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INDUSTRIAS PEÑOLES, S.A.B. DE C.V. EARNINGS REPORT FOR THE FIRST QUARTER 2022.

Mexico City, Mexico, May 2, 2022 – Industrias Peñoles, S.A.B. de C.V. (“Peñoles” or the “Company”) (BMV: 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 2022 (1Q22) and the main variations in comparison with the same period of 2021 (1Q21).

EXECUTIVE SUMMARY

During the initial quarter of 2022, the Company faced several challenges that affected the pace of operations and production. Although absenteeism due to Covid-19 continued, mainly in January, contagions decreased towards the end of the quarter. In addition, adjustments to the workforce continued due to the adoption of the Subcontracting Labor Reform that came into effect last year. These situations caused delays in the development and preparation of some mining units.

We have continued to apply health protocols at all our facilities to protect the health of employees and contractors, in addition to supporting the national vaccination campaign against Covid-19 in coordination with local authorities.

In the macroeconomic environment, inflationary pressures were compounded by the conflict between Russia and Ukraine, along with U.S. and European Union sanctions against Russia, which generated uncertainty about growth, the lack of raw material and gas supplies to Europe. In this scenario, the demand for gold as a safe haven increased, with the average price for the quarter being 4.4% higher than in the same period of the previous year. Silver, on the other hand, decreased -8.2% on average. The average prices of industrial metals increased as follows: lead (+15.6%), zinc (+36.6%) and copper (+17.9%).

In the mining division, gold production decreased (-32.2%) mainly due to lower volume of ore processed and lower expected grade at Herradura. Silver grew (+7.7%) due to the ore processing from Juanicipio (at the Fresnillo and Saucito plants), in addition to the higher volume of ore processed at San Julián and the better ore grade at Ciénega. Lead decreased (-11.4%) due to lower volume of ore processed and lower ore grade at Saucito. Zinc decreased to a lesser extent (-3.6%), due to lower milling and ore processing at Saucito and Capela, which were partially offset by Fresnillo, Juanicipio and Velardeña due to higher volumes of ore processing with better grades. Copper produced in concentrates decreased (-18.9%) due to lower ore volumes, head grades and recoveries at Sabinas and Capela.

In the metallurgical operations, refined metal production was lower than in the previous year. There were several operational failures in the lead-silver circuit that caused unscheduled shutdowns, resulting in lower silver and lead productions by -4.7% and -15.9%, respectively, compared to the first quarter of 2021. Gold decreased (-18.9%) mainly due to lower production at Herradura. Likewise, refined zinc production was negatively affected by several operational failures in the zinc circuit that required

unscheduled shutdowns to be corrected, which resulted in a lower volume of concentrate treatment and a decrease in production volume of this metal (-8.4%).

In the chemicals business, sodium sulfate production volume increased (+4.6%) due to improved operational continuity. Magnesium oxide production was favorable (+18.9%) driven by demand from our customers in the construction and automotive industries. Ammonium sulfate recorded higher production (+8.3%) due to greater availability of sulfuric acid from the smelter, while magnesium sulfate saw an increase in production (+2.6%) to satisfy demand from the agricultural sector.

In 1Q22 financial results, revenues declined to the previous year due to lower volumes sold, especially gold due to lower production at Herradura, which was partially mitigated by higher metal prices (except for silver). Cost of sales was also lower, mainly due to the cost of metal sold, as a result of lower volumes purchased from third parties for processing in the metallurgical plants, as well as a credit for inventory movement derived from the increase in in-process inventories. This was partially offset by higher production costs, due to higher material consumption in our operations, the inflation of our cost inputs, as well as higher maintenance and repairs. Operating expenses, for their part, were higher than those recorded in the same quarter of the previous year, mainly in exploration, due to restrictions imposed by the pandemic making these activities more difficult in the previous year.

On the other hand, there were higher financial and exchange expenses and higher income tax provisions. In the latter, the main increase was due to the special mining right, derived from the better results of the mining companies and modifications in the deductions that came into effect this year.

