



STRENGTHENED



HIGHLIGHTS 1Q 2021



BY THE CHALLENGES
AND LOOKING TOWARD
THE **FUTURE**

Executive Summary – CEO's Brief 1Q 2021

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.

Executive Summary – CEO's Brief 1Q 2021

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.

FINANCIAL HIGHLIGHTS

	1Q'21	1Q'20	% Chg.
Gross sales	1,569.8	1,038.1	51.2
Net Sales ⁽¹⁾	1,548.1	1,041.1	48.7
Gross Profit	429.4	165.4	159.5
% of Net Sales	27.7	15.9	
Operating Profit ⁽²⁾	296.4	42.9	590.8
% of Net Sales	19.1	4.1	
EBITDA ⁽²⁾	480.5	216.5	121.9
% of Net Sales	31.0	20.8	
Net Financial Income (Expense)	- 27.3	- 41.1	33.5
Controlling Interest in Net Income	146.7	- 149.7	198.0
% of Net Sales	9.5	- 14.4	
Earnings per share ⁽³⁾	0.37	- 0.38	198.0

Balance Sheet	As of:	Mar 21	Dec 20	% Chg.
Cash and cash equivalents		1,611.3	1,592.7	1.2
Total Assets		9,255.7	9,250.4	0.1
Financial Debt		2,867.8	2,901.6	- 1.2
Total Liabilities		4,526.1	4,719.9	- 4.1
Stockholders equity		4,729.6	4,530.5	4.4
Dividends per share ⁽³⁾⁽⁴⁾		-	-	n.a.

Cash Flow	As of:	Mar 21	Mar 20	% Chg.
Operating activities		212.8	128.4	65.7
Investing activities		- 129.9	- 156.3	16.9
Financing activities		- 68.0	88.8	- 176.6
Change in cash and cash equivalents		14.9	61.0	- 75.6
Effect of exchange rates on cash and cash equivalents		3.8	- 8.2	146.2
Cash and cash equivalents at the beginning of the year		1,592.7	526.3	202.6
Cash and cash equivalents at the end of the period		1,611.3	579.2	178.2



Figures are expressed in millions of US dollars, except earnings per share (US dollars).

