

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

2007  
First Quarter  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2007

Commission file number 1-14066

**SOUTHERN COPPER CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
Incorporation or organization)

13-3849074  
(I.R.S. Employer  
Identification No.)

11811 North Tatum Blvd. Suite 2500, Phoenix, AZ  
(Address of principal executive offices)

85028  
(Zip Code)

Registrant's telephone number, including area code

(602) 494-5328

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).  
Yes  No

As of April 30, 2007 there were outstanding 294,465,250 shares of Southern Copper Corporation common stock, par value \$0.01 per share.

Southern Copper Corporation

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Part I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS  
(Unaudited)

	3 Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
	(in thousands)	
Net sales	\$ 1,358,337	\$ 1,121,291
Operating costs and expenses:		
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	466,645	406,944
Selling, general and administrative	23,799	24,016
Depreciation, amortization and depletion	74,098	53,103
Exploration	<u>6,418</u>	<u>4,573</u>
Total operating costs and expenses	<u>570,960</u>	<u>488,636</u>
Operating income	787,377	632,655
Interest expense	(29,806)	(22,907)
Capitalized interest	4,966	5,095
Loss on derivative instruments	(21,180)	-
Other income (expense)	20,662	(978)
Interest income	<u>21,928</u>	<u>9,305</u>
Earnings before income taxes and minority interest	783,947	623,170
Income taxes	230,674	199,872
Minority interest	<u>1,591</u>	<u>1,723</u>
Net earnings	<u>\$ 551,682</u>	<u>\$ 421,575</u>
Per common share amounts:		
Net earnings basic and diluted	\$ 1.874	\$ 1.432
Dividends paid	\$ 1.700	\$ 1.375
Weighted average common shares outstanding (basic and diluted)	<u>294,461</u>	<u>294,456</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Southern Copper Corporation

CONDENSED CONSOLIDATED BALANCE SHEET  
(Unaudited)

	March 31, <u>2007</u>	December 31, <u>2006</u>
	(in thousands)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 888,850	\$1,022,778
Marketable securities	380,000	280,000
Accounts receivable trade:		
Non affiliates, less allowance for doubtful accounts (2007 - \$5,916; 2006 - \$5,948)	464,586	560,227
Affiliates	3,315	2,630
Accounts receivable - other	34,800	43,569
Inventories	456,636	413,652
Deferred income tax - current portion	41,373	65,638
Prepaid and other current assets	<u>65,842</u>	<u>54,383</u>
Total current assets	2,335,402	2,442,877
Property, net	3,555,408	3,538,295
Leachable material, net	240,968	231,516
Intangible assets, net	117,542	118,107
Deferred income tax - non-current	-	14,549
Other assets, net	<u>34,133</u>	<u>31,070</u>
Total Assets	<u>\$ 6,283,453</u>	<u>\$ 6,376,414</u>
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt	\$ 10,000	\$ 10,000
Accounts payable	292,983	271,064
Accrued income taxes	119,389	226,047
Due to affiliated companies	4,552	3,581
Accrued workers' participation	232,234	299,892
Accrued interest	21,894	37,140
Other accrued liabilities	19,500	<u>11,847</u>
Total current liabilities	700,552	859,571
Long-term debt	1,518,172	1,518,111
Deferred income taxes	184,251	194,759
Non current taxes payable	38,948	-
Other liabilities	115,481	111,196
Asset retirement obligation	<u>12,424</u>	<u>12,183</u>
Total non-current liabilities	1,869,276	1,836,249
Commitments and Contingencies (Note L)		
MINORITY INTEREST	<u>13,796</u>	<u>13,989</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock	2,949	2,949
Additional paid-in capital	772,693	772,693
Retained earnings	3,057,914	3,010,307
Other accumulated comprehensive loss	(23,288)	(22,332)
Treasury stock	<u>(110,439)</u>	<u>(97,012)</u>
Total Stockholders' Equity	3,699,829	3,666,605
Total Liabilities, Minority Interest and Stockholders' Equity	<u>\$ 6,283,453</u>	<u>\$6,376,414</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

	3 Months Ended March 31,	
	<u>2007</u>	<u>2006</u>
	(in thousands)	
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 551,682	\$ 421,575
Adjustments to reconcile net earnings to net cash provided from operating activities:		
Depreciation, amortization and depletion	74,098	53,103
Capitalized leachable material	(20,461)	-
Remeasurement loss (income)	(4,682)	572
Provision for deferred income taxes	20,246	19,712
Loss (gain) on sale of property	(623)	-
Unrealized loss on derivative instruments	22,688	-
Minority interest	1,591	1,723
Cash provided from (used for) operating assets and liabilities:		
Accounts receivable	81,034	24,364
Inventories	(42,984)	(40,303)
Accounts payable and accrued liabilities	(245,439)	(78,820)
Other operating assets and liabilities	<u>111,447</u>	<u>35,731</u>
Net cash provided from operating activities	<u>548,597</u>	<u>437,657</u>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(85,030)	(143,117)
Purchase of marketable securities	(100,000)	-
Other	560	(1,811)
Sales of property	<u>611</u>	<u>-</u>
Net cash used for investing activities	<u>(183,859)</u>	<u>(144,928)</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid to common stockholders	(500,584)	(404,877)
Distributions to minority interest	(1,759)	(2,985)
Other	<u>61</u>	<u>658</u>
Net cash used for financing activities	<u>(502,282)</u>	<u>(407,204)</u>
Effect of exchange rate changes on cash and cash equivalents	3,616	14,099
Decrease in cash and cash equivalents	(133,928)	(100,376)
Cash and cash equivalents, at beginning of period	<u>1,022,778</u>	<u>876,003</u>
Cash and cash equivalents, at end of period	\$ <u>888,850</u>	\$ <u>775,627</u>

