



STRENGTHENED

HIGHLIGHTS 3Q 2021



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

Executive Summary – CEO's Brief 3Q 2021

Even though economic conditions around the globe have been better than the previous year, the dynamism of global economic activity during the first half of the year slowed down from July to September 2021, due to the emergence of new COVID-19 variants that reignited concerns about the resurgence of infections; in addition to the inflationary pressures exerted by higher energy and raw material prices. Notwithstanding, industrial activity continued to give impulse to industrial metals, whose average prices increased as follows: lead (+24.8%), zinc (+27.8%) and copper (+43.7%). Precious metals on the other hand, suffered the effects of risk aversion, and showed declines of 6.4% in the case of gold, and to a lesser extent silver with 1.2%. Despite this, both precious metals prices remain at high levels.

Through the quarter we maintained the continuity of the operations that had been gradually resumed during the same period of the previous year. Likewise, we continue applying strict sanitary protocols in all our facilities to protect the health of our collaborators and contractors. We support the national vaccination campaign against COVID-19 in coordination with local authorities by assisting at our facilities in Torreón, Caborca and Ciénega, in which more than 100,000 doses have been administered to our collaborators and people from the communities.

In the mining business, gold production was similar to that obtained the same period of the previous year (-0.6%) due to the contribution of Herradura's higher head grade and recovery and Noche Buena's higher volume of ore deposited with better grade, which almost compensated the reduced productions of Cienega and San Julian due to lower head grades. Silver production decreased by 3.7%, mainly due to lower head grades in Fresnillo and Saucito, in addition to the lower volume of ore milled from the latter. Lead was decreased by 11.1%, because of the reduced volume of ore milled and head grade in Saucito, as well as lower grades and recoveries in Cienega and Tizapa.

On the other hand, zinc mining production had a favorable variation (+3.2%) due to higher volume of ore processed, better head grades and recoveries in Tizapa and Velardeña, as well as a better head grade in Fresnillo. Production of copper in concentrates also registered an increase (+41.7%) attributable to Capela, Tizapa, and Velardeña. In contrast, the volume of copper in cathodes decreased by 69.2% because of the previously reported suspension at Milpillas mine extraction, hence cathodic copper is only produced from the mineral deposited in the leaching patios.

In the metallurgical operations, the annual maintenance shutdown was carried out in the Lead Smelter, therefore the volume of treated concentrates was diminished, affecting silver (-5.1%) and lead (-17.1%) productions. The maintenance stoppage for 2020 was carried out in the second quarter. Gold production increased (+18.9%) mainly due to a reduction in inventories in process and higher dorés production from Herradura and Noche Buena. The refined zinc volume increased 22.3%, due to a higher volume of treated concentrates.

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In the chemical business, the produced volume of sodium sulfate increased (+10.3%) due to operational continuity. Contrary to the same period of the previous year, in which there were demand contraction and failures in the electricity supply. Magnesium oxide production surged (+168.6%) thanks to the resurgence of our clients' demand in the construction and automotive industries. Ammonium sulfate registered lower production (-25.0%) because of the lower availability of sulfuric acid from the Smelter; while magnesium sulfate had an increase in production (+7.6%) to satisfy the demand of the agricultural sector.

Regarding the 3Q'21 financial results, sales were favored by higher prices of industrial metals and higher sold volumes of gold, zinc, copper matte, and concentrates. However, the cost of sales absorbed this benefit since it experienced a greater increase, mainly due to the cost of metal sold, because of higher average prices of metals purchased from third-party remitters for processing in the metallurgical plants. Likewise, production costs suffered increases owing to the higher operations' rhythm –which imply a superior consumption of inputs– and the inflation of certain inputs –particularly energy–, this was partially offset by higher treatment revenues. Operating expenses were also higher than those recorded in the same quarter of the previous year.

On the other hand, 3Q'21 financial expenses and tax provision were lower, which favored the net income for the period. The former is a consequence of the extraordinary financial expenses registered in 3Q'20 because of the Company's voluntary adaptation made to the tax treatment of mining investments in its underground mines, as well as the early termination of the interest rate hedge over a syndicated loan that was settled in advance with part of the proceeds from the bond issuances. Regarding the lower tax provision, in 3Q'20 there was a deferred tax charge mainly due to the depreciation of the peso against the US dollar. While in 3Q'21 the peso appreciated, which together with the adjustment in pesos of the assets fiscal value due to inflation, contributed to registering a deferred tax credit.

Due to the aforementioned factors, the financial results obtained by Peñoles in 3Q'21 and their variations with respect to 3Q'20 were as follows (figures in millions): Net Sales US\$1,431.2 (+16.2%), Gross Profit US\$313.9 (-23.4%), EBITDA US\$346.1 (-25.8%), Operating Income US\$168.2 (-41.1%) and the Controlling Interest on Net Income US\$66.4 (+254.4%).