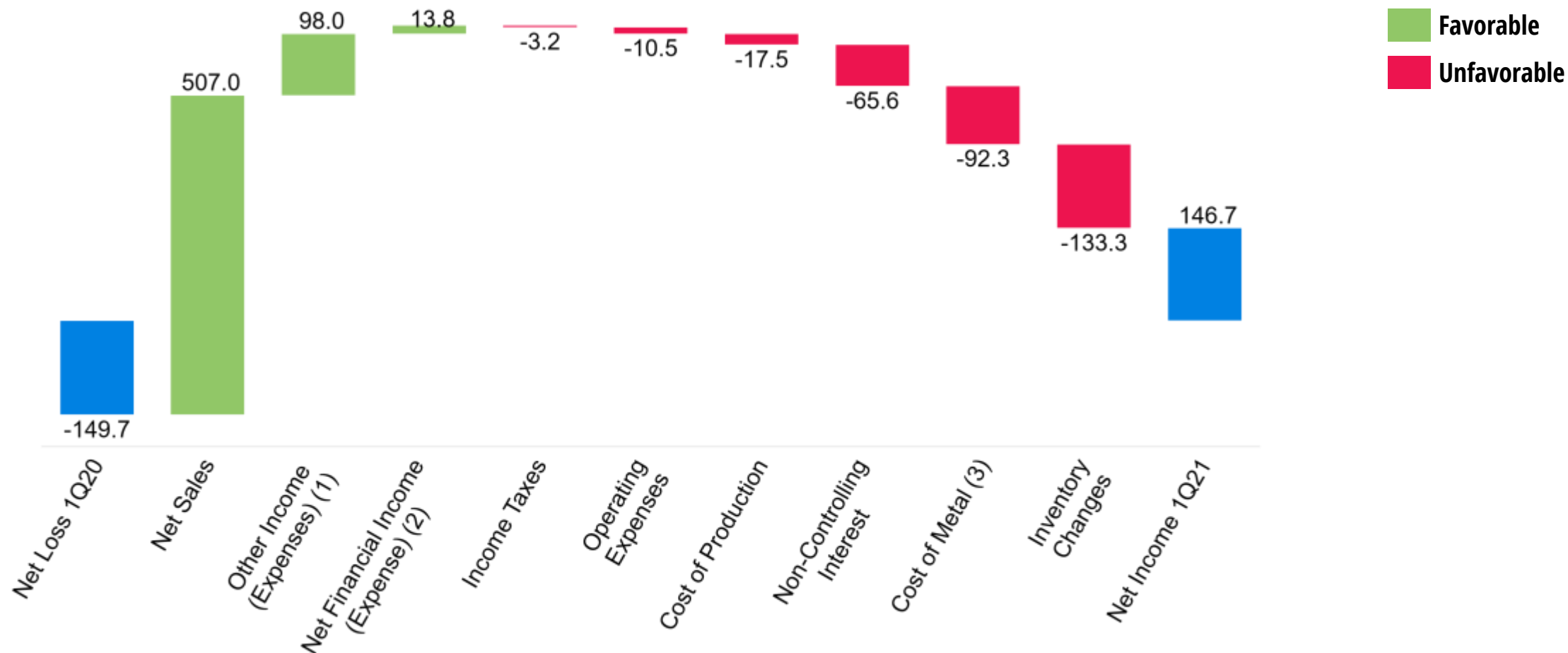
(1) Includes results of hedging metals prices.

(2) Does not include other income (expense).

(3) Shares outstanding at March 31, 2021 and December 31, 2020: 397,475,747.

NET INCOME ANALYSIS – 1Q'21

Amounts in millions of dollars



Non-Controlling interest includes equity interest in associated companies.

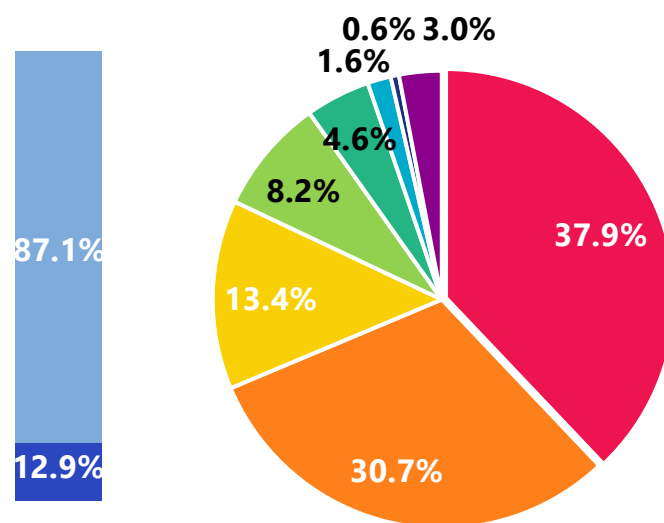
(1) Other expenses include impairment losses.

(2) Net of Revenue from Treatment Charges, Income on inventories and other items.

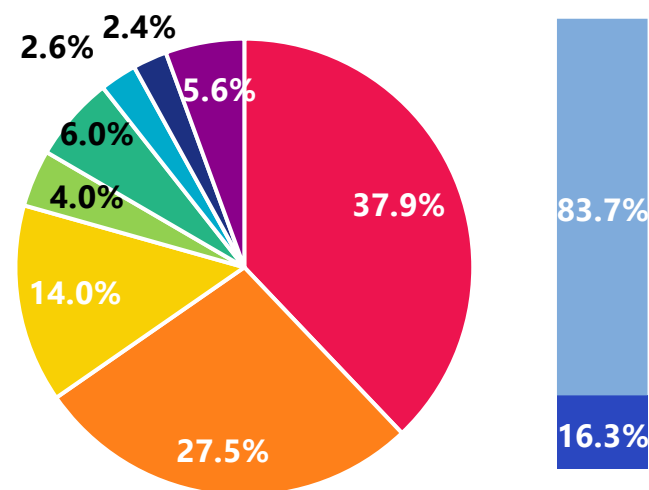
(3) Financial expenses include Exchange result.