3 Months Ended  
March 31,  
2007                      2006  
(in thousands)

Supplemental disclosure of cash flow  
information, cash paid during the period for:

Interest	\$ 6,486	\$ 19,415
Income taxes	\$ 264,511	\$ 148,424
Workers participation	<u>\$ 171,436</u>	<u>\$ 96,840</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Southern Copper Corporation

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

- A. In the opinion of Southern Copper Corporation, (the "Company", "Southern Copper" or "SCC"), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company's financial position as of March 31, 2007 and the results of operations and cash flows for the three months ended March 31 2007 and 2006. The condensed consolidated financial statements for the three month periods ended March 31, 2007 and 2006 have been subjected to a review by PricewaterhouseCoopers, the Company's independent registered public accounting firm, whose report dated May 9, 2007, is presented on page 43. The results of operations for the three months ended March 31, 2007 and 2006 are not necessarily indicative of the results to be expected for the full year. The December 31, 2006 balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements at December 31, 2006 and notes included in the Company's 2006 annual report on Form 10-K.
- B. Change in Accounting Principle - Adoption of FIN 48:

Financial Accounting Standards Board (FASB) Interpretation No. 48 "Accounting for Uncertainty in Income Taxes", (FIN 48) was issued in July 2006 and interprets FASB Statement of Financial Accounting Standards (SFAS) No. 109. FIN 48 replaces SFAS No.5 with respect to accounting for all tax positions, both certain and uncertain. FIN 48 became effective for the Company on January 1, 2007 and prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company classifies income tax-related interest and penalties as income taxes in the financial statements.

The total amount of unrecognized tax benefits as of the January 1, 2007 date of adoption of FIN 48 was \$32.0 million. This amount related entirely to U.S. income tax matters. The Company has no unrecognized Peruvian or Mexican tax benefits. The cumulative effect of the implementation of FIN 48 on retained earnings was a net reduction of \$3.5 million. There were no material changes to the amount of unrecognized tax benefits during the quarter ended March 31, 2007.

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$25.4 million at adoption and did not materially change by March 31, 2007.

As of the January 1, 2007 adoption of FIN 48, the Company's liability for uncertain tax positions included accrued interest of \$13.9 million. The liability included no accrued penalties because management expects no penalties to apply to the resolution of any of its uncertain tax positions. The amount of increase in accrued interest during the quarter ended March 31, 2007 was not material.

Various tax positions are currently under review by the U.S. Internal Revenue Service ("IRS") Appeals Office. It is not likely that this review will result in a cash payment within twelve months of March 31, 2007.

Such positions include the determination of appropriate depreciation periods for fixed assets, the capitalization of costs to the copper inventory inherent in leachable dumps, and depletion deductions.

As of the January 1, 2007 adoption of FIN 48, management did not expect that a final resolution of the IRS review would result in a significant change in the Company's liability. The Company's reasonable expectations about future resolutions of uncertain items did not materially change during the quarter ended March 31, 2007. The following tax years remain open to examination and adjustment by the Company's three major tax jurisdictions:

Peru:	1997 and all following years
U.S.:	1997 and all following years
Mexico:	2001 and all following years

C. Marketable Securities:

Reverse barrier notes:

Commencing in 2006 the Company began making short term investments (90 days to 1 year). The investments initially contained interest rates above the prevailing market rates. At March 31, 2007 the Company holds \$380 million in investments of these types, as follows (in millions):

<u>Investment</u>	<u>Investment Book Value</u>
3-month note, issued December 12, 2006 with extensions every 3 months up to a maximum of 12 months, with an interest rate of 7%, a barrier range is established by a pool of Mexican and Peruvian bond issues.	\$ 200.0
3-month note, issued January 19, 2007 with extensions every 3 months up to a maximum of 12 months, with an interest rate of 7.25%, a barrier range is established by a pool of Mexican and Peruvian bond issues.	100.0
180-day note, maturing June 12, 2007 with an interest rate of 6%, with barrier range of \$37.669 and \$69.957 of SCC stock price, NYSE symbol PCU.	40.0
180-day note, maturing June 28, 2007 with an interest rate of 6%, with barrier range of \$38.738 and \$71.942 of SCC stock price, NYSE symbol PCU.	20.0
300-day note, maturing December 24, 2007 with an interest rate of 3.6%, with barrier range of \$50.00 and \$75.00 of SCC stock price, NYSE symbol PCU.	20.0
	<u>\$ 380.0</u>

In the first quarter of 2007 the Company earned \$6.0 million on these investments, which were recorded in interest income on the consolidated statement of earnings.

Certain of these investments are indexed to SCC common stock while others are indexed to certain bond pools. Both types of indexation clauses could cause the principal of the investment to be reduced if the established ranges are breached. Since the notes are not principal protected the Company may lose part or all of the initial investment. These indexation clauses have been deemed to be bifurcated embedded derivatives and have been subject to valuation using a binomial model. At March 31, 2007, valuing the embedded derivatives at fair value resulted in a liability of \$34.3 million. This liability has been included in other accounts payable and the increment of the liability in the first quarter of 2007 of \$22.7 million is recorded as loss on derivative instruments on the condensed consolidated statement of earnings.

