a lesser extent by Tizapa's higher volume, grade and recovery, Velardeña's higher volume and recovery and San Julián's better grade and recovery.

**Copper** (+45.6%): The increase in copper content was due to the contribution of Capela —in which the efficient separation of lead-silver in the flotation circuit has improved, in addition to Sabinas' better head grade; offseting Madero's and Bismark's deficits.

**Cathodic copper** (-79.6%): The lower production was because mineral extraction was suspended in Milpillas, and only the leaching of the deposited mineral to recover copper from its patios continues.

**METALLURGICAL OPERATIONS:**

Production	1Q21	1Q20	% Var
Gold (oz)	314,552	246,333	27.7
Silver (koz)	18,669	16,581	12.6
Lead (ton)	31,365	26,871	16.7
Zinc (ton)	66,842	57,167	16.9

Metallurgical operations performed better during 1Q21, due to higher volumes of concentrates and materials processed at the plants, since in the first quarter of the previous year, scheduled shutdowns were carried out at both the Smelter —for maintenance— and at the Zinc Plant —to carry out the interconnection of the Silver Recovery II project—. This contributed to the increase in refined metals production. There was also a higher entry of direct materials rich in precious metals, —especially dorés from Herradura— and better gold grades in the treated concentrates, benefiting gold production. There were also greater purchases from third parties, especially of concentrates to balance mixtures and of silver-rich materials.

At the Zinc Plant, although there was an increase in the volume produced, we faced the challenge of power outages during February due to a national emergency. Progress continues in the normalization plan to stabilize the interaction of the old plant (Roasting) and the new one (Leaching) to reach the annual capacity of 350,000 tons of refined zinc.

**CHEMICAL OPERATIONS:**

Production	1Q21	1Q20	% Var
Sodium sulfate (ton)	184,786	192,163	-3.8
Magnesium oxide (ton)	19,170	20,554	-6.7
Ammonium sulfate (ton)*	44,116	35,627	23.8
Magnesium sulfate (ton)	14,226	14,363	-1.0

\* Does not include maquila.

Quarterly productions of sodium sulfate and magnesium oxide were affected by failures in power supply and restrictions of natural gas consumption during February. Additionally, preventive maintenance was carried out on the crystallizers of sodium sulfate's Plant 1. Magnesium sulfate had a marginal reduction in volume; good market demand is maintained, satisfied with existing inventories.

## IV. PROJECTS

### Peñoles Exploration

#### Exploration

Due to the current sanitary emergency, most of the Exploration team continued in the Work-from-Home scheme implemented by the Group. Travel and field work were minimized, concentrating on information integration tasks, preparation of reports and maps, work programs, interpretation of 3D models, update and review of operating procedures, exploration parameters and improvement of key processes. The main field works focused on the drilling of three projects, with a total of 7,238 meters (m) drilled.

#### Fortuna del Cobre (Sonora).

During the quarter, 2,553 m were drilled looking for the extension of the mineralization detected in the previous quarter, as well as the possibility of new ore bodies. It is intended to achieve mineral resources for 150 million tons (Mton) of disseminated copper ore. The results achieved to date are encouraging, due to some mineral intersections for over 100 m wide, and with areas still open to exploration. Representative samples are prepared for metallurgical research, and 3D models are integrated with the interpretation of the collected information. The works continue.

#### Reina del Cobre (Durango).

This is a Cu-Zn Project, located 20 km east of the Velardeña Unit. Inferred resources for 19 Mton have been detected with drilling, and to increase their degree of confidence it is necessary to apply a systematic loop-drilling. To achieve this, a series of mining developments have been projected to locate drilling stations. Works are planned to begin in the third quarter of the year.

#### Mining Units.

An extensive field survey program was concluded at the Sabinas Unit and a surface drilling plan was integrated in areas of interest. In the Capela Unit 1,354 m were drilled

in the western portion of the mine; the results indicate the extension of mineralization for 200 m, leaving it open for further growth. In La Industria zone in the Velardeña unit, the extension of the mineralized structures is being drilled, with a progress of 4,107 m. The results obtained are positive, extending the veins for an additional 400 m.

### **Other projects.**

In Peru, preparatory field work for drilling in the northern portion of the advanced Racaycocha Project has been completed. Likewise, in Chile, the design of the drilling campaigns scheduled to be carried out in the Nemesis and Pichasca projects in 2021 have been completed. These works will begin when the sanitary emergency allows for it.

In the areas where we operate, we have been in permanent contact with neighboring communities and they have been given support and training to face the sanitary emergency.

### **Fresnillo plc**

Fresnillo plc, a subsidiary that is independently listed on the London Stock Exchange and the Mexican Stock Exchange; and in which Peñoles maintains a 74.99% stake, continued to advance its exploration activities and the development of precious metals projects.

Regarding the development projects, progress continued in the construction of the processing plant and of the civil works of the future Juanicipio mining unit, whose start-up is estimated for the fourth quarter of 2021. Likewise, the optimization of the Fresnillo flotation plant that concluded during the last quarter of 2020 was interconnected to the beneficiation plant. This optimization was built to cope a higher lead and zinc content in Fresnillo's ore. Programming of the control circuit system is expected to be completed early in the second quarter.

For more information about the development of Fresnillo plc projects, visit [www.fresnilloplc.com](http://www.fresnilloplc.com).

## **V. ANNOUNCEMENTS**

On April 29, 2021, the Company held the Annual Ordinary Shareholders' Meeting and an Extraordinary Meeting; whose announcements were published on March 31, 2021. The documents related to the Shareholder's Meeting and the agreements derived from them are available on the webpage [www.penoles.com.mx](http://www.penoles.com.mx)

On April 29, 2021, the investing public was informed through a Relevant Event that on the same date the Board of Directors of Industrias Peñoles, S.A.B. de C.V. determined to appoint Mr. Alberto Baillères González as Honorary Lifelong Chairman of the Company's Board of Directors and Mr. Alejandro Baillères Gual as Chairman of the Board of Directors, with immediate effect.

### **ABOUT INDUSTRIAS PEÑOLAS, S.A.B. DE C.V.**

Peñoles was founded in 1887. It is a mining group with integrated operations in smelting and refining non-ferrous metals, and the production of chemical products. Peñoles is presently one of the two largest producers of refined silver in the world and the leading

Latin American producer of refined gold and lead and is among the principal producers of refined zinc and sodium sulfate in the world.

Peñoles' shares trade on the Mexican Stock Exchange since 1968 under the symbol PE&OLES, and the stock is a component of the Stock Price Index and the Sustainability Index (today Total Mexico ESG Index) of the Mexican Stock Exchange.

### **Analyst Coverage**

Analytical coverage of Peñoles is provided by Morgan Stanley and Scotiabank.