NET SALES BY PRODUCT/MARKET

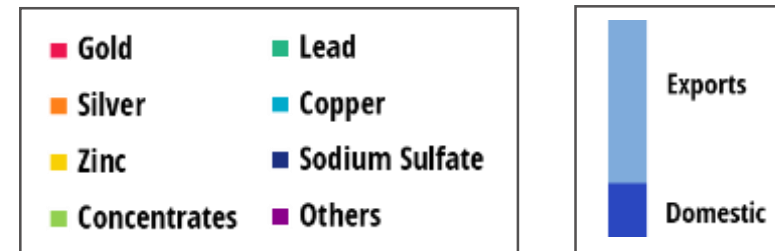
Amounts in millions of dollars



US \$1,548.10
1Q'21

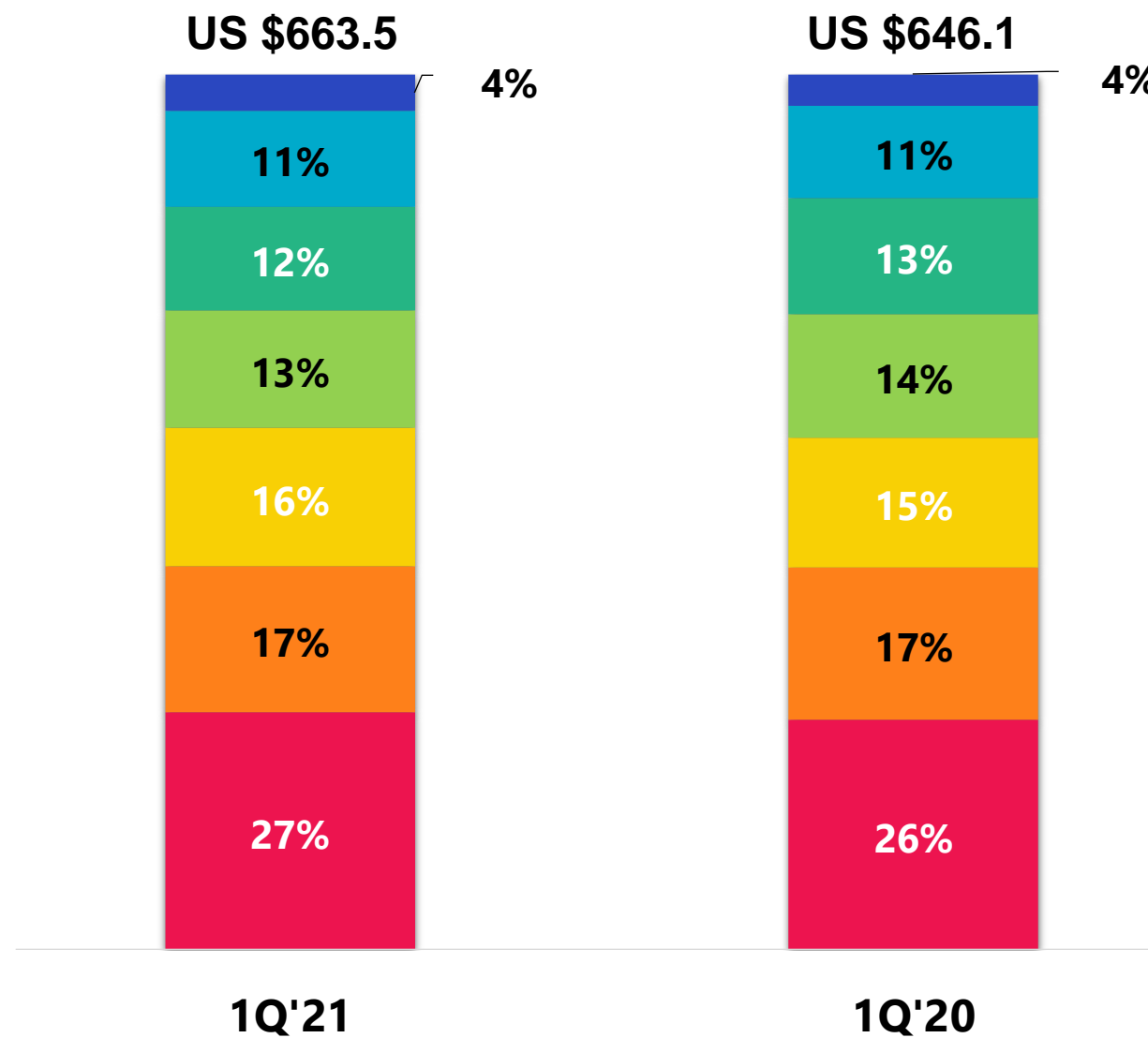


US \$1,041.1
1Q'20



COST OF PRODUCTION BREAKDOWN

Amounts in millions of dollars





METAL PRICES

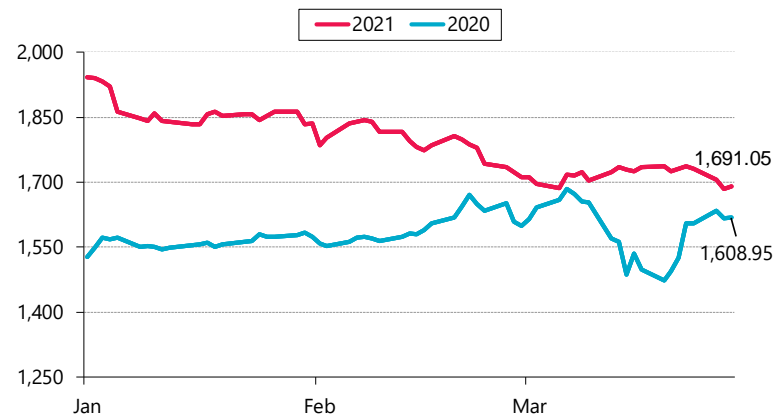
	Gold (US\$/Oz)	Silver (US\$/Oz)	Lead (US\$cts/lb)	Zinc (Us\$cts/lb)	Copper (Us\$cts/lb)
1Q'20	1,583.23	16.87	83.80	96.51	255.74
2Q'20	1,710.51	16.54	75.74	88.88	242.29
3Q'20	1,911.36	24.59	85.10	106.13	295.79
4Q'20	1,873.24	24.50	86.34	119.35	325.40
YTD Avg. 2020	1,769.59	20.62	82.74	102.72	279.80
1Q'21	1,797.80	26.29	91.65	124.63	384.58
YTD Avg. 2021	1,797.80	26.29	91.65	124.63	384.58
%Var 1Q'21 vs 1Q'20	13.6	55.9	9.4	29.1	50.4
%Var 1Q'21 vs 4Q'20	-4.0	7.3	6.2	4.4	18.2