D. Inventories were as follows:  
(in millions)

	March 31, <u>2007</u>	December 31, <u>2006</u>
Metals at lower of average cost or market:		
Finished goods	\$ 89.5	\$ 116.1
Work-in-process	181.4	121.9
Supplies at average cost	<u>185.7</u>	<u>175.7</u>
Total inventories	\$ <u>456.6</u>	\$ <u>413.7</u>

#### E. Income Taxes:

The Company's income tax provision for the three months ended March 31, 2007 and 2006 was \$230.7 million and \$199.9 million, respectively. These provisions include income taxes for Peru, Mexico and the United States. The effective tax rates for the 2007 and 2006 periods are 29.4% and 32.1%, respectively. A decrease of 1% in the statutory Mexican tax rate contributed to the decrease in the 2007 effective income tax rate. In addition, a tax inflation adjustment and the effect of currency conversion adjustment in our Mexican operations also contributed to the reduction in the effective tax rate.

#### F. Provisionally Priced Sales:

At March 31, 2007, the Company has recorded provisionally priced sales of 83.4 million pounds of copper, at an average forward price of \$3.11 per pound. Also the Company has recorded provisionally priced sales of 3.7 million pounds of molybdenum at the quarter-end market price of \$28.13 per pound. These sales are subject to final pricing based on the average monthly LME or COMEX copper prices and Dealer Oxide molybdenum prices in the future months of settlement.

Following are the provisionally priced copper and molybdenum sales outstanding at March 31, 2007:

Copper (million lbs.)	Priced at	Month of Settlement
20.0	3.132164	April 2007
6.4	3.134586	May 2007
17.3	3.114370	June 2007
17.3	3.099400	August 2007
11.0	3.085340	September 2007
<u>11.4</u>	<u>3.069010</u>	October 2007
<u>83.4</u>	<u>3.107073</u>	Total
Molybdenum (million lbs.)	Priced at	Month of Settlement
1.7	28.125000	April 2007
1.2	28.125000	May 2007
0.8	28.125000	June 2007
<u>3.7</u>	<u>28.125000</u>	Total

Management believes that the final pricing of these sales will not have a material effect on the Company's financial position or results of operations.

#### G. Derivative Instruments:

The Company occasionally uses derivative instruments to manage its exposure to market risk from changes in commodity prices and interest rate risk exposure. The Company does not enter into derivative contracts unless it anticipates a future activity that is likely to occur that will result in exposing the Company to market risk.

Copper and zinc derivatives:

From time to time the Company has entered into derivative instruments to protect a fixed copper, or zinc price for a portion of our metal sales. The Company did not hold any copper or zinc swaps in the 2007 and 2006 first quarters.

During April 2007, the Company entered into copper collar contracts to protect 8.4 million pounds of copper production for each of the months, June 2007 through December 2007 at weighted average minimum and maximum prices of \$3.18 per pound and \$4.04 per pound, respectively, for each of the months.

Gas swaps:

The Company established long swap contracts for 900,000 MMBTUs with a fixed price of \$7.525 in the first quarter of 2007 and 900,000 of MMBTUs with a fixed price of \$4.2668 per MMBTU in the first quarter of 2006. In this respect, the Company recorded a loss of \$0.9 million and a gain of \$2.3 million, in the first quarter of 2007 and 2006, respectively, which were charged/(credited) to the production cost. At March 31, 2007, we do not hold any open gas swap contract.

Exchange rate derivatives, U.S. dollar / Mexican peso contracts:

Because more than 85% of our sales collections in Mexico are in US dollars and many of our costs are in Mexican pesos, during 2006 the Company entered into zero-cost derivative contracts with the purpose of protecting, within a range, against an appreciation of the Mexican peso to the US dollar. In these contracts if the exchange rate settles at or below the barrier, the Company does not sell US dollars, if the exchange rate settles above the barrier price established in the contract the Company sells US dollars at the strike price established in the contract.

In the first quarter of 2007 the exercise of these zero-cost derivative contracts resulted in a gain of \$1.5 million, which was recorded as a gain on derivative instruments on the condensed consolidated statement of earnings.

At March 31, 2007 the Company held the following exchange rate derivative operations:

Notional Amount (millions)	Due Date, Weekly expiration during	Strike Price (Mexican Pesos/U.S. Dollars)	Barrier Price (Mexican Pesos/U.S. Dollars)
\$ 52.0	3rd Quarter 2007	11.15	10.675
\$ 52.0	3rd Quarter 2007	11.52	11.15
\$ 52.0	3rd Quarter 2007	11.90	11.54
\$ 72.0	4th Quarter 2007	11.35	10.65
\$ 72.0	4th Quarter 2007	11.65	11.35
\$ 80.0	1st Quarter 2008	11.60	11.28
\$ 80.0	1st Quarter 2008	11.28	10.70

At March 31, 2007, the fair value of the above listed exchange rate derivative contracts is \$0.1 million. The notional amounts are comprised on therein transactions that have the same strike and barrier price.

Dual currency notes:

In the first quarter of 2007 the Company invested \$120.0 million in dual currency notes which provided an above market interest return subject to a barrier range of the Mexican peso/US dollar exchange rates. These investments matured in the first quarter 2007 and the Company recorded interest income of \$0.5 million.

Additionally, the Company holds embedded derivatives which are described in note C "marketable securities."

#### H. Asset Retirement Obligation:

In 2005 the Company added an estimated asset retirement obligation for its mining properties in Peru, as required by the Mine Closure Law, enacted in 2003 and regulated in 2005. In accordance with the law a conceptual mine closure plan, without costs, was submitted to the Peruvian Ministry of Energy and Mines ("MEM") in August 2006. The plan is subject to review by MEM for 45 days. After the MEM review the Company will have 90 days to prepare and resubmit the mine closure plan, including costs, which will then be subject to MEM approval and open to public discussion and comment in the area of the Company operations. The Company is still awaiting MEM's initial review. The Company has made an estimated provision for this liability in its financial statements, but believes that this estimate should be viewed with caution, pending final approval of the mine closure plan, expected later in 2007.

