



# STRENGTHENED

HIGHLIGHTS 2Q 2021



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

## Executive Summary – CEO's Brief 2Q 2021

Conditions in the second quarter of 2021 improved significantly compared to the same period last year, when the global economy slowed down dramatically as consequence of the Covid-19 pandemic. Thus, the recovery of industrial activity benefited the prices of the metals that Peñoles produces and sells, with averages in 2Q21 above those registered in 2Q20 as follows: silver (+ 61.9%), lead (+ 27.4%), zinc (+ 48.8%), copper (+ 81.8%) and to a lesser extent gold (+ 6.2%).

Similarly, operations have resumed their normal rhythm favoring production, which slowed down in 2Q20 because of work restrictions due to the pandemic. It should be noted that we continue applying strict health protocols in all our facilities to prevent Covid-19 infections. We also support the national vaccination campaign in coordination with local authorities.

In the mining division, the increases in the production of silver (12.5%) and gold (9.3%) stand out. In the case of silver, this was due to the better grades in San Julián, the mineral from the Juanicipio project (processed at the Fresnillo beneficiation plant while the construction of its own plant is in progress), as well as the higher volume and better grades at Capela, which began operations in February 2020. Gold was favored by higher volumes of ore deposited at Herradura and Noche Buena due to restrictions on mine operations in 2Q20. Lead increased (3.7%), due to higher grades and recoveries in Saucito and San Julián, while zinc production was 4.3% lower, mainly due to the lack of production from Madero and Bismark whose operations, as previously reported, were suspended in April 2020, in addition to the lower grade at Fresnillo. The productions of Capela, Saucito and San Julián compensated part of these deficits. Regarding copper in concentrates, there was an increase of 28.3%, thanks to the higher volumes of ore benefited with better grades in Sabinas, Capela and Tizapa, the last two also with greater recovery. Copper cathodes produced by Milpillás recorded a volume 79.4% lower, since, as was also reported at the time, the decision was made to suspend extraction at the mine by mid last year and cathodes continues to be produced only from the ore leaching into yard inventory.

In metallurgical operations, there was higher volume of concentrates treated in the Lead Smelter, favoring the quarterly production of refined gold (+ 33.1%), silver (+ 21.3%) and lead (+ 29.2%), conversely in the same quarter last year, lower volume was processed due to a maintenance stoppage. The increase in gold production was also favored by higher contents in concentrates and greater reception and treatment of dorés and other rich materials from Herradura and Noche Buena due to the higher production at these mines. In the case of silver, the increase was also driven by a higher volume of rich materials that entered the Lead-Silver Refinery, mainly precipitates from San Julián due to higher grades at this mine.

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On the contrary, the volume of refined zinc decreased 12.1%, affected by the lower volume of concentrates treated at the Zinc Refinery, due to the scheduled maintenance stoppage that lasted a few days longer than expected, while in 2020 the stoppage scheduled took place during the first quarter of the year.

In the chemical business, there was similar production of sodium sulfate (+ 0.4%) and that of magnesium oxide increased 91.3% due to a recovery in demand from the construction and automotive industries. Ammonium sulfate recorded lower production (-10.3%) due to lower availability of sulfuric acid from the Smelter, while magnesium sulfate had a slight decrease in production (-2.8%) due to failures in the dryer of the Plant, which were corrected.

The financial results for 2Q21 were favorable compared to those registered in 2Q20, due to the benefit in revenues from both the rebound in metal prices and higher volumes sold, especially refined gold, silver, zinc and lead. The cost of sales increased due to higher production costs, derived from the rhythm of operations that implied more consumption, the inflation of certain inputs (particularly electric power) and higher depreciation, in addition to the increase in the cost of metal sold, as a result of higher average prices of metals purchased from third-parties for processing in the metallurgical plants, which was partially offset by higher treatment revenues.

On the other hand, operating expenses were higher than 2Q20, and in the financial result higher interest expense on debt was offset by a favorable variation due to a foreign exchange gain for the period, being that there was an exchange loss in the comparison quarter. Likewise, other income in the period compares good to other expenses incurred in the second quarter of the previous year derived mainly from impairment on assets of the mines that suspended operations, as well as the loss on sale of concentrates, while the provision for taxes was slightly lower.

