Annual report from the **Board of Directors to the Shareholders Meeting**

For fiscal year 2024

To our shareholders:

In my capacity as Chairman of the Board of Directors of Industrias Peñoles, S.A.B. de C.V. (the "company"), and on its behalf, I hereby present this report, based on an analysis of the information provided by the Chief Executive Officer in his Annual Report, on the company's performance and its financial and operational results for fiscal year 2024. This report also covers relevant aspects of safety, health, and the environment; our engagement with the communities where we operate; and our corporate governance practices, along with a summary of the Board of Directors' main activities.

In 2024, the global economic environment remained uncertain. Although central banks lowered interest rates in response to easing inflationary pressures, the economic slowdown in China and ongoing geopolitical conflicts continued to weigh on global growth projections.

Additionally, the US president has expressed his intention to impose tariffs on the country's trade partners, which could disrupt global trade flows and supply chains, ultimately harming global prosperity.

This international environment has been favorable for precious metal prices. Likewise, price outlook for industrial metals showed a slight improvement, mainly due to interest rate cuts, the strength of the US economy, and stimulus measures announced by China to reactivate its economy.

The increase in metal prices, along with our financial discipline and the measures taken to improve operational and administrative efficiencies, enabled us to achieve significant improvements in our financial results and cash flow generation in 2024. We will remain focused on controlling costs and expenses, streamlining investments, and optimizing working capital to ensure sustained profitability and financial health.

An uptick in revenue, along with reductions in costs and expenses, had a significant positive impact on EBITDA, reaching US$1,841 million—its highest level in the past 14 years.

In 2024, we invested US$212 million in exploration, an 8.9% decrease compared to the previous year. Nonetheless, our exploration programs progressed as planned and remained aligned with our long-term growth objectives. Results were positive, both in mine drilling and their adjacent zones, as well as in our portfolio of domestic and international projects and prospects.

Investment in fixed assets totaled US$446 million (25.1% lower year-over-year) and was primarily directed toward sustaining operations, developing mining infrastructure, and replacing critical assets.

Metal content production at the mines showed mixed results. Gold mining production reached 681,000 ounces, up 0.7% from 2023; silver production decreased by 2.5%, to 71 million ounces; lead production totaled 90,000 tons, reflecting a 4.9% increase; zinc production declined by 4.0%, to 271,000 tons; and copper concentrate production rose by 15.4%. Finally, copper cathode production at Milpillas decreased by 5.9%.

During the period, metallurgical operations faced a series of operational and industry-related challenges, including a sharp decline in international charges for treating zinc concentrates and refining silver. However, cost-efficiency measures, higher metal prices, and, to a lesser extent, the depreciation of the Mexican peso against the US dollar contributed to improved margins for this business. Annual refined gold production totaled 878,000 ounces, a 9.8% decrease from 2023, while refined silver volume fell by 2.0% to 76 million ounces. Refined lead and zinc production totaled 115,000 tons and 241,000 tons, respectively—down 4.1% and 4.2% compared to the previous year.

On the other hand, inorganic chemicals recorded higher production levels as a result of recovering demand, but logistics issues beyond the company's control affected this business's financial performance.

In financial terms (in millions of US dollars), net sales rose to US$ 6,650, representing 12.2% growth over 2023. This increase in revenue, combined with lower costs and expenses, had a significant positive impact on EBITDA, reaching US$ 1,841 million—the highest level in the past 14 years. Net income for 2024 was US$ 73 million, down 50.2%, primarily due to a disproportionate provision of deferred taxes. The net debt-to-EBITDA ratio improved from 2.2 times in 2023 to 0.6 times in 2024, and the company's financial position remained solid and conservative.

We reaffirm our commitment to sustainability and environmental stewardship and reinforce industrial safety through a preventive approach.

At Industrias Peñoles, we reaffirm our commitment to sustainable operations and environmental care. In 2024, we advanced our decarbonization program and began a rigorous assessment to identify and incorporate the levers with the greatest potential impact to meet our strategic plan. We also continued to strengthen the responsible management of tailings storage facilities by applying international best practices and standards.

At the same time, we reinforced industrial safety through a preventive approach, as the health and well-being of our people remain our top priority. We also maintained cordial and constructive relationships with our communities by actively supporting their development, well-being, and prosperity. In 2024, we invested US$ 17 million in social initiatives.

The Board of Directors adheres to solid corporate governance practices. To fulfill its responsibilities, the Board relies on the support of several committees and operates in alignment with the recommendations of the Code of Principles and Best Practices in Corporate Governance (Código de Principios y Mejores Prácticas de Gobierno Corporativo). In 2024, the Board met four times. The most important topics discussed and approved during these meetings included the following:

1. Reinforcing occupational safety and environmental programs.
2. Monitoring compliance with operational objectives.
3. Implementing measures to improve efficiency and financial discipline.
4. Advancing the strategic plan and decarbonization strategy.
5. Updating and monitoring the risk matrix.
6. Reviewing the metals and foreign exchange hedging program.
7. Analyzing investment and financing programs, as well as financial projections.
8. Reviewing the 2024 budget and setting up the 2025 budget.
9. Evaluating the organizational restructuring.
10. Reviewing the cybersecurity incident.

The following are the most relevant activities carried out by the committees, whose members are listed in the Corporate Governance section of this Annual Report:

The Executive Committee reviewed the budget, along with the operational and financial performance of all business units, including matters related to safety and environmental stewardship. It validated the progress of the strategic plan and approved the corresponding adjustments, as well as the implementation of the environmental, social, and corporate governance (ESG) strategy.

The Audit and Corporate Governance Committee reviewed performance on internal control, operational and financial results, performance metrics, and the internal audit and compliance plans. It also evaluated external audit services, confirmed compliance with regulatory requirements, and reviewed the risk matrix, accounting policies, and related-party transactions. Additionally, the committee monitored key legal matters reported by management.

The Finance and Planning Committee monitored financial projections, the implementation of cost-reduction measures, and the company's overall financial position.

The Nominations, Evaluation and Compensation Committee conducted its annual performance evaluation of senior management in accordance with company policies and approved salary and benefit adjustments. The compensation package for senior management includes a base salary, all legally mandated benefits, and additional components in line with common practice in the national industrial sector.

In accordance with the provisions of the Mexican Securities Market Law (Ley del Mercado de Valores), the Audit and Corporate Governance Committee prepared its Annual Report, which is presented at this Shareholders Meeting.

The Board of Directors reports to the Meeting on the accounting policies and criteria used to prepare the financial statements. These include, among others, the basis of presentation and consolidation, the most significant accounting policies, and new accounting standards reviewed by the external auditors, all of which form an integral part of this Report. The company's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In the opinion of the Board of Directors, the report presented by the Chief Executive Officer to this Shareholders Meeting reasonably reflects the company's financial position, results, and key developments during 2024.

At Peñoles, we face challenges with discipline and remain committed to improving efficiency and sustainability across our operations—despite the current challenges in our industry. This year, we capitalized on a favorable pricing cycle and strengthened both our performance and the financial indicators resulting from our ongoing transformation. We will continue to foster productive and harmonious relationships with our stakeholders.

I would like to express my sincere appreciation to the members of the Board of Directors for their dedication and commitment. I also extend my gratitude to all our employees, whose effort and dedication were essential to achieving the company's goals. To you, ladies and gentlemen shareholders, I extend my deepest appreciation for the trust you have always placed in us.

Alejandro Baillères
Chairman of the Board of Directors

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