Due to the aforementioned factors, the financial results obtained by Peñoles in 1Q22 and their variation with respect to 1Q21 figures were as follows (in millions): Net Sales US\$1,406.5 (-9.1%), Gross Profit US\$383.7 (-10.6%), EBITDA US\$402.5 (-16.2%), Operating Profit US\$239.8 (-19.1%) and Controlling Interest Net Income US\$70.7 (-51.8%).

I. FINANCIAL RESULTS

The Company 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 1Q22 are compared with those for 1Q21, unless otherwise indicated.

FINANCIAL HIGHLIGHTS:

(USD Million)	1Q'22	1Q'21	% Chng
Gross Sales	1,414.1	1,569.8	-9.9
Net Sales (1)	1,406.5	1,548.1	-9.1
Gross Profit	383.7	429.4	-10.6
Gross Margin	27.3%	27.7%	
EBITDA (2)(3)	402.5	480.5	-16.2
EBITDA Margin	28.6%	31.0%	
Operating Profit (3)	239.8	296.4	-19.1
Operating Margin	17.0%	19.1%	
Other Income (Expense) (4)	-2.2	-5.4	58.4
Financial Income (Expense)	-41.1	-27.3	-50.6
Controlling Interest on Net Income	70.7	146.7	-51.8
Net Margin	5.0%	9.5%	

(1) Includes the results of hedging metal prices.

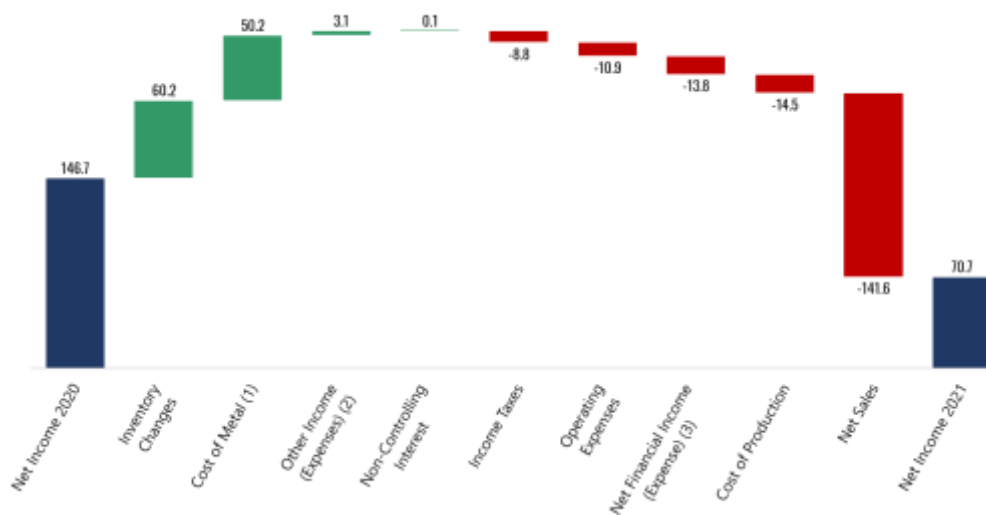
(2) Earnings before Interest Expense, Taxes, Depreciation and Amortization.

(3) Does not include Other Income (Expense).

(4) Includes impairment losses

INCOME STATEMENT:

The following rainbow chart summarizes the influence of each item in the financial results on the change in net income from 1Q21 to 1Q22 (in millions of US\$):



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

The variations are explained below:

Quarterly **Net Sales** of US\$1,414.1 decreased by -US\$141.6 (-9.1%), due to lower volumes sold, mainly gold, and to a lesser extent silver, zinc and concentrates (-US\$238.3), which was partially mitigated by higher prices of metals and chemicals (+US\$66.6), as well as +US\$15.9 from the sale of other products and services. This was accompanied by a lower loss on sales hedges, with a favorable effect of +US\$14.1.

Cost of Sales of US\$1,022.8 decreased by -US\$95.9 (-8.6%). This variation is explained as follows:

Lower **Cost of Metal Sold** (-US\$50.2) mainly due to lower volumes of concentrates purchased from third parties for processing in the metallurgical operations, offsetting lower treatment revenues (which are recorded as a credit to metal cost).

Higher **Production Cost** by +US\$14.5, attributable to consumption and inflation of our critical inputs, as well as maintenance and repairs, mainly.