Due to the aforementioned factors, the financial results obtained by Peñoles in 2Q21 and their variation with respect to the 2Q20 figures were as follows (in millions): Net Sales US \$ 1,574.2 (+ 69.2%), Gross Profit US \$ 515.7 ( + 151.4%), EBITDA US \$ 549.6 (+ 106.3%), Operating Profit US \$ 364.5 (+ 303.5%) and Net Income of the Controlling interest of US \$ 195.2, favorable compared to the Net Loss of -US \$ 158.1 registered in 2Q20

# FINANCIAL HIGHLIGHTS

	2Q'21	2Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Gross sales	1,598.7	928.0	72.3	3,168.5	1,966.0	61.2
Net Sales <sup>(1)</sup>	1,574.2	930.3	69.2	3,122.3	1,971.4	58.4
Gross Profit	515.7	205.1	151.4	945.1	370.6	155.0
<b>% of Net Sales</b>	<b>32.8</b>	<b>22.0</b>		<b>30.3</b>	<b>18.8</b>	
Operating Profit <sup>(2)</sup>	364.5	90.3	303.5	660.8	133.2	396.0
<b>% of Net Sales</b>	<b>23.2</b>	<b>9.7</b>		<b>21.2</b>	<b>6.8</b>	
EBITDA <sup>(2)</sup>	549.6	266.5	106.3	1,030.1	483.0	113.3
<b>% of Net Sales</b>	<b>34.9</b>	<b>28.6</b>		<b>33.0</b>	<b>24.5</b>	
Net Financial Income (Expense)	- 34.5	- 35.8	- 3.5	- 61.8	- 76.8	- 19.5
Controlling Interest in Net Income	195.2	- 158.1	n.a.	341.9	- 307.8	n.a.
<b>% of Net Sales</b>	<b>12.4</b>	<b>- 17.0</b>		<b>10.9</b>	<b>- 15.6</b>	
Earnings per share <sup>(3)</sup>	0.49	- 0.40	n.a.	0.9	- 0.8	n.a.

Balance Sheet	As of:	Jun 21	Dec 20	% Chg.
Cash and cash equivalents		1,717.6	1,592.7	7.8
Total Assets		9,656.0	9,250.4	4.4
Financial Debt		2,868.5	2,862.8	0.2
Total Liabilities		4,687.0	4,719.9	- 0.7
Stockholders equity		4,969.0	4,530.5	9.7
Dividends per share		-	-	n.a.
Cash Flow	As of:	Jun 21	Jun 20	% Chg.
Operating activities		534.7	459.5	16.4
Investing activities		- 258.7	- 245.2	- 5.5
Financing activities		- 153.6	84.5	281.6
Change in cash and cash equivalents		122.4	298.8	- 59.0
Effect of exchange rates on cash and cash equivalents		2.6	- 3.4	176.0
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		1,717.6	821.8	109.0

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

(1) Includes hedging results on metals prices.