INFLATION AND EXCHANGE RATE

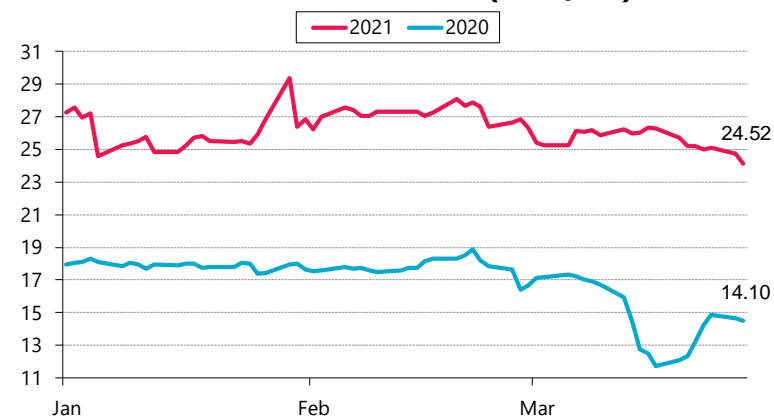
	1Q'21	1Q'20	% Chg.
Inflation rate (%)	2.34	0.85	
Exchange rate (MXN/USD)			
Close	20.60	23.51	- 12.4
Average	20.32	19.86	2.3

January - March

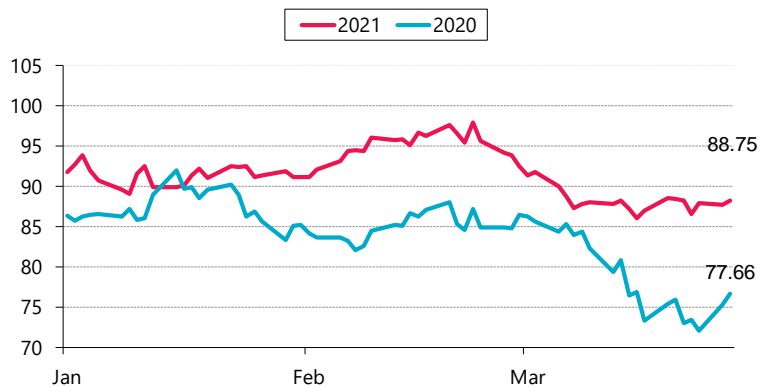
GOLD London (USD/Oz)



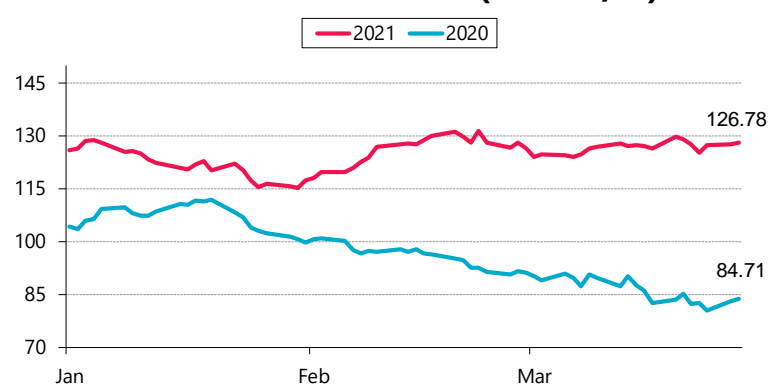
SILVER Comex (USD/Oz)



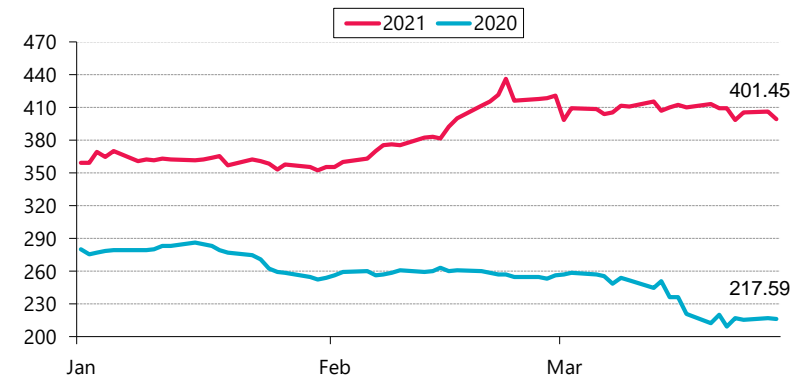
LEAD LME (USDcts/lb)