The variations by cost item are explained below:

- Operating Materials (+US\$16.2, +18.3%), mainly in lead for alloys, balls and bars for mills, anchors for mine support, and various reagents.
- Maintenance and Repairs (+US\$12.6, +15.9%), due to major repairs, mechanical and electrical maintenance work, mainly in Fresnillo plc's mining units.
- Human Capital (+US\$9.0, +12.5%), due to an increase in the labor force, salaries, wages and benefits.
- Other items (+US\$5.4, 19.4%), due to the transfer of by-products, low value leases and raw materials, including the higher cost of ammonia.

The above increases were offset by lower costs in the following items:

- Depreciation, Amortization and Depletion (-US\$20.6, -11.4%), mainly because in some mining units the depletion factor decreased due to the increase in their reserves which, by increasing their useful life, causes lower annual depreciation.
- Contractors (-US\$4.1, -3.8%), due to the assimilation certain work and development that before the entry into force of the Labor Reform on Subcontracting was carried out by external contractors.
- Energy (-US\$3.9, -13.8%) due to lower diesel consumption, partially offsetting the higher cost of natural gas.

Likewise, in 1Q22 there was a credit to production cost for **Inventory Movement** of -US\$20.9, which compared to the charge of +US\$39.3 made in 1Q21 resulted in a variation of -US\$60.2, because in this quarter there was a credit for accumulation of inventories in process, mainly gold due to operating problems in the Lead-Silver Refinery, versus a charge for consumption in the comparison period.

Due to the above, 1Q22 **Gross Profit** of US\$383.7, was lower by -US\$45.7 (-10.6%) compared to US\$429.4 in 1Q21.

Operating Expenses (General Expenses) totaled US\$143.9, a variation of +US\$10.9 (+8.2%) coming from the following items:

- Lower **Administrative and General Expenses** (-US\$4.0, -6.0%) mainly due to lower fees paid.
- Higher **Exploration and Geological Expenses** (+US\$12.4, +36.4%) because the pace of field work and drilling activity in projects and mining units has increased.
- Higher **Selling Expenses** by +US\$2.5 (+8.1%) due to higher sea and land freight costs.

Quarterly **EBITDA** for the quarter amounted to US\$402.5, down by -US\$77.9 (-16.2%) compared to the US\$480.5 reported during 1Q21. Similarly, **Operating Income** of US\$239.8 was lower by -US\$56.6 compared to US\$296.4 (-19.1%).

Other expenses, net, were US\$2.2 during 1Q22, a reduction of -US\$3.1 compared to US\$5.4 in the same quarter of the previous year, explained as follows:

- Lower other income (-US\$4.4), mainly because in 1Q21 there was income from the sale of other products and services (US\$6.2), partially offsetting higher income from the sale of fixed assets (+US\$1.9).

Lower other expenses (-US\$7.5), due to the lower loss on the sale of materials, waste and concentrates (-US\$2.7), lower remediation expenses in the closed mining units and other items (-US\$1.1) and because in 1Q21 there were write-offs of fixed assets (-US\$3.7).

The **Financial and Exchange Result**, was an expense of US\$41.1, up by +US\$13.8 compared to US\$27.3, as a result of:

- **Financial income** of US\$6.3, lower than US\$9.5 (-US\$3.2), mainly because in 1Q21 a gain from changes in the fair value of financial instruments was recorded (+US\$5.0), whose variation was partially offset by higher interest earned and other financial income in 1Q22 (+US\$1.8).
- **Financial expenses** of US\$46.8, higher than US\$44.3 (+US\$2.5), mainly due to higher interest accrued on financial debt (+US\$2.9).

Exchange rate fluctuation. In terms of translation, the result was unfavorable in -US\$8.1, since in 1Q22 there was a loss of -US\$0.7, while there was an exchange gain of +US\$7.4 in the same quarter the previous year. This item comes from the translation at the exchange rate of the balance sheet date of monetary assets and liabilities in currencies other than the US dollar, including the Mexican peso, and in 1Q21 there was a depreciation of the Mexican peso against the US dollar of 0.66 MXP/USD contrary to 1Q22 when the peso appreciated 0.59 MXP/USD.