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

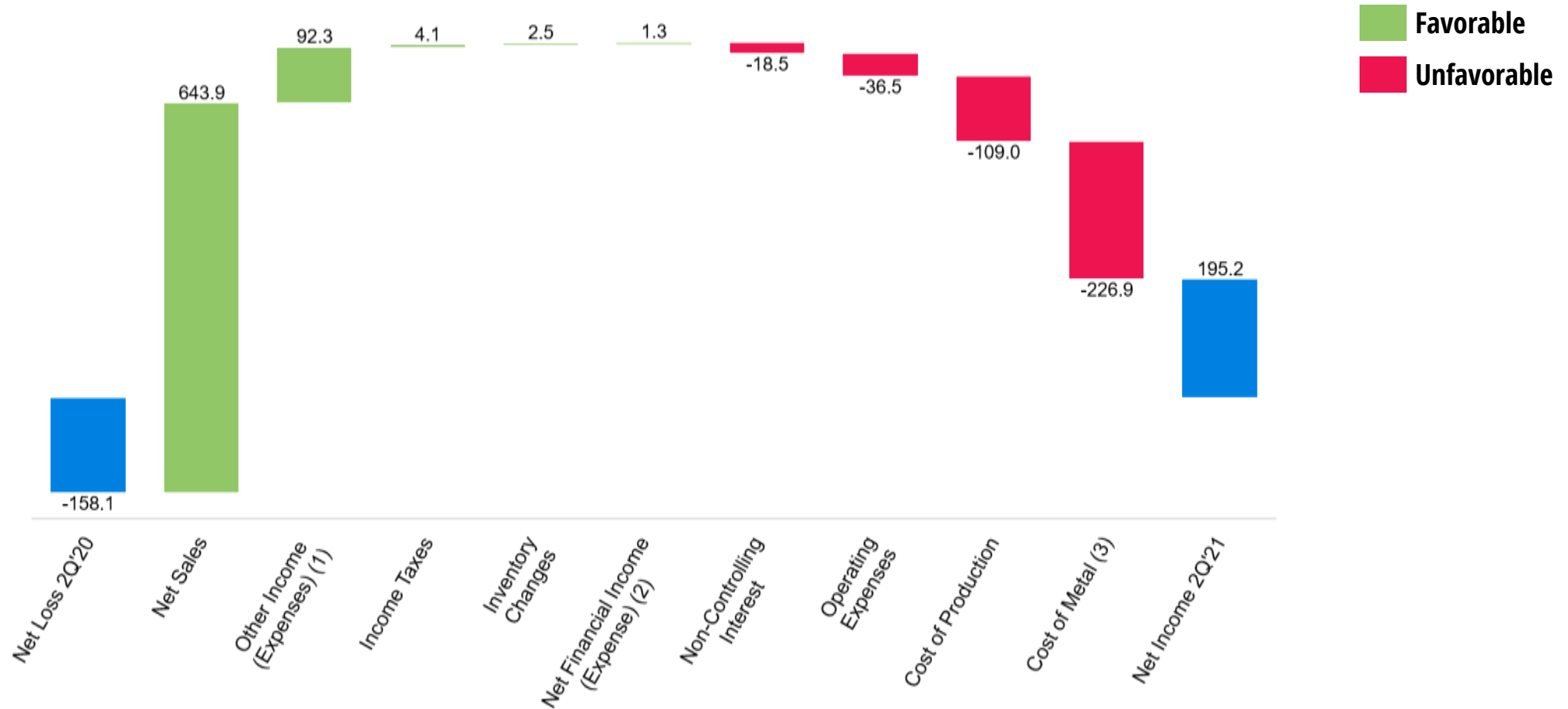
(3) Shares outstanding at June 30, 2021 and December 31, 2020: 397,475,747.



# NET INCOME ANALYSIS – 2Q'21



Amounts in millions of dollars



Non-Controlling interest includes equity interest in associated companies.

(1) Other expenses include impairment losses.

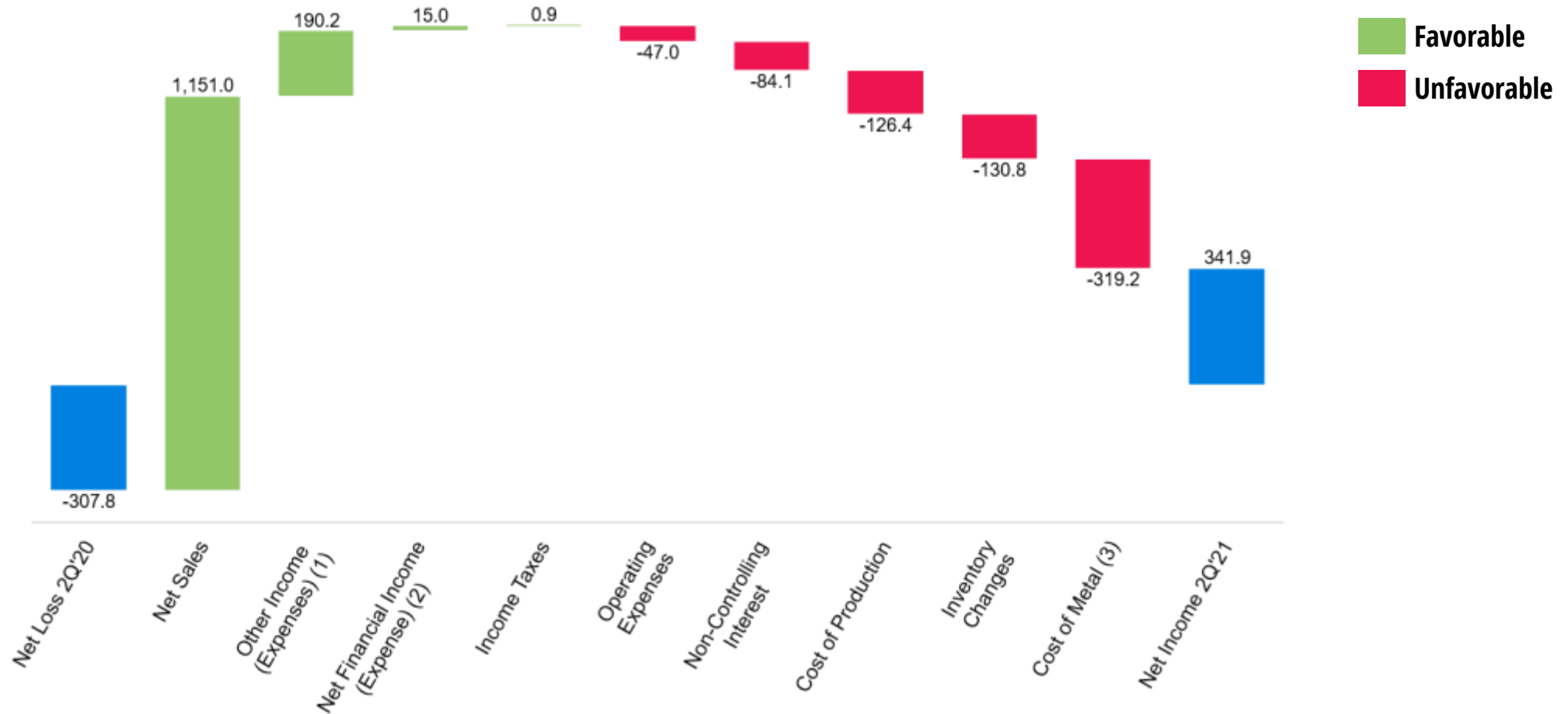
(2) Financial expenses include Exchange result.