FINANCIAL HIGHLIGHTS



	3Q'21	3Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Gross sales	1,443.9	1,253.6	15.2	4,612.4	3,219.7	43.3
Net Sales ⁽¹⁾	1,431.2	1,232.0	16.2	4,553.6	3,203.3	42.2
Gross Profit	313.9	409.8	- 23.4	1,259.1	780.4	61.3
% of Net Sales	21.9	33.3		27.6	24.4	
Operating Profit ⁽²⁾	168.2	285.6	- 41.1	829	418.8	97.9
% of Net Sales	11.8	23.2		18.2	13.1	
EBITDA ⁽²⁾	346.1	466.4	- 25.8	1,376.2	949.4	45
% of Net Sales	24.2	37.9		30.2	29.6	
Net Financial Income (Expense)	- 44.4	- 96.6	- 54	- 106.2	- 173.5	- 38.8
Controlling Interest in Net Income	66.4	18.7	254.4	408.3	- 289	n.a.
% of Net Sales	4.6	1.5		9	9	
Earnings per share ⁽³⁾	0.17	0.05	254.4	1	0.7	n.a.

Balance Sheet	As of:	Sep 21	Dec 20	% Chg.
Cash and cash equivalents		1,693.1	1,592.7	6.3
Total Assets		9,633.5	9,250.4	4.1
Financial Debt		2,855.0	2,862.8	- 0.3
Total Liabilities		4,561.8	4,719.9	- 3.3
Stockholders equity		5,071.6	4,530.5	11.9
Dividends per share		-	-	n.a.

Cash Flow	As of:	Sep 21	Sep 20	% Chg.
Operating activities		694.9	732.9	- 5.2
Investing activities		- 434.8	- 366.3	- 18.7
Financing activities		- 161.0	246.8	n.a.
Change in cash and cash equivalents		99.1	613.4	- 83.8
Effect of exchange rates on cash and cash equivalents		1.4	- 6.0	122.7
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		1,693.1	1,133.7	49.3

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).

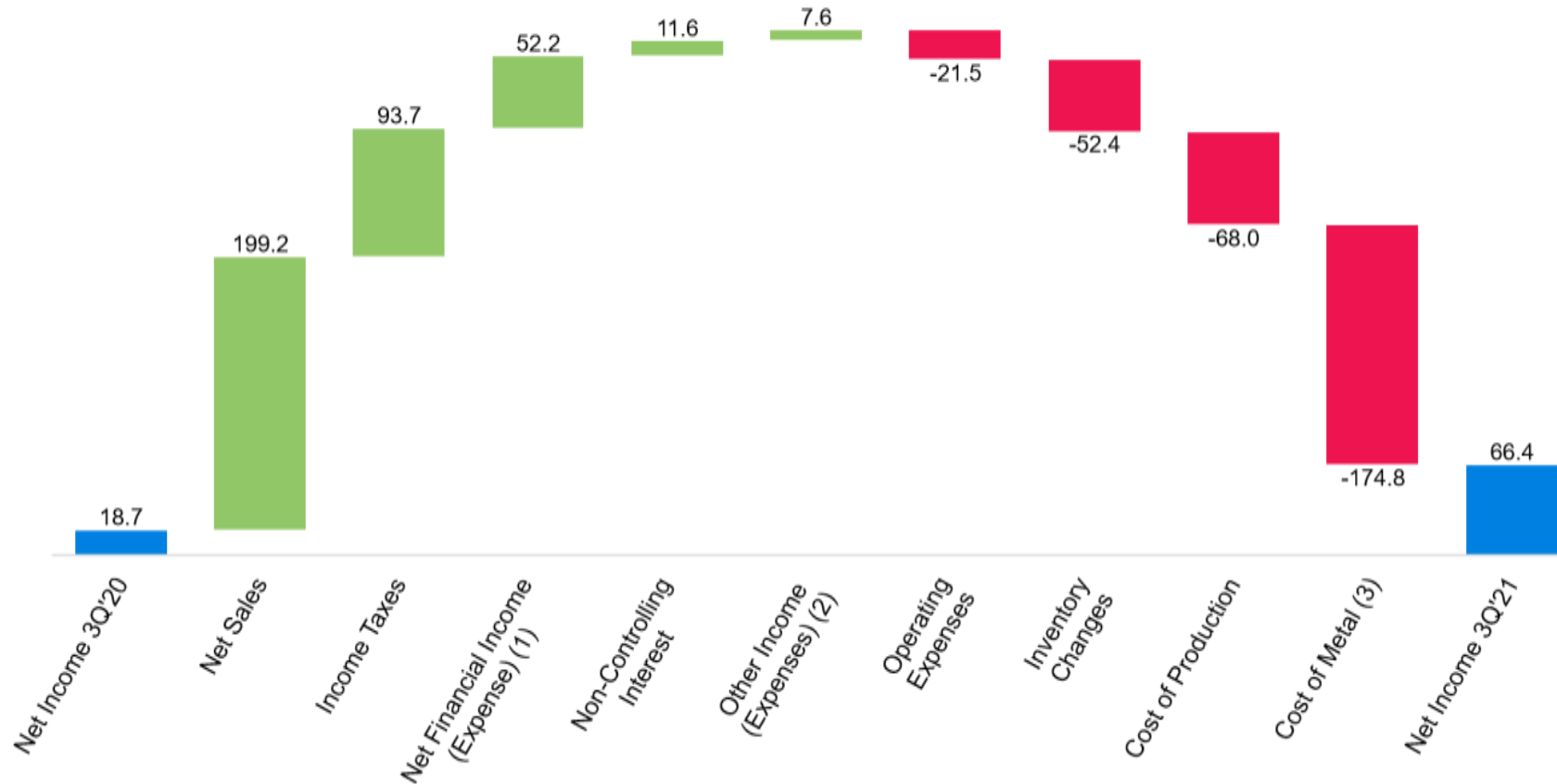
(3) Shares outstanding at September 30, 2021 and December 31, 2020: 397,475,747.