Income Tax Provision totaled US\$85.6, an increase of +US\$8.8 compared to the provision of US\$76.8 in 1Q21. In the period, it includes income tax of US\$60.9 (of which US\$66.8 corresponds to current tax and -US\$5.9 to deferred tax), as well as a provision for special mining right of US\$24.7, being in 1Q21 US\$60.2 (US\$44.4 current and US\$15.8 deferred) and US\$16.5, respectively. The increase in the provision for special mining right is due to better results in the mining companies and to the fact that, as indicated in the notes to the 2021 audited financial statements sent at the time, due to modifications to the 2021 tax laws starting in 2022 the crediting of payments for the mining surface right were eliminated.

Non-controlling interest in Net Income for the quarter was a profit of US\$39.6, a difference of +US\$0.5 versus the profit of US\$39.1, due to the better results of the

subsidiaries with minority partners, mainly Fresnillo plc. On the other hand, **Equity interest in results of Associates** and Joint Ventures had a marginal variation of -US\$0.6.

Due to the factors described above, in 1Q22 **Net Income of the Controlling Interest** of US\$70.7, decreased -US\$76.0 (-51.8%) compared to the US\$146.7 obtained in 1Q21.

CASH FLOW:

At the end of 1Q22, the Company had **Cash and cash equivalents** of US\$1,808.6, a decrease of -US\$8.5 compared to the balance of US\$1,817.6 at the end of fiscal year 2021 (net of exchange rate fluctuation and translation effect of US\$3.1).

The most relevant items are discussed below:

- 1) **Net cash flows from operating activities** of +US\$47.3. This line item consists of items directly related to operating activities excluding those that do not have an impact on cash (such as depreciation) and includes working capital, as well as income taxes, employee profit sharing and equity in the results of associates and joint ventures.
- 2) **Net cash flows from investing activities** of -US\$158.5, comprising:
 - a) Investments in property, plant and equipment of -US\$151.0, highlighting the development of depreciable mining works, the construction of tailings deposits and leaching yard 14 at Herradura, as well as the purchase of equipment for the Juanicipio mine and other operating units.
 - b) Other items of -US\$7.5 include interest collected, advances and loans to third parties, and proceeds from the sale of fixed assets.
- 3) **Net cash flows from financing activities** of +US\$99.6, derived from:
 - a) Short-term borrowings to finance working capital needs +US\$151.5
 - b) Interest paid on financial debt -US\$43.9.
 - c) Payment of lease liabilities -US\$6.7.
 - d) Other items -US\$1.3.

II. ECONOMIC ENVIRONMENT AND METALS PRICES.

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

	1Q'22	1Q'21	% Chng
Inflation rate for the Period (%) :	2.43	2.34	
Exchange Rate (peso-dollar):			
Close	19.9942	20.6047	-3.0
Average	20.5229	20.3190	1.0

Period	Gold(US\$/Oz)	Silver (US\$/Oz)	Lead (UScts/lb)	Zinc (UScts/lb)	Copper (UScts/lb)
1Q21	1,797.80	26.29	91.65	124.63	384.58
4Q21	1,794.58	23.36	105.71	152.64	439.90
1Q22	1,877.16	24.13	105.92	170.27	453.46
%Var 1Q22 vs 1Q21	4.4	-8.2	15.6	36.6	17.9
%Var 1Q22 vs 4Q21	4.6	3.3	0.2	11.6	3.1

The geopolitical tensions between Russia and Ukraine significantly stimulated the demand for gold as a safe haven, in addition to the high volatility in the financial markets and the drop in real interest rates due to the upturn in inflation. This situation favored the prices of gold and silver due to their investment component.

The increase in commodity prices and expectations of slower growth have increased market concerns about falling into a stagflation scenario. The Federal Reserve, along with other central banks, is watching the inflation curve, so markets are also watching for a more restrictive monetary policy with higher interest rates and reduced fiscal spending, putting the brakes on a greater rebound in the price of metals, mainly precious metals.