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

# NET INCOME ANALYSIS – YTD



Amounts in millions of dollars



Non-Controlling interest includes equity interest in associated companies.

(1) Other expenses include impairment losses.

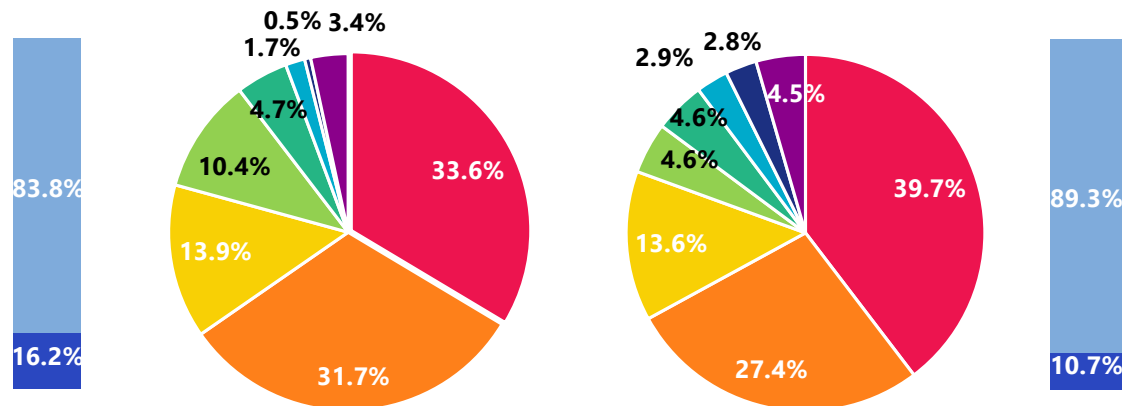
(2) Financial expenses include Exchange result.