The closure cost recognized for this liability includes the estimated cost required at the Peruvian operations, based on the Company's experience and includes cost at the Ilo smelter, the tailing disposal, dismantling of the Toquepala and Cujajone concentrators, shops and auxiliary services. In this regard we recorded an additional asset retirement liability in 2005 of \$5.2 million for this law and increased net property by \$4.6 million.

The following table summarizes the asset retirement obligation activity for the first quarter 2007 and 2006 (in millions):

	<u>2007</u>	<u>2006</u>
Balance as of January 1,	\$ 12.2	\$ 11.2
Additions, changes in estimates	-	-
Accretion expense	<u>0.2</u>	<u>0.3</u>
Balance as of March 31,	\$ <u>12.4</u>	\$ <u>11.5</u>

#### I. Related Party Transactions:

Receivable and payable balances with affiliated companies are shown below (in millions):

	<u>As of</u>	
	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Affiliate receivable:		
Mexico Proyectos y Desarrollos S.A. de C.V. and affiliates	\$ 3.3	\$ 2.6
Total	\$ <u>3.3</u>	\$ <u>2.6</u>
Affiliate payable:		
Grupo Mexico S.A. de C.V. and affiliates	\$ 2.1	\$ 0.4
Ferrocarril Mexicano, S.A. de C.V.	<u>2.4</u>	<u>3.2</u>
Total	\$ <u>4.5</u>	\$ <u>3.6</u>

The Company has entered into certain transactions in the ordinary course of business with parties that are controlling shareholders or their affiliates. These transactions include the lease of office space, air transportation and construction services and products and services relating to mining and refining. The Company lends and borrows funds among affiliates for acquisitions and other corporate purposes. These financial transactions bear interest and are subject to review and approval by senior management, as are all related party transactions. It is our policy that the Audit Committee of the Board of Directors shall review all related party transactions. The Company is prohibited from entering or continuing a material related party transaction that has not been reviewed and approved or ratified by the Audit Committee.

Grupo Mexico, the Company's ultimate parent and the majority indirect stockholder of the Company, and its affiliates provide various services to the Company. These activities were principally related to accounting, legal, tax, financial, treasury, human resources, price risk assessment and hedging, purchasing, procurement and logistics, sales and administrative and other support services. Grupo Mexico is paid for these support services. The total amount paid by the Company to Grupo Mexico for such services in the first quarter of 2007 and 2006 was \$3.5 million. The Company expects to continue to pay for these services going forward in an amount of \$13.8 million per year.

The Company's Mexican operations paid \$4.1 million and \$4.9 million in the first quarter of 2007 and 2006, respectively, for freight services provided by Ferrocarril Mexicano, S.A. de C.V., an indirect subsidiary of Grupo Mexico.

In addition, the Company's Mexican operations paid \$2.7 million and \$7.8 million in the first quarter of 2007 and 2006, respectively, for construction services provided by Mexico Constructora Industrial S.A. de C.V., an indirect subsidiary of Grupo Mexico.

The Larrea family controls a majority of the capital stock of Grupo Mexico, and has extensive interests in other businesses, including oil drilling services, construction and real estate. The Company engages in certain transactions in the ordinary course of business with other entities controlled by the Larrea family relating to mining and refining services, the lease of office space, and air transportation and construction services. In connection with this, the Company paid fees of \$1.0 million and \$0.5 million in the first quarter of 2007 and 2006, respectively for maintenance services provided by Mexico Compañía de Productos Automotrices S.A. de C.V., a company controlled by the Larrea family. Additionally, in the third quarter of 2006 our Mexican subsidiary provided a short-term interest bearing loan of \$10.6 million to Mexico Transportes Aereos, S.A. de C.V. ("MexTransport") for the purchase of an airplane which was paid in the first quarter of 2007. Our Mexican subsidiaries have provided a guaranty for a new temporary \$10.6 million loan secured by MexTransport. MexTransport, a company controlled by the Larrea family, provides aviation services to our Mexican operations.

The Company purchased \$1.3 million in the first quarter of 2007 and 2006 of industrial material from companies in which Mr. Carlos Gonzalez has a proprietary interest. Mr. Carlos Gonzalez is the son of SCC's Chief Executive Officer. In addition, the Company purchased \$0.1 million in the first quarter of 2007 and 2006 of industrial material from companies in which Mr. Alejandro Gonzalez is employed as a sales representative. Mr. Alejandro Gonzalez is the son of SCC's Chief Executive Officer.

It is anticipated that in the future the Company will enter into similar transactions with such parties.

J. Employee Benefit Plans:

SCC Defined Benefit Pension Plan-

The components of the net periodic benefit costs for the quarter ended March 31, are as follows (\$ in millions):

	<u>2007</u>	<u>2006</u> (1)
Interest cost	\$ 0.2	\$ 0.2
Expected return on plan assets	(0.1)	(0.1)
Amortization of net loss	<u>-</u>	<u>-</u>
Net periodic benefit cost	\$ <u>0.1</u>	\$ <u>0.1</u>

(1) 2006 quarter based on average of annual amount.

SCC Post-retirement Health Care Plan-

The components of the net period benefit costs for the post-retirement health care plan for the quarter ended March 31, 2007 and 2006 are individually and in total less than \$0.1 million.