As for base metals, prices were affected at the beginning of 2022 by various factors such as uncertainty about economic growth, expectations of higher interest rates and new confinements in China due to the rebound in Covid-19 contagions. However, the Russian-Ukrainian conflict changed the situation: after the European Union imposed sanctions on Russia, the country's natural gas supply was compromised, causing European factories and smelters to shut down their production, thus boosting the prices of industrial metals. Sanctions were also imposed on Russian exports, which caused the price of nickel to soar by up to 250%, making it difficult for hundreds of companies to meet margin calls, so that the LME decided to suspend trading in this metal for a few days. The uncertainty generated by this situation also supported the prices of other base metals.

III. OPERATING RESULTS

The main factors that had a bearing on the changes in operating results in 1Q22 with respect to those obtained in 1Q21 were as follows.

MINING OPERATIONS:

Production	1Q22	1Q21	% Chng
Ore Milled (Mton)	3,884	3,912	-0.7
Ore Mined (*) (Mton)	6,006	7,185	-16.4
Gold (oz)	165,690	244,217	-32.2
Silver (koz)	16,705	15,517	7.7
Lead (ton)	18,516	20,892	-11.4
Zinc (ton)	67,212	69,687	-3.6
Copper (ton)	2,431	2,999	-18.9
Copper Cathodes (ton)	675	893	-24.4

(*) Herradura y Noche Buena (minas a cielo abierto).

Gold (-32.2%): The drop in quarterly gold production was mainly due to the lower volume of ore processed at Herradura, as a result of a longer haulage cycle and the lower ore grade expected in its mining cycle.

Silver (+7.7%): The increase in silver content was mainly due to the higher contribution from Juanicipio, whose development and stopes ore continued to be processed at the Fresnillo and Saucito mills, and, to a lesser extent, from San Julián due to a higher volume of ore processed, as well as from Ciénega, thanks to a better ore grade and higher recovery. Production at these units offset decreases at Saucito, due to lower volume of ore milled and beneficiated, and Fresnillo, due to lower ore grade.

Lead (-11.4%): The reduction of lead in concentrates was due to the lower volume of ore processed with lower grade at Saucito, which was partially mitigated by ore from Juanicipio, and to a lesser extent by Fresnillo with higher volume of ore milled and better grade, as well as Sabinas, with better ore grade.

Zinc (-3.6%): Zinc content production decreased due to lower milling and ore processing combined with a lower head grade at Saucito, as well as lower volume and recovery at Capela, whose deficits were compensated by Fresnillo, Juanicipio and Velardeña, the three with higher milling and ore processing with better grades and recoveries.

Copper (-18.9%): The reduction in copper contents was due to lower ore processing, lower grades and recoveries at Sabinas and Capela.

Copper cathodes (-24.4%): As reported, mining, crushing and ore deposit activities at Milpillas were suspended in April 2020. Copper recovery continues from ore deposited in the Milpillas leaching yards to produce cathodes and, due to the strong copper price, it is estimated to temporarily resume mining ore in reserves to continue depositing it as the leaching patios have sufficient capacity to process it.

METALLURGICAL OPERATIONS:

Production	1Q22	1Q21	% Chng
Gold (oz)	255,111	314,552	-18.9
Silver (koz)	17,796	18,669	-4.7
Lead (ton)	26,372	31,365	-15.9
Zinc (ton)	61,231	66,842	-8.4

The lead-silver circuit, had lower gold production, mainly due to the lower production at Herradura explained above. The volume of concentrated treated decreased due to failures in the sintering process at the Smelter that caused unscheduled stoppages for correction, so there was a lower production of bullion and its treatment at the Lead-Silver Refinery. In the latter, there were operating problems due to breakage of the pans and in the softening process. All of the above resulted in lower silver and lead production compared to the same quarter of the previous year.

Regarding refined zinc production, the volume of concentrate treatment also decreased due to unscheduled shutdowns caused by roaster failures, adjustments to the chemical conditions of the leaching process, as well as problems in the cathode stripping due to high adherence.

CHEMICAL OPERATIONS:

Production	1Q22	1Q21	% Chng
Sodium sulfate (ton)	193,377	184,786	4.6
Magnesium oxide (ton)	22,793	19,170	18.9
Ammonium sulfate (ton)*	47,781	44,116	8.3
Magnesium sulfate (ton)	14,602	14,226	2.6

***Not including maquila.**

Quarterly production of sodium sulfate and magnesium oxide were higher, thanks to the continuity of operations at the Química del Rey plants. Magnesium oxide continued at good levels due to the reactivation of demand from the construction and automotive industries.