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

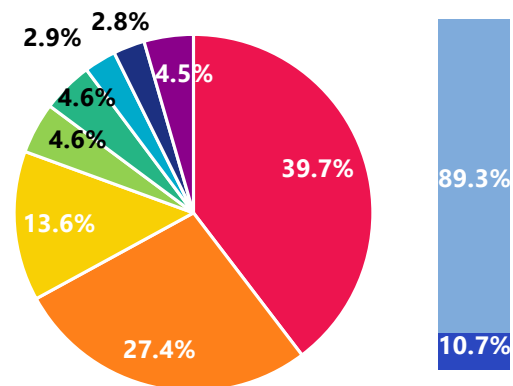
# NET SALES BY PRODUCT/MARKET



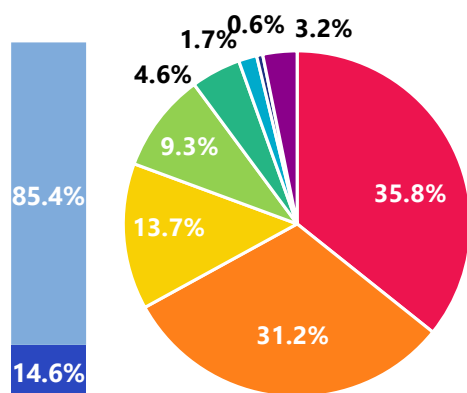
Amounts in millions of dollars



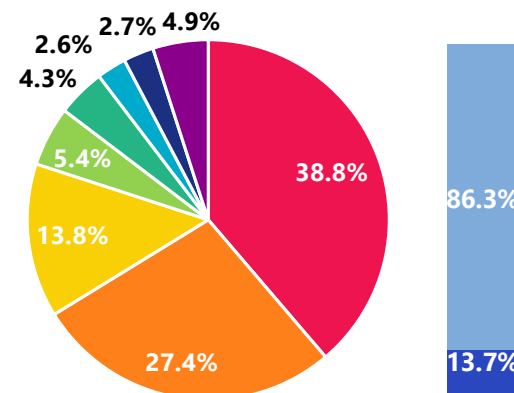
US \$1,574.20  
2Q'21



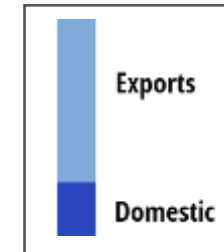
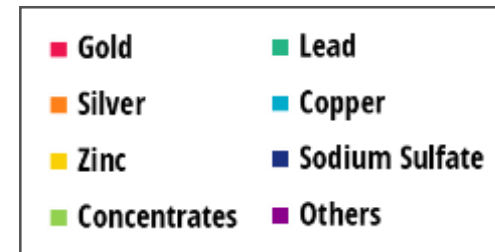
US \$930.3  
2Q'20



US \$3,122.3  
YTD'21



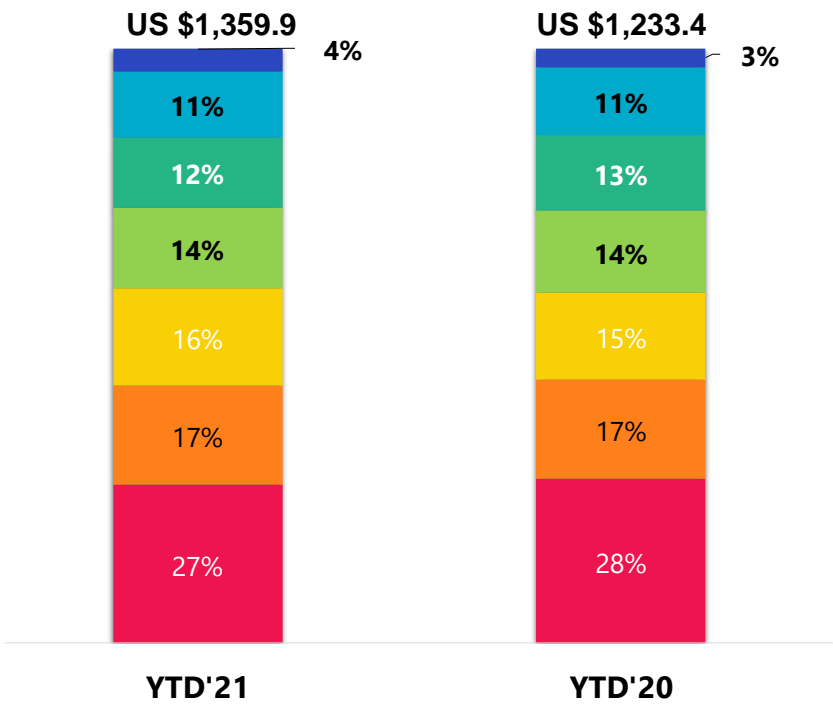
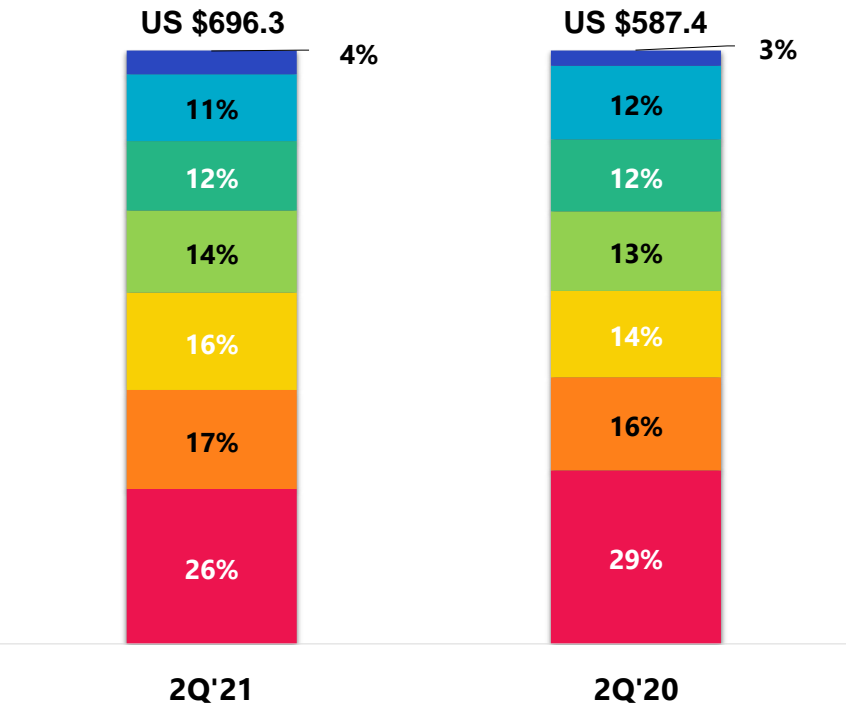
US \$1,971.4  
YTD'20