NET INCOME ANALYSIS – 3Q'21



Amounts in millions of dollars

■ Favorable
■ Unfavorable



Non-Controlling interest includes equity interest in associated companies.

(1) Financial expenses include Exchange result.

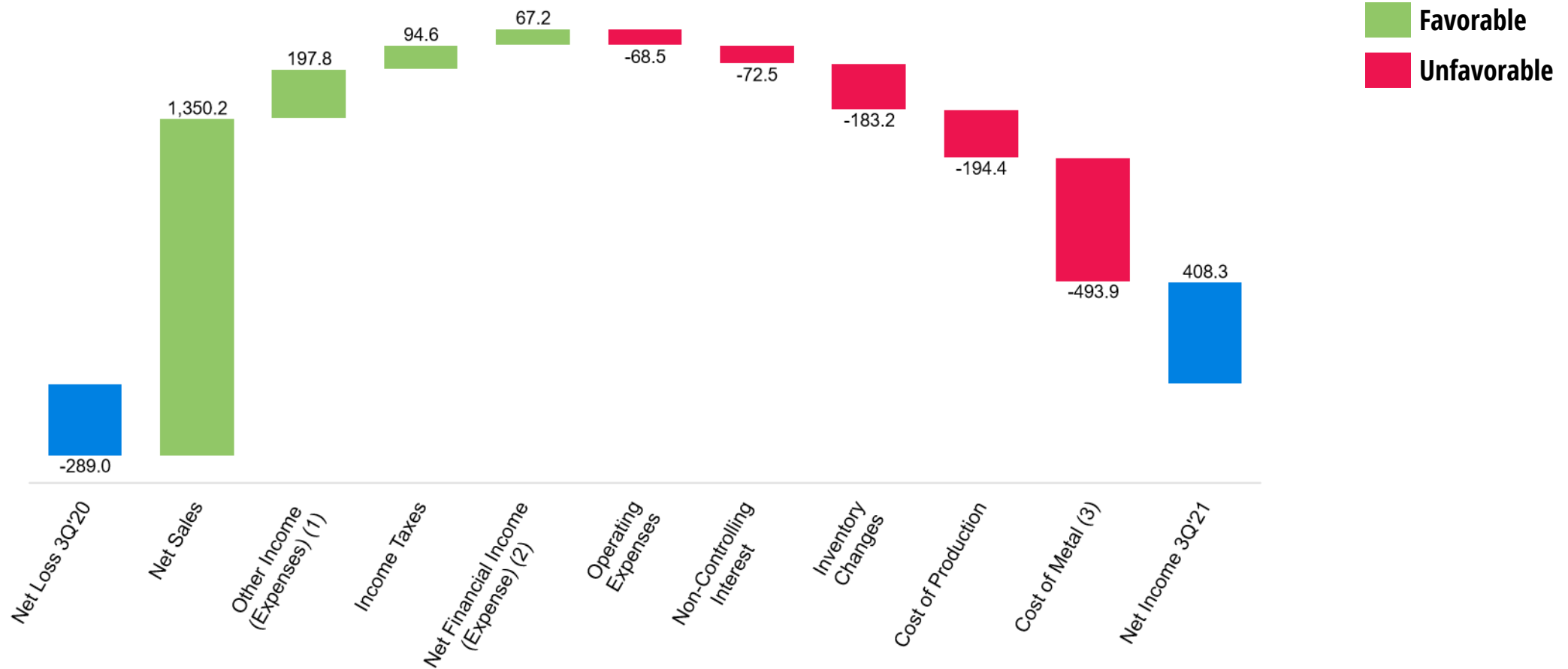
(2) Other expenses include impairment losses.