Minera Mexico Defined Benefit Pension Plans-

The components of the net periodic benefit costs for the quarter ended March 31, are as follows (\$ in millions):

	<u>2007</u>	<u>2006</u>
Interest cost	\$ 0.5	\$ 0.5
Service cost	0.5	0.5
Expected return of plan assets	<u>(0.5)</u>	<u>(0.5)</u>
Net periodic benefit cost	<u>\$ 0.5</u>	<u>\$ 0.5</u>

Minera Mexico Post-retirement Health Care Plan-

The components of the net periodic cost for the quarters ended March 31, 2007 and 2006 are as follows (\$ in millions):

	<u>2007</u>	<u>2006</u>
Interest cost	\$ 0.6	\$ 0.6
Service cost	0.1	0.1
Net periodic benefit cost	<u>\$ 0.7</u>	<u>\$ 0.7</u>

K. Comprehensive Income:

	<u>Three months ended</u>	
	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Net income	\$551,682	\$421,575
Other comprehensive income (loss) net of tax:		
(Realized)unrealized gain on investment	<u>(956)</u>	<u>1,101</u>
Comprehensive income	<u>\$550,726</u>	<u>\$422,676</u>

L. Commitments and Contingencies:

Peruvian Operations

Regional development contribution:

On December 28, 2006, the Company's Peruvian branch signed a contract with the Peruvian government that commits the Company to make annual (five-year) contributions for the regional development of Peru. This has been in response to an appeal by the new president of Peru to the mining industry. The Company, as well as the mining industry, has responded positively to help with this cause. The programs envisioned will focus initially on nutrition for young children and expectant mothers, education and health services. The Company has a program of contributions, starting in 2007, with a contribution of \$16.1 million, calculated based on 2006 Peruvian earnings after income tax. In accordance with the agreement, the contribution from 2006 earnings must be segregated from the Branch resources as of April 30, 2007. For such purpose, the money was deposited with a separate entity, named "Asociación Civil Ayuda del Cobre" which will disburse the funds for the approved investments in accordance with the agreement. The following four years' contributions could increase or decrease depending on copper prices. If the copper price drops below \$1.79 per pound the contribution will cease. The Company made a provision of \$1.9 million in the first quarter of 2007 based on Peruvian earnings for this contribution.

Royalty charge:

In June 2004, the Peruvian Congress enacted legislation imposing a royalty charge to be paid by mining companies in favor of the regional governments and communities where mining resources are located. Under this law, the Company is subject to a 1% to 3% royalty, based on sales, applicable to the value of the concentrates produced in our Toquepala and Cuajone mines. The Company made provisions of \$10.1 million and \$8.3 million in the first quarter of 2007 and 2006, respectively, for this royalty. These provisions are included in "Cost of sales (exclusive of depreciation, amortization and depletion)" on the condensed consolidated statement of earnings.

In 2005, a Constitutional Tribunal ruled the law constitutional and additionally stated that the royalty charge applies to all concessions held in the mining industry, implying that those entities with tax stability contracts are subject to this charge. In 1996, the Company entered into a tax stability contract with the Peruvian government (a "Guarantee and Promotional Measures for Investment Contract"), relating to our solvent extraction and electrowinning ("SX/EW") production, which agreement purports to, among other things, fix tax rates and other charges relating to such production. The Company believes that the Constitutional Tribunal's interpretation relating to entities with tax stability contracts is incorrect and intends to protest the imposition of the royalty charge on SX/EW production, when and if assessed. Provisions made by the Company for the royalty charge do not include approximately \$15.7 million of additional potential liability relating to its SX/EW production from June 30, 2004 through March 31, 2007.

Power purchase agreement:

In 1997, SCC sold its Ilo power plant to an independent power company, Enersur S.A. ("Enersur"). In connection with the sale, a power purchase agreement was also completed under which SCC agreed to purchase all of its power needs for its Peruvian operations from Enersur for twenty years, commencing in 1997.

In 2003 the agreement was amended releasing Enersur from its obligation to construct additional capacity to meet the Company's increased electricity requirements. SCC believes it can satisfy the need for increased electricity requirements from other sources, including local power providers.

Environmental matters:

The Company has instituted extensive environmental conservation programs at its mining facilities in Peru and Mexico. The Company's environmental programs include water recovery systems to conserve water and minimize impact on nearby streams, reforestation programs to stabilize the surfaces of the tailings dams and the implementation of scrubbing technology in the mines to reduce dust emissions.

Peruvian operations:

The Company's operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through its Ministerio de Energia y Minas (the Ministry of Energy and Mines, or "MEM") conducts annual audits of the Company's Peruvian mining and metallurgical operations. Through these environmental audits, matters related to environmental commitments, compliance with legal requirements, atmospheric emissions and effluent monitoring are reviewed. The Company believes that it is in material compliance with applicable Peruvian environmental laws and regulations.

In accordance with Peruvian regulations, in 1996 SCC submitted its Programa de Adecuación y Manejo Ambiental (the Environmental Compliance and Management Program, known by its Spanish acronym, PAMA) to the MEM. A third-party environmental audit was conducted in order to elaborate the PAMA. The PAMA applied to all current operations that did not have an approved environmental impact study at the time. SCC's PAMA was approved in January 1997 and contained 34 mitigation measures and projects necessary to (1) bring the existing operations into compliance with the environmental standards

established by the MEM and (2) identify areas impacted by operations that were no longer active and needed to be reclaimed. By the end of 2006, 32 of these projects were completed, including all PAMA commitments related to the Company's operations in Cujajone and Toquepala.

The two pending PAMA projects were related to the Ilo smelter operations. The primary areas of environmental concern were the smelter reverberatory slag eroded from slag deposits up until 1994, and atmospheric emissions from the Ilo smelter. PAMA commitments related to the slag remediation program and the smelter modernization project were both completed by January 31, 2007. With the completion of these projects SCC fulfilled its environmental commitments under the PAMA.

With the smelter modernization project, the Company increased sulfur capture over the 92% requirement established by the PAMA. The new smelter is expected to maintain production at current levels. The Company has, however, encountered some delays in getting to full capacity and as a consequence the Company has sold some concentrates in the first quarter of 2007. As of March 31, 2007, smelter production reached 80% of capacity and the Company anticipates reaching full capacity in the second quarter of 2007.