# 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
<b>YTD Avg. 2020</b>	<b>1,646.87</b>	<b>16.71</b>	<b>79.77</b>	<b>92.70</b>	<b>249.01</b>
1Q'21	1,797.80	26.29	91.65	124.63	384.58
2Q'21	1,816.49	26.78	96.48	132.26	440.47
<b>YTD Avg. 2021</b>	<b>1,807.14</b>	<b>26.54</b>	<b>94.07</b>	<b>128.44</b>	<b>412.53</b>
%Var 2Q'21 vs 2Q'20	6.2	61.9	27.4	48.8	81.8
%Var 2Q'21 vs 1Q'21	1.0	1.9	5.3	6.1	14.5
%Var 2021 vs2020	9.7	58.8	17.9	38.6	65.7

## INFLATION AND EXCHANGE RATE

	2Q'21	2Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Inflation rate (%)	1.06	- 0.09		3.43	3.15	
Exchange rate (MXN/USD)						
Close	19.80	22.97	- 13.8			
Average	20.05	23.36	- 14.2	21.61	19.26	12.2

January - June

**GOLD London (USD/Oz)**



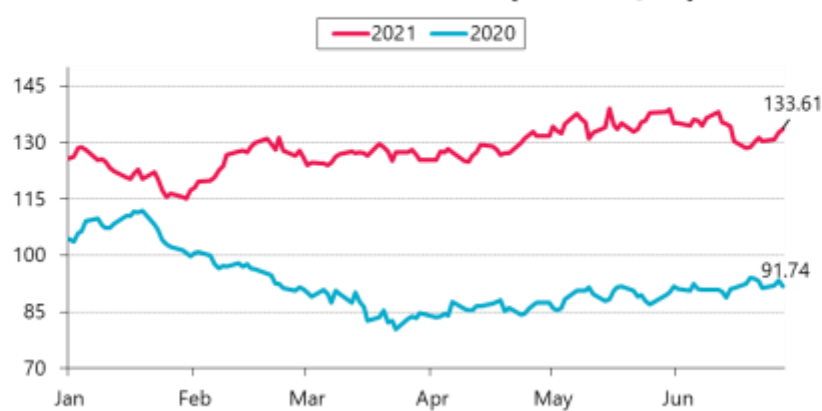
**SILVER Comex (USD/Oz)**



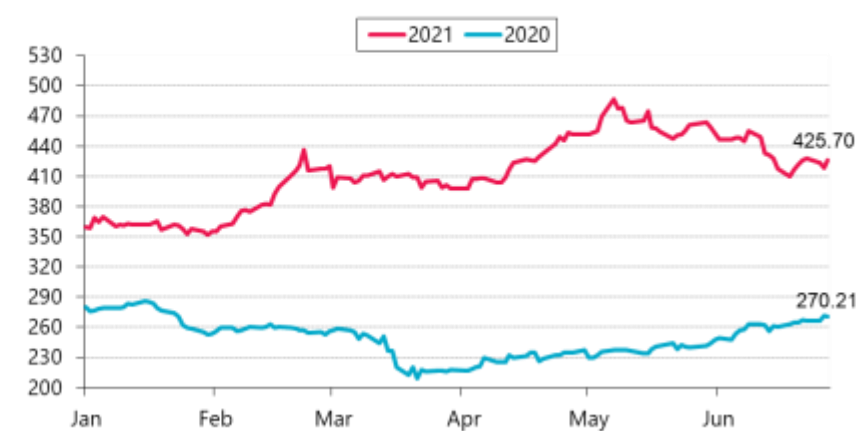
**LEAD LME (USDcts/lb)**



**ZINC LME SHG (USDcts/lb)**



**COPPER LME (USDcts/lb)**



## MINING OPERATIONS - Production of metal contents

		2Q'21	2Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Ore Milled	Kton	4,073	4,115	- 1.0	7,985	8,626	- 7.4
Ore Mined (*)	Kton	8,013	4,694	70.7	15,198	12,155	25.0
Gold	Oz	213,896	195,765	9.3	458,113	403,150	13.6