ZINC LME SHG (USDcts/lb)



COPPER LME (USDcts/lb)



MINING OPERATIONS - Production of metal contents

		1Q'21	1Q'20	% Chg.
Ore Milled	Kton	3,912	4,511	- 13.3
Ore Mined (*)	Kton	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

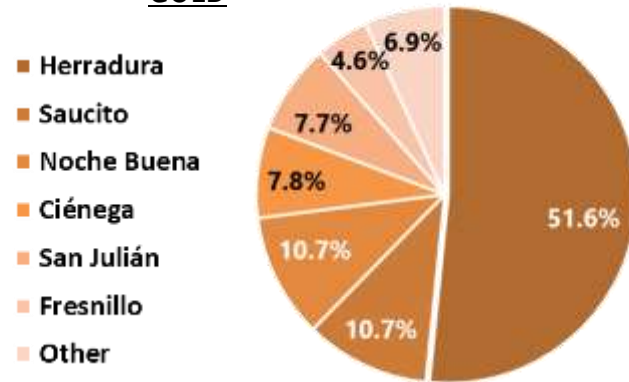
(*) Herradura, Noche Buena (open pit mines) and Milpillas (underground mine).

Kton = Thousands of metric tons, Oz = ounces, Koz = Thousands of ounces, Ton = metric ton.