A new stationary 17-meter high smelting furnace (IsaSmelt), with a nominal capacity to treat 165 tons of copper concentrate per hour has been installed as part of the modernization project. The furnace uses Isa technology which is proven throughout the world. Additionally, two rotary holding furnaces (RHF) have been installed to separate the slag. The matte (62% copper) from the RHF is then sent to Pierce-Smith converters to produce 99.3% pure copper. Two 400-ton anode furnaces receive the copper from the converters and with the use of two casting wheels 99.7% pure copper anodes are produced. Since January 2006, when the anode furnaces entered operation, blister copper production has been basically replaced by anode copper.

As part of the smelter modernization project a new 1000-ton per day oxygen plant as well as a new 800,000 tons per year sulfuric acid plant, two desalination plants, and two effluent treatment plants have been constructed.

Spending on this project through March 2007 was \$561.1 million (which includes \$59.8 million of capitalized interest).

In 2003, the Peruvian Congress published a new law announcing future closure and remediation obligations for the mining industry. The law was amended in 2004 and again in 2005. The current modification establishes that mining companies must submit their mine closure plans within one year of publication of final regulations. In August 2005 final regulations were published and the Company initiated the preparation of the required mine closure plan. This plan, in its final form, will include the estimated cost required for the Peruvian operations, including cost at the Ilo smelter and refinery, tailings disposal, and the dismantling of the Toquepala and Cujajone concentrators, shops and auxiliary services.

As the law requires that the mine closure plan be prepared by an independent consulting entity, the Company engaged Walsh Peru S.A., a Peruvian subsidiary of Walsh Environmental Scientists and Engineers, Inc. (Boulder, Colorado), and the Mines Group Inc (Reno, Nevada) independent consulting entities to prepare the mine closure plan. The conceptual plan, without costs, was submitted to MEM in August 2006 and is subject to review by MEM for 45 days. After the MEM review (which is still pending) the Company will have 90 days to prepare and resubmit the mine closure plan, including costs, which is then subject to approval by MEM and open to public discussion and comment in the area of Company operations. Additionally, the law requires companies to provide financial guarantees to insure that remediation programs are completed. The Company believes the liability for these asset retirement obligations cannot currently be precisely measured, or estimated, until the Company has completed its final mine closure plan and is reasonably confident that it will be approved by MEM in most material respects. However, the Company has made a preliminary estimate of this liability and has recorded such amount in its financial statements. As of March 31, 2007, the Company has recorded \$5.9 million for this liability. The Company believes

that this estimate should be viewed with caution, pending final approval of its mine closure plan, expected in 2007.

For the Company's Peruvian operations, environmental capital expenditures were \$11.7 million and \$63.3 million in the first quarter of 2007 and 2006, respectively.

Mexican operations:

The Company's operations are subject to applicable Mexican federal, state and municipal environmental laws, to Mexican official standards, and to regulations for the protection of the environment, including regulations relating to water supply, water quality, air quality, noise levels and hazardous and solid waste. Some of these laws and regulations are relevant to legal proceedings pertaining to the Company's San Luis Potosi copper facilities.

The principal legislation applicable to the Company's Mexican operations is the federal Ley General del Equilibrio Ecologico y la Proteccion al Ambiente (the "General Law of Ecological Balance and Environmental Protection, or the Environmental Law"), which is enforced by the Procuraduria Federal de Proteccion al Ambiente ("Federal Bureau of Environmental Protection or the PROFEPA"). The PROFEPA monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and official standards. PROFEPA may initiate administrative proceedings against companies that violate environmental laws, which in the most egregious cases may result in the temporary or permanent closing of non-complying facilities, the revocation of operating licenses and/or other sanctions or fines. Also, according to theCodigo Penal Federal (Federal Criminal Code), the PROFEPA must inform corresponding authorities regarding environmental non-compliance.

Mexican environmental regulations have become increasingly stringent over the last decade, and this trend is likely to continue and has been influenced by the environmental treaty entered into by Mexico, United States and Canada in connection with NAFTA in February 1999. However, the Company's management does not believe that continued compliance with the Environmental Law or Mexican State environmental laws will have a material adverse effect on the Company's business, properties, results of operations, financial condition or prospects or will result in material capital expenditures. Although the Company believes that all of its facilities are in material compliance with applicable environmental, mining and other laws and regulations, the Company cannot assure that future laws and regulations would not have a material adverse effect on the Company's business, properties, results of operations, financial condition or prospects.

Due to the proximity of certain facilities of Minera Mexico to urban centers, the authorities may implement certain measures that may impact or restrain the operation of such facilities.

For the Company's Mexican operations, environmental capital expenditures were \$4.1 million and \$0.8 million in the first quarter of 2007 and 2006, respectively. We expect to spend approximately \$3.9 million for environmental capital expenditures in the remaining three quarters of 2007.

Litigation matters:

Peruvian operations:

Garcia-Ataucuri and Others vs. SCC: In April 1996, the Company was served with a complaint filed in Peru by approximately 800 former employees seeking the delivery of a substantial number of "labor shares" (acciones laborales) of its Peruvian Branch plus dividends on such shares, to be issued in a proportional way to each former employee in accordance with their time of work with SCC's Branch in Peru.