(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.

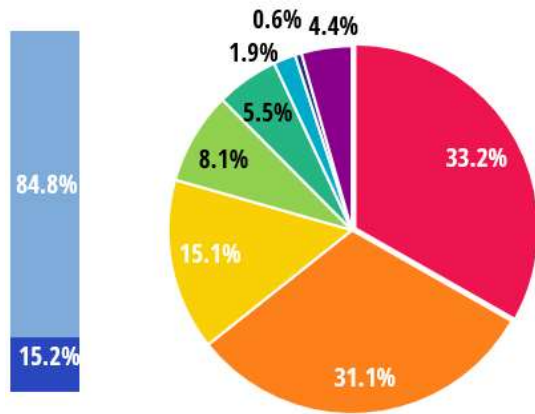
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(3) Net of Revenue from Treatment Charges, Income on inventories and other items.

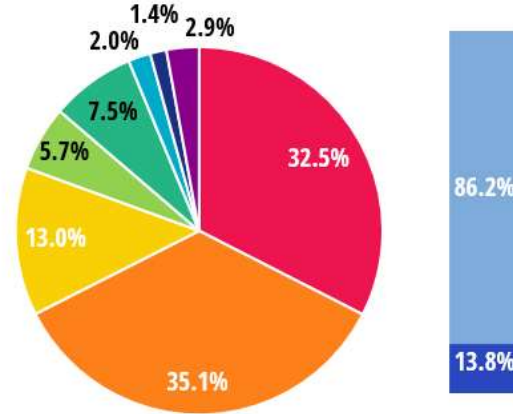
NET SALES BY PRODUCT/MARKET



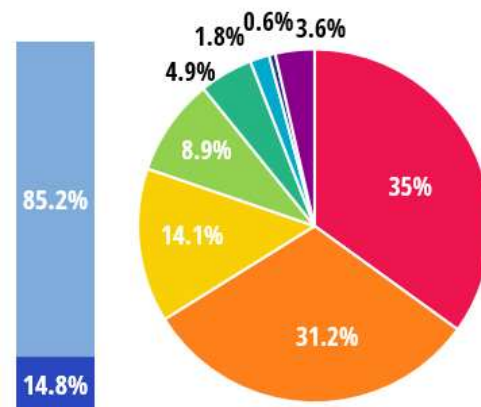
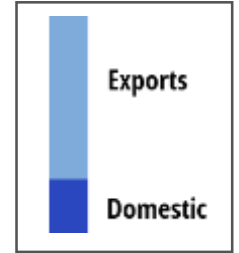
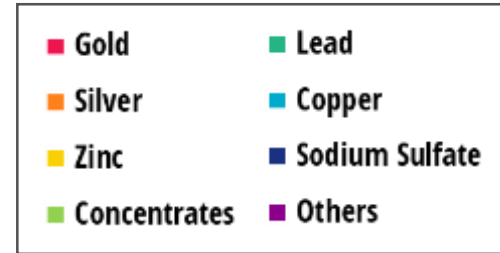
Amounts in millions of dollars