Ammonium sulfate also recorded higher production due to the increased availability of sulfuric acid from the Smelter, while magnesium sulfate saw an increase in production due to good demand from the agricultural sector.

IV. PROJECTS

Peñoles Exploration

Field work focused on drilling five projects, with a total of 15,062 meters (m) drilled. In addition, research and preparation work was carried out on 12 of our own prospects and 5 outside prospects for subsequent evaluation and direct exploration. Results of main projects:

Fortuna del Cobre (Sonora).

During the quarter, 4,593 m were drilled looking for the extension of the mineralization already discovered. Intersections were obtained with attractive metallic contents that extend the deposit, leaving the southern portion open for exploration. Mineral resources of 150 Mton of disseminated copper ore are expected to be obtained. Work continues, and a first resource estimate is scheduled for the third quarter of the year.

Reina del Cobre (Durango).

Copper-zinc project located 20 km east of the Velardeña unit. Inferred resources of 19 Mton have been detected with drilling. To increase confidence level, it is necessary to apply a systematic drilling grid, so a series of mining developments have been planned to locate drilling stations. During the quarter, contracts for works and services were finalized, and surveying and infrastructure work is being carried out.

International Projects.

In Peru, preparations were made for drilling in the northern portion of the advanced Racaycocha Project. Large areas have been detected with anomalous copper values to be explored. Additionally, the good relationship with the surrounding communities will facilitate the continuity of the land acquisition process for the project.

In Chile, 3,658 m were drilled at the Nemesis Project. The results obtained in the quarter are favorable for a high-volume gold-copper deposit and the drilling campaign is expected to be completed in the second half of the year, in order to make a first mineral resource estimate.

Mining Units.

In the Capela unit, 4,389 m were drilled in the western portion of the mine. The results obtained indicate the extension of the mineral by 500 m, remaining open for further growth. The last drill holes are being drilled prior to integrating a resource estimate in the second half of the year. At the Velardeña unit, exploration is being carried out to the southwest of the mine following the possible extension of a high grade mineralized zone, during the period the drilling totaled 1,948 m. At the Tizapa unit, an extensive airborne and ground geophysical survey was completed, and geological field surveys progressed. All the information will be integrated to determine drill targets to support the growth of the mine's resources.

Fresnillo plc

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

As reported, construction of the Juanicipio plant was completed on schedule in the fourth quarter of 2021. We remain focused on meeting the requirements of the state power company and the energy regulator to complete the connection to the national power grid, which is expected by mid-2022. Once the required permits have been granted, we expect to achieve 85% to 90% capacity by the end of 2022.

The flotation plant at Fresnillo (Pyrites phase II), which has been ready since the fourth quarter of 2020, is in the same situation as Juanicipio, and efforts are also focused on meeting the requirements of the CFE and the energy regulator to complete the connection to the national power grid.

For more information about the development of Fresnillo plc's projects, please visit www.fresnilloplc.com.

V. ANNOUNCEMENTS

On April 13, 2022, Peñoles informed the investing public that, as a result of the testamentary succession of Mr. Alberto Baillères González, the shares directly and indirectly owned by him -which represent the controlling majority of the Issuer's voting shares- were transferred to a Control Trust whose beneficiaries are certain members of the Baillères family, with Mr. Alejandro Baillères as the majority beneficiary.

The foregoing was disclosed to the public in terms of the Securities Market Law. Additionally, the Company was informed that it is in the process of obtaining the corresponding governmental authorizations.

ABOUT PEÑOLES

Peñoles, founded in 1887, is a mining group with integrated operations in smelting and refining non-ferrous metals and the production of chemicals. Peñoles is one of the top two global producers of refined silver. It is also the leading Latin American producer of refined gold and lead, and one of the world's most important producers of refined zinc and sodium sulfate.

Peñoles' shares have traded on the Mexican Stock Exchange since 1968 under the ticker symbol PE&OLES, and the stock is a component of the Stock Price Index.

Analyst Coverage

Peñoles has analyst coverage from Morgan Stanley and Scotiabank.