Silver	Koz	17,466	15,527	12.5	32,983	30,685	7.5
Lead	Ton	21,656	20,880	3.7	42,548	41,904	1.5
Zinc	Ton	69,121	72,232	- 4.3	138,808	146,220	- 5.1
Copper	Ton	2,813	2,194	28.3	5,812	4,253	36.7
Copper cathodes	Ton	745	3,623	- 79.4	1,639	8,011	- 79.5

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

## METALLURGICAL OPERATIONS - Production of refined metals

		2Q'21	2Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Gold	Oz	290,340	218,085	33.1	604,892	464,418	30.2
Silver	Koz	19,742	16,279	21.3	38,411	32,861	16.9
Lead	Ton	32,217	24,929	29.2	63,583	51,800	22.7
Zinc	Ton	64,365	73,198	- 12.1	131,208	130,364	0.6

## CHEMICAL OPERATIONS - Production

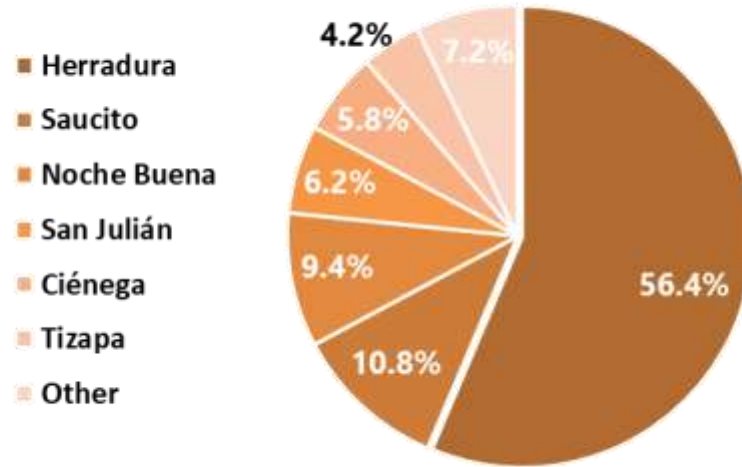
		2Q'21	2Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Sodium sulfate	Ton	191,711	190,891	0.4	376,497	383,054	- 1.7
Magnesium oxide	Ton	21,692	11,339	91.3	40,862	31,893	28.1
Ammonium sulfate (**)	Ton	45,243	50,448	- 10.3	89,359	86,075	3.8
Magnesium sulfate	Ton	16,490	16,968	- 2.8	30,716	31,330	- 2.0

(\*\*) Maquila not included.

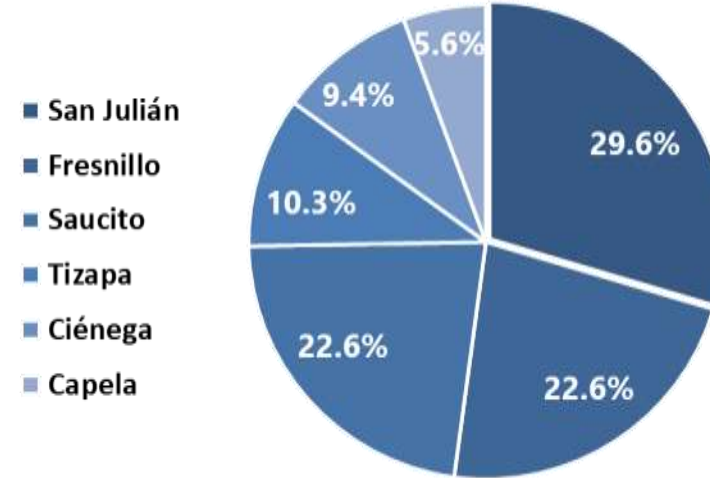
Kton = Thousands of metric tons, Oz = ounces, Koz = Thousands of ounces, Ton = metric ton.