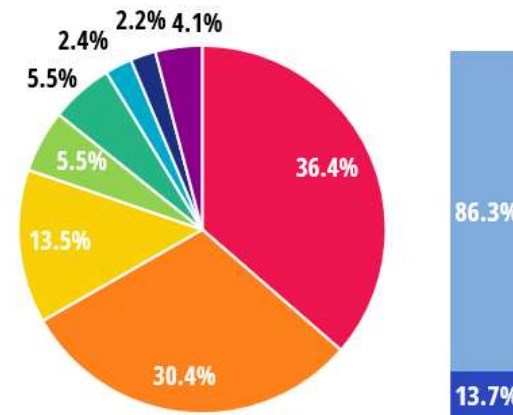
US \$1,431.20
3Q'21



US \$1,232
3Q'20



US \$4,553.6
YTD'21

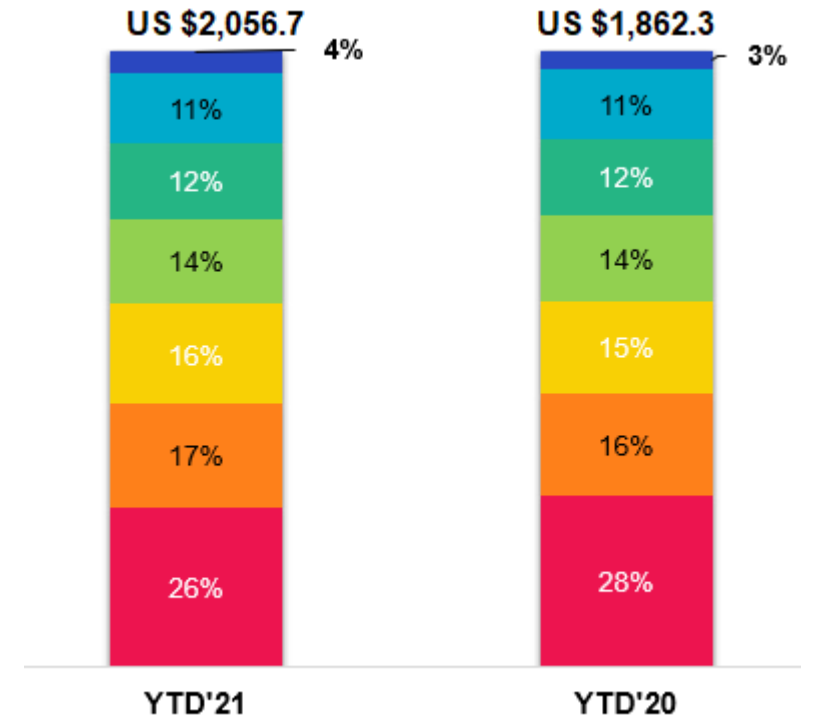
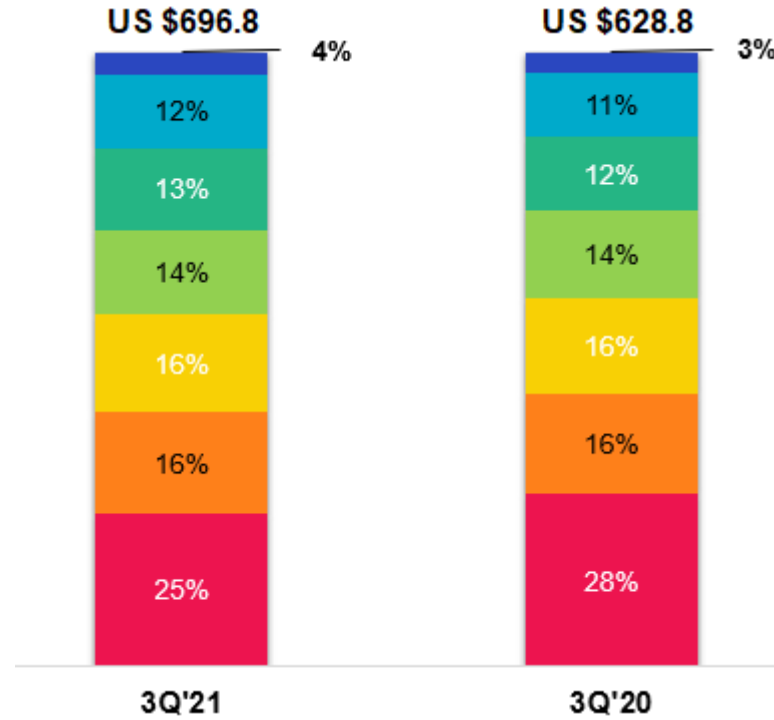


US \$3,203.3
YTD'20

COST OF PRODUCTION BREAKDOWN



Amounts in millions of dollars



METAL PRICES

	Gold (US\$/Oz)	Silver (US\$/Oz)	Lead (US\$/lb)	Zinc (US\$/lb)	Copper (US\$/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	1,735.04	19.33	81.55	97.17	264.60
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
3Q'21	1,789.44	24.28	106.18	135.68	425.09
YTD Avg. 2021	1,801.24	25.78	98.10	130.86	416.71
%Var 3Q'21 vs 3Q'20	-6.4	-1.2	24.8	27.8	43.7
%Var 3Q'21 vs 1Q'21	-0.5	-7.7	15.9	8.9	10.5
%Var 2021 vs 2020	3.8	33.4	20.3	34.7	57.5

INFLATION AND EXCHANGE RATE

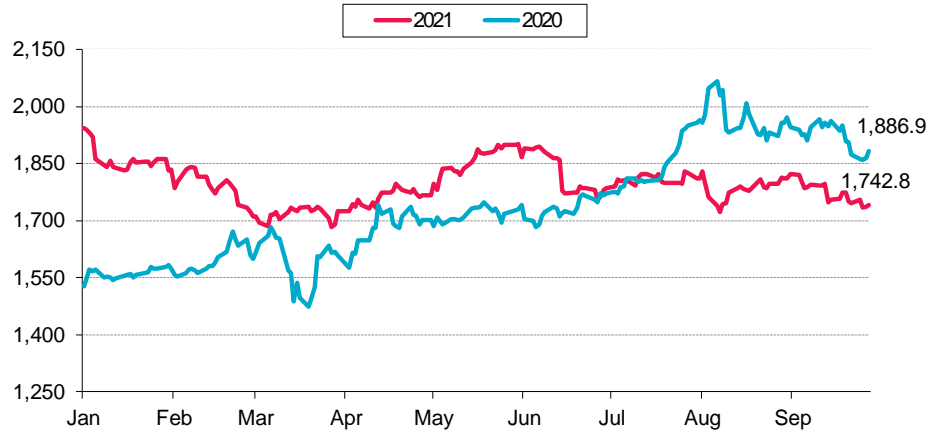
	3Q'21	3Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Inflation rate (%)	1.40	1.28		4.88	2.06	
Exchange rate (MXN/USD)						
Close	20.31	22.46	- 9.6			
Average	20.01	22.11	- 9.5	20.13	21.77	- 7.6