The Company conducts its operations in Peru through a registered Branch. Although the Branch has neither capital nor liability separate from that of the Company, under Peruvian law it is deemed to have an equity capital for purposes of determining the economic interest of the holders of the labor shares. The labor share litigation is

based on claims of former employees for ownership of labor shares issued during the 1970s until 1989 under a former Peruvian mandated profit sharing system. In 1971, the Peruvian Government enacted legislation providing that workers in the mining industry would participate in the pre-tax profits of the enterprises for which they worked at a rate of 10%. This participation was distributed 40% in cash and 60% as an equity interest in the enterprise. Under the law, the equity participation was originally delivered to the "Mining Community", an organization representing all workers. The cash portion was distributed to the workers after the close of the year. The accrual for this participation was (and continues to be) a current liability of the Company, until paid. In 1978, the law was amended and the equity distribution was calculated at 5.5% of pre-tax profits and was made to individual workers of the enterprise in the form of "labor shares" to be issued in Peru by the Peruvian Branch of SCC. These labor shares represented an equity interest in the enterprise. In addition, according to the 1978 law, the equity participations previously distributed to the "Mining Community" were returned to the Company and redistributed in the form of labor shares to the individual employees or former employees. The cash participation was adjusted to 4.0% of pre-tax earnings and continued to be distributed to employees following the close of the year. Effective in 1992, the law was amended to its present status, and the workers' participation in pre-tax profits was set at 8%, with 100% payable in cash. The equity participation component was eliminated from the law.

In 1995, the Company offered to exchange new common shares of the Company for the labor shares issued under the prior Peruvian law. Approximately 80.8% of the issued labor shares were exchanged for the Company's common shares, greatly reducing the minority interest on the Company's balance sheet. What remains of the workers' equity participation is now included in the consolidated balance sheet under the caption "Minority Interest".

In relation to the issuance of "labor shares" by the Branch in Peru, the Company is a defendant in the following lawsuits:

1) As stated above, in April 1996, the Company was served with a complaint filed in Peru by approximately 800 former employees, (García Ataucuri and others vs. SCC), seeking the delivery of 38,763,806.80 "labor shares" (acciones laborales) (or S/. 3,876,380,679.56), as required by Law # 22333, to be issued in a proportional way to each former employee or worker in accordance with their time of work with SCC's Branch in Peru, plus dividends on such shares. This amount corresponds to the total number of labor shares for all of the Company's Peruvian workers, and the complaint is seeking to have labor shares issued to the plaintiffs proportionally to each in accordance with their time of work with the Company, plus dividends on such labor shares. In December 1999, a civil court of first instance of Lima decided against the Company, ordering the delivery of the labor shares and dividends to the plaintiffs. The Company appealed this decision in January 2000. On October 10, 2000, the Superior Court of Lima affirmed the lower court's decision, which had been adverse to the Company. On appeal by the Company, the Peruvian Supreme Court annulled the proceeding noting that the civil courts lacked jurisdiction and that the matter had to be decided by a labor court. On March 8, 2002, Mr. García Ataucuri restated the claim to comply with Peruvian labor law and procedure requirements, and increased the number of plaintiffs to approximately 958 ex-workers. The lower labor judge dismissed the lawsuit in January 2005. In March 2005, the plaintiffs appealed to the Lima Labor Superior Court. The Superior Court annulled the appeal due to procedural defects and remanded the case to the lower court for further proceedings. The lower court is considering motions of certain plaintiffs to reinstate the appeal. If the lower court grants the motions, the Company believes that the appeal would proceed only for the limited number of plaintiffs that have cured the procedural defects.

2) Additionally, on May 10, 2006, the Company was served with a new complaint filed in Peru, this time by 44 former employees, (Cornejo Flores and others vs. SCC), of the Company seeking delivery of (1) labor shares (or shares of whatever other current legal denomination) corresponding to years 1971 to December 31, 1977 (we understand the plaintiffs are seeking the same 38,763,806.80 labor shares mentioned in the prior lawsuit), that should have been issued in accordance with Law # 22333, plus interest" and (2) labor shares resulting from capital increases made by the Branch in 1980 "...for the amount of the workers' participation of S/.17,246,009,907.20, equivalent to

172,460,099.72 labor shares", plus dividends. On May 23, 2006, the Company answered this new complaint, denying the validity of the claim.

#### Previous Case:

The two above mentioned cases, are similar to a concluded lawsuit filed by 127 former employees on July 15, 1996, also represented by Mr. Garcia Ataucuri, which sought the issuance and delivery of 38,763,806.80 labor shares plus dividends and S/.1,118,439,980.23 representing labor share capital increases made by the Branch. In December 1999, the lower court dismissed the complaint against the Company. Plaintiffs appealed this decision in January 2000 before the Superior Court. In August 2000 the Superior Court affirmed the lower court decision and the plaintiffs filed an appeal before the Supreme Court. In June 2002 the Supreme Court dismissed the appeal and as a consequence the Superior Court decision became final.

It should be noted that these two (2) lawsuits refer to a prior Peruvian currency called "sol de oro," which was later changed to the "new sol." One billion of soles de oro is equivalent to today's one new sol. The labor shares are currently called investment shares.

The Company asserts that the claims are without merit and that the labor shares were distributed to the former employees in accordance with the profit sharing law then in effect. We do not believe that an unfavorable outcome is reasonably possible. The Company has not made a provision for these lawsuits because it believes that it has meritorious defenses to the claims asserted in the complaints.

#### Mineria Integral S.A.C.:

In January 2007, the Company was served with a complaint filed in Peru by Minería Integral S.A.C. The complaint alleges that the Company has trespassed on certain mining rights of the plaintiff and seeks that the Company desist from the trespass and pay compensation in the amount of \$49,139,476. The Company believes that this lawsuit is without merit and is vigorously defending itself against this action.