# MINE PRODUCTION – YTD2021

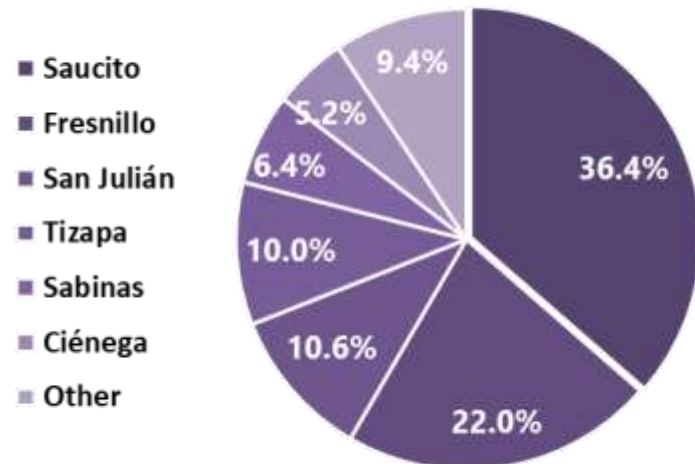
## GOLD



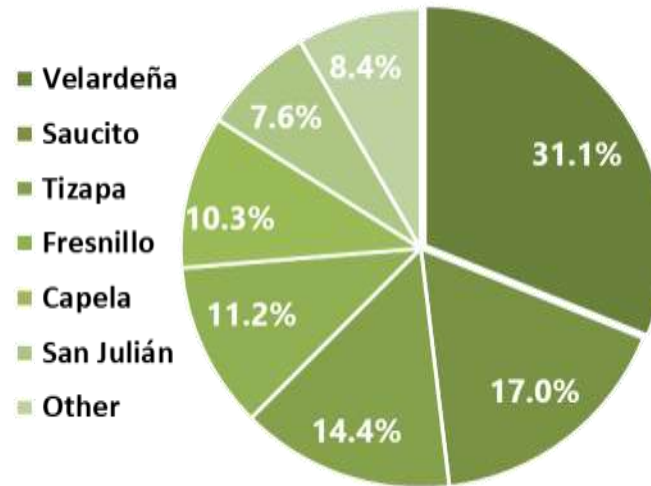
## SILVER



## LEAD



## ZINC



## COPPER



\*Copper cathodes

## SALES VOLUME - Main products

		2Q'21	2Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Gold	Oz	294,686	220,516	33.6	617,290	471,823	30.8
Silver	Koz	18,773	15,820	18.7	36,875	32,325	14.1
Lead	Ton	31,005	22,878	35.5	62,018	52,428	18.3
Zinc	Ton	72,705	59,444	22.3	145,014	120,553	20.3
Copper	Ton	866	5,064	- 82.9	1,948	9,424	- 79.3
Concentrates	Ton	52,585	42,019	25.1	106,184	95,217	11.5
Sodium sulfate	Ton	199,538	206,833	- 3.5	394,498	396,251	- 0.4
Magnesium oxide	Ton	20,391	11,305	80.4	42,151	26,428	59.5
Ammonium sulfate <sup>(**)</sup>	Ton	42,337	71,953	- 41.2	99,679	115,110	- 13.4
Magnesium sulfate	Ton	15,972	16,809	- 5.0	30,599	31,857	- 3.9

(\*\*) 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) <sup>E</sup>	Startup <sup>E</sup>
Juanicipio	Zacatecas	11.7 moz of silver, 43 koz of gold	56% Fresnillo plc 44% MAG Silver	<b>440</b> **	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, 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 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.

## 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:**

**[Investor\\_Relations@penoles.com.mx](mailto:Investor_Relations@penoles.com.mx)**

**<http://www.penoles.com.mx>**

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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**

**2Q 2021**