METALS PRICES

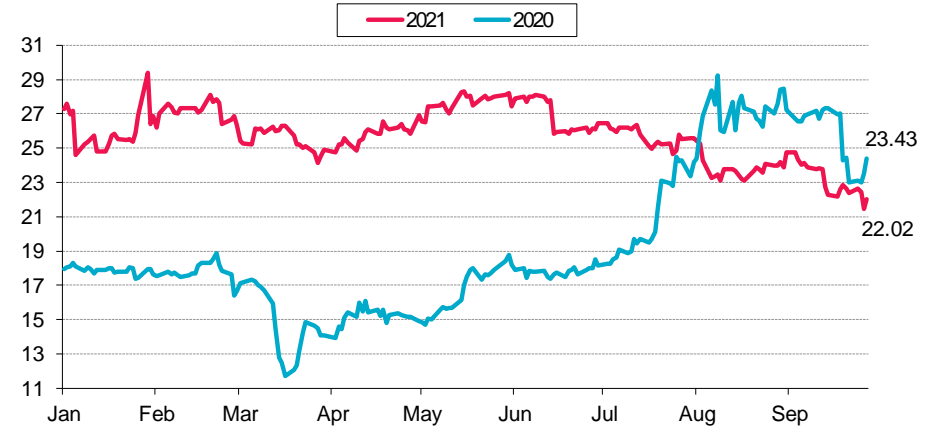


January - September

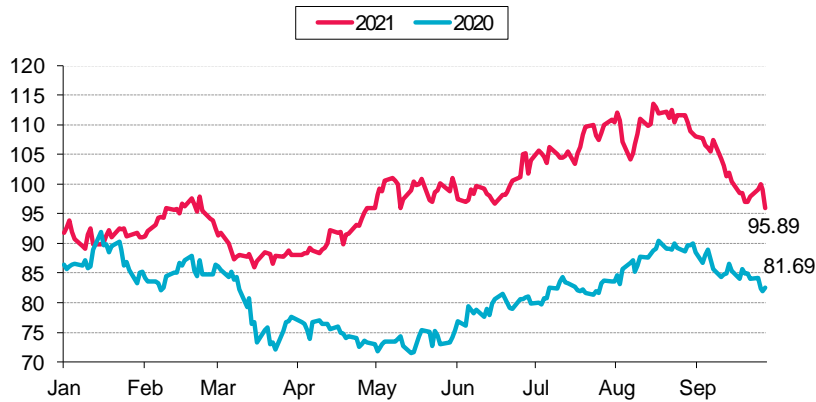
GOLD London (USD/ Oz)



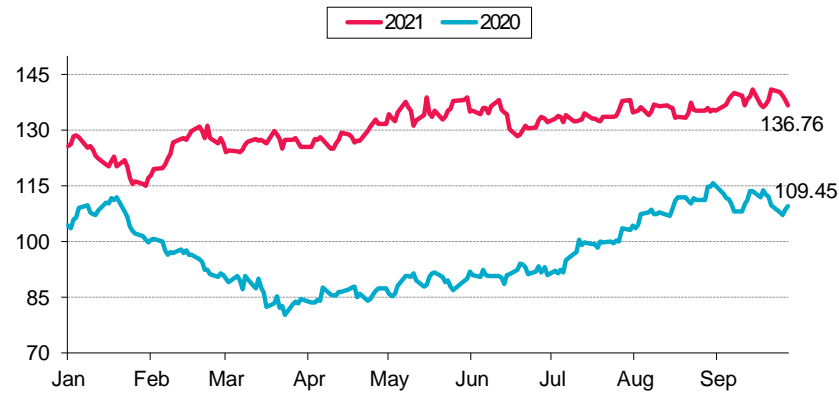
SILVER Comex (USD/ Oz)