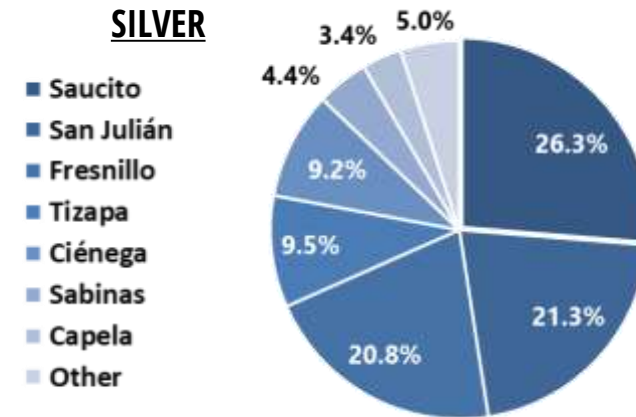


CONTRIBUTION BY MINE

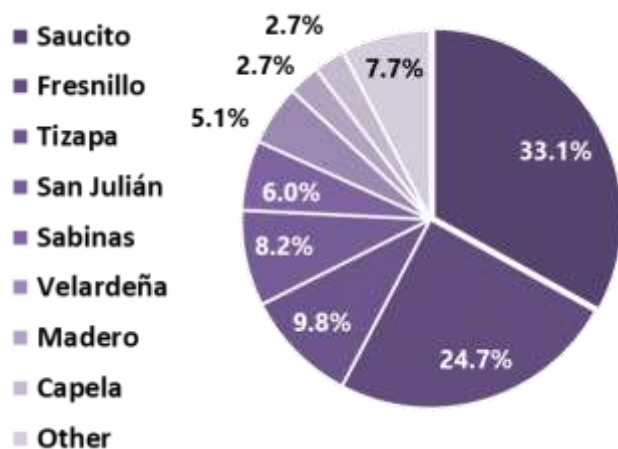
GOLD



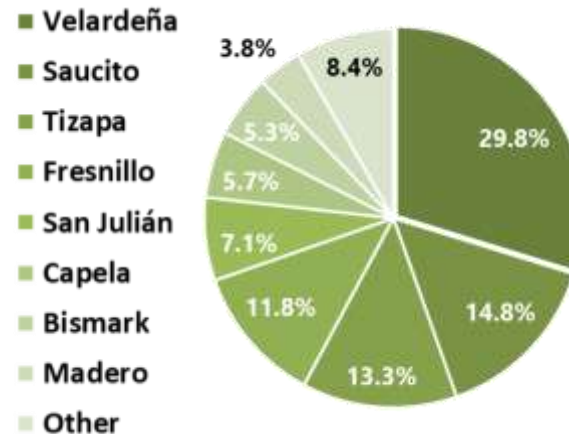
SILVER



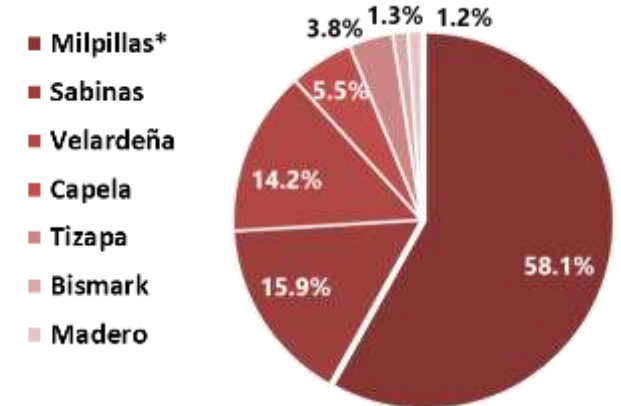
LEAD



ZINC



COPPER



*Copper cathodes

METALLURGICAL OPERATIONS - Production of refined metals

		1Q'21	1Q'20	% Chg.
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

CHEMICAL OPERATIONS - Production

		1Q'21	1Q'20	% Chg.
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

(**) Maquila not included.

Kton = Thousands of metric tons, Oz = ounces, Koz = Thousands of ounces, Ton = metric ton.



SALES VOLUME - Main products

		1Q'21	1Q'20	% Chg.
Gold	Oz	322,604	251,307	28.4
Silver	Koz	18,103	16,504	9.7
Lead	Ton	31,013	29,551	4.9
Zinc	Ton	72,310	61,109	18.3
Copper	Ton	1,082	4,360	- 75.2
Concentrates	Ton	53,599	53,198	0.8
Sodium sulfate	Ton	194,961	189,418	2.9
Magnesium oxide	Ton	21,760	15,122	43.9
Ammonium sulfate ^(**)	Ton	57,342	43,158	32.9
Magnesium sulfate	Ton	14,627	15,048	- 2.8

(**) Maquila not included.

Kton = Thousands of metric tons, Oz = ounces, Koz = Thousands of ounces, Ton = metric ton.



PROJECTS UNDER DEVELOPMENT

Project	Location	Description*	Ownership	Investment (US\$Million) ^E	Startup ^E
Juanicipio	Zacatecas	11.7 moz of silver, 43 koz of gold	56% Fresnillo plc 44% MAG Silver	440 **	4Q 2021

* Expected annual production, on average.

** Juanicipio started processing ore at Fresnillo's Plant (Jun 2020) and will start processing it at its own flotation plant (2H 2021).

E= Estimated





INDUSTRIAS PEÑOLES, S.A.B. DE C.V.



About Peñoles

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.

Our Mission

To add value to non-renewable resources in a sustainable manner.

Our Vision

To be the most recognized Mexican company in its sector worldwide, for its global focus, the quality of its processes, the excellence of its people and the ethical leading of its business.

For further information about this report please contact us or visit our web page:

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DISCLAIMER

This report contains certain calculations and forward-looking information relating to Industrias Peñoles, S.A.B. de C.V. and its subsidiaries (“Peñoles” or the “Company”) that are based on assumptions made by its management. Such information, as well as the statements with respect to future events and expectations are subject to certain risks, uncertainties and factors that could cause the actual results, performance or achievements of the Company to be materially different at any time.

Due to these risks and factors, actual results may vary materially from the estimates described herein, for which reason Peñoles does not assume any obligation nor responsibility with respect to such variations or to information provided by official sources.

HIGHLIGHTS

1Q 2021