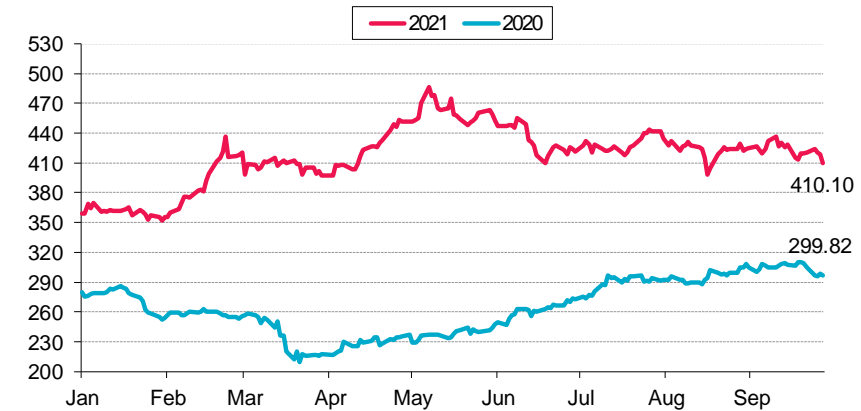
LEAD LME (USDcts/lb)



ZINCLMESHG (USDcts/lb)



COPPER LME (USDcts/lb)



PRODUCTION VOLUMES



MINING OPERATIONS - Production of metal contents

		3Q'21	3Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Ore Milled	Kton	3,990	4,054	- 1.6	11,975	12,680	- 5.6
Ore Mined (*)	Kton	6,936	6,506	6.6	22,135	18,660	18.6
Gold	Oz	187,450	188,502	- 0.6	645,562	591,652	9.1
Silver	Koz	15,377	15,965	- 3.7	48,360	46,650	3.7
Lead	Ton	18,402	20,693	- 11.1	60,950	62,596	- 2.6
Zinc	Ton	69,858	67,716	3.2	208,666	213,937	- 2.5
Copper	Ton	2,925	2,064	41.7	8,736	6,317	38.3
Copper cathodes	Ton	847	2,746	- 69.2	2,485	10,756	- 76.9

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

METALLURGICAL OPERATIONS - Production of refined metals

		3Q'21	3Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Gold	Oz	259,149	217,879	18.9	864,041	682,297	26.6
Silver	Koz	17,243	18,171	- 5.1	55,654	51,032	9.1
Lead	Ton	25,021	30,165	- 17.1	88,604	81,965	8.1
Zinc	Ton	70,621	57,737	22.3	201,829	188,102	7.3

CHEMICAL OPERATIONS - Production

		3Q'21	3Q'20	% Chg.	YTD'21	YTD'20	% Chg.
Sodium sulfate	Ton	188,828	171,201	10.3	565,325	554,255	2.0
Magnesium oxide	Ton	18,398	6,850	168.6	59,260	38,742	53.0
Ammonium sulfate (**)	Ton	40,890	54,520	- 25.0	130,249	140,595	- 7.4
Magnesium sulfate	Ton	17,294	16,074	7.6	48,010	47,404	1.3

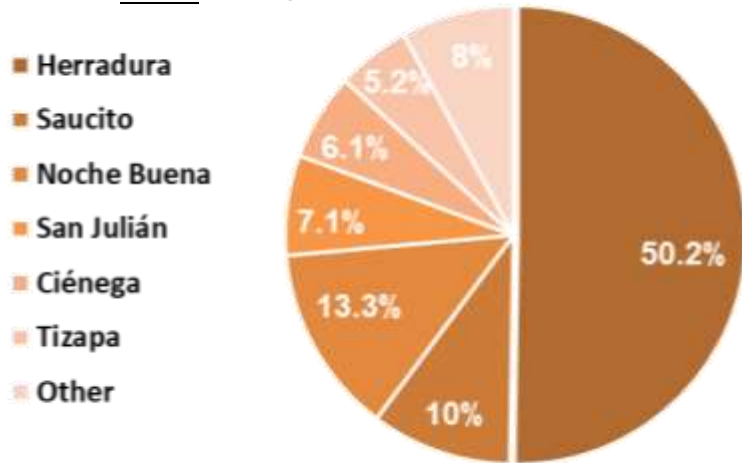
(**) Maquila not included.

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

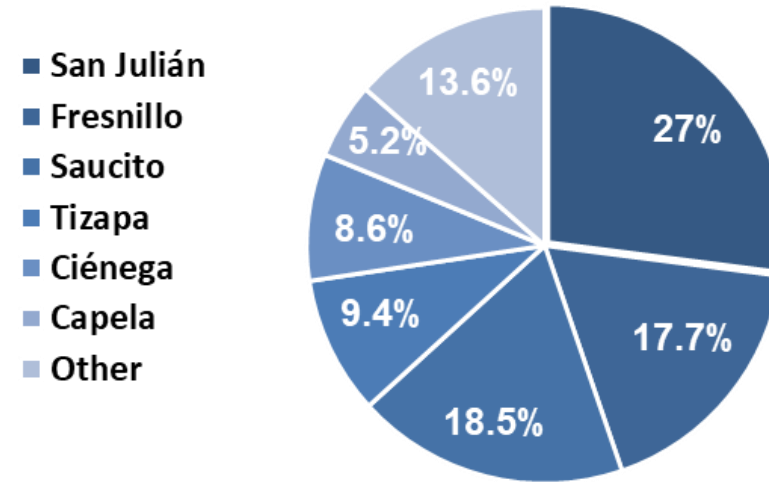
MINE PRODUCTION – YTD2021



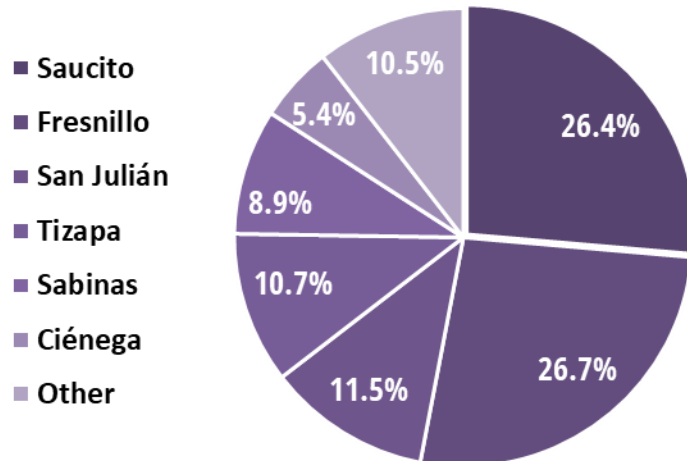
GOLD 645,562 Oz



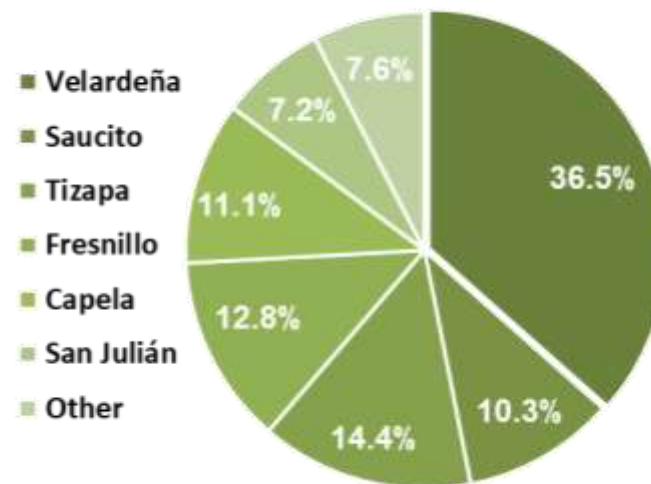
SILVER 48,360 Koz



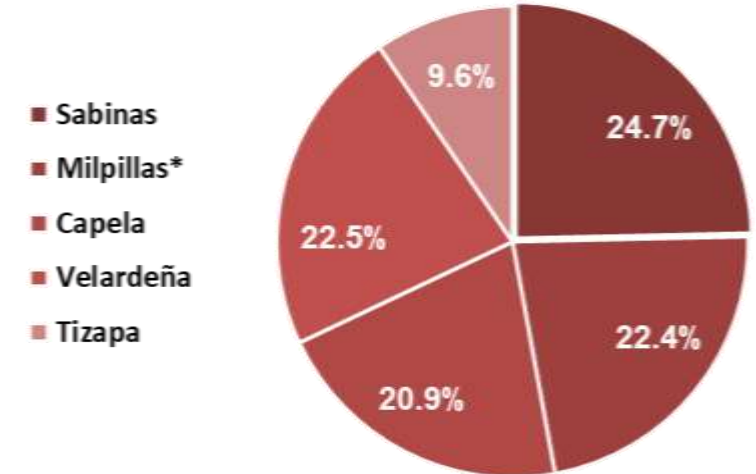
LEAD 60,950 Ton



ZINC 208,666 Ton



COPPER 11,221 Ton



*Copper cathodes

SALES VOLUME- Main products

		3Q21	3Q20	% Chg.	YTD21	YTD20	% Chg.
Gold	Oz	263,871	217,033	21.6	881,161	688,856	27.9
Silver	Koz	17,928	18,653	- 3.9	54,803	50,978	7.5
Lead	Ton	29,802	34,634	- 14.0	91,820	87,063	5.5
Zinc	Ton	71,984	68,138	5.6	216,999	188,691	15.0
Copper	Ton	859	3,049	- 71.8	2,806	12,473	- 77.5
Concentrates	Ton	43,955	38,901	13.0	150,139	134,118	11.9
Sodium sulfate	Ton	200,523	168,653	18.9	595,021	564,904	5.3
Magnesium oxide	Ton	17,364	10,249	69.4	59,516	36,677	62.3
Ammonium sulfate (**)	Ton	31,429	67,347	- 53.3	131,108	182,457	- 28.1
Magnesium sulfate	Ton	17,493	16,283	7.4	48,092	48,140	- 0.1

(**) 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, 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:

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DISCLAIMER

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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

3Q 2021