#### Class actions

Three purported class action derivative lawsuits have been filed in the Delaware Court of Chancery (New Castle County) late in December 2004 and early January 2005 relating to the acquisition of Minera Mexico by SCC. On January 31, 2005, the three actions Lemon Bay, LLP v. Americas Mining Corporation, et al., Civil Action No. 961-N, Therault Trust v. Luis Palomino Bonilla, et al., and Southern Copper Corporation, et al., Civil Action No. 969-N, and James Sousa v. Southern Copper Corporation, et al., Civil Action No. 978-N were consolidated into one action titled, In re Southern Copper Corporation Shareholder Derivative Litigation, Consol. C. A. No. 961-N and the complaint filed in Lemon Bay was designated as the operative complaint in the consolidated lawsuit. The consolidated action purports to be brought on behalf of the Company's common stockholders.

The consolidated complaint alleges, among other things, that the acquisition of Minera Mexico is the result of breaches of fiduciary duties by the Company's directors and is not entirely fair to the Company and its minority stockholders. The consolidated complaint seeks, among other things, a preliminary and permanent injunction to enjoin the acquisition, the award of damages to the class, the award of damages to the Company and such other relief that the court deems equitable, including interest, attorneys' and experts' fees and costs. The Company believes that this lawsuit is without merit and is vigorously defending itself against this action.

The Company's management believes that the outcome of the aforementioned legal proceeding will not have a material adverse effect on the Company's financial position or results of operations.

#### Mexican operations-

The Mexican Geological Services (MGS) Royalties:

In August 2002, MGS (formerly named Council of Mineral Resources ("COREMI")) filed with the Third Federal District Judge in Civil Matters, an action demanding from Mexcobre the payment of royalties since 1997. In December 2005, Mexcobre signed an agreement with MGS. Under the terms of this agreement the parties established a new procedure to calculate the royalty payments applicable for 2005 and the following years, and the Company paid in January 2006, \$6.9 million of royalties for 2005 and \$8.5 million as payment on account of royalties from the third quarter 1997 through the last quarter of 2004. We estimate that the payment made on January 11, 2006 will cover 100% of the royalty payments required for 2005 and prior periods. On January 22, 2007 the Third Federal District Judge issued a ruling regarding the payment related to the period from the third quarter of 1997 through the fourth quarter of 2004. This ruling was appealed by both parties in February 2007. The Company believes that the payment made on account for this period is correct.

On an ongoing basis the Company will be required to pay a 1% royalty on La Caridad's copper production value after deduction of treatment and refining charges and certain other carrying costs.

#### San Luis Potosi Facilities:

The municipality of San Luis Potosi has granted Desarrolladora Intersaba, S.A. de C.V., licenses for use of land and construction for housing and/or commercial zones in the former Ejido Capulines, where the residential project "Villa Magna" is expected to be developed in the near future.

The "Villa Magna" residential project will be developed within an area that IMMSA's approved Risk Analysis by SEMARNAT (the federal environmental authority) has secured as a safeguard and buffer zone due to the use by IMMSA of Anhydrous Ammonia Gas.

Based on the foregoing, IMMSA has initiated two different actions regarding this matter:

First, against the municipality of San Luis Potosi, requesting the annulment of the authorization and licenses granted to Desarrolladora Intersaba S.A. de C.V. to develop "Villa Magna" within the zinc plant's safeguard and buffer zone; and

Second, filed before SEMARNAT a request for a declaration of a safeguard and buffer zone surrounding IMMSA's zinc plant.

The first action was resolved by denying IMMSA's interest on August 23, 2006 by a Federal Court. IMMSA submitted on September 21, 2006 its last appeal before the Supreme Court of Justice. In February 2007, this court ruled against IMMSA's interests.

IMMSA believes that, while this outcome was adverse to its interests, the construction of the "Villa Magna" housing and commercial development will not, in itself, affect the operations of IMMSA's zinc plant.

Desarrolladora Intersaba, S.A. de C.V. has filed a lawsuit against IMMSA, requesting payment of damages in the amount of approximately \$11.0 million supposedly caused by IMMSA, during these proceedings. IMMSA intends to vigorously defend against this lawsuit.

In addition to the foregoing, IMMSA has initiated a series of legal and administrative procedures against the Municipality of San Luis Potosi due to its refusal to issue IMMSA's use of land permit in respect to its zinc plant. The Municipality has refused to grant such license based on the argument that IMMSA has failed to submit, as part of the application process, a "manifestación de impacto ambiental" (environmental impact assessment). IMMSA believes that the environmental impact assessment is not required because IMMSA will not undertake construction activities. The trial judge has ordered the Municipality to continue the analysis of IMMSA's request to issue the "licencia de uso de suelo" (land use permit). The municipality has refused to issue

the land use permit. IMMSA has filed a request for relief against such resolution to compel the court to issue the land use permit.

#### Tax contingency matters-

The Company is regularly audited by the federal, state and foreign tax authorities both in the United States and internationally. The amount of unrecognized tax benefits resulting from uncertain tax positions has been developed in consultation with legal and tax counsel and in accordance with the requirements of FIN 48, which was adopted effective January 1, 2007, see Note B above.

#### U.S. Internal Revenue Service (IRS)

IRS audits can result in proposed assessments. In 2002, the IRS issued a preliminary Notice of Proposed Adjustment for the years 1994 through 1996. In 2003, the Company settled these differences with the IRS and made a payment of \$4.4 million, including interest. Generally, the years 1994 through 1996 are now closed to further adjustment.

The IRS completed field audit work for all years preceding 2003 and currently is auditing 2003 and 2004. During the audit of the tax years 1997 through 1999, the IRS questioned the Company's accounting policy for determination of useful lives for depreciable property, the calculation of deductible and creditable Peruvian taxes, the methodology of capitalizing interest and the capitalizing of certain costs (drilling, blasting and hauling) into inventory value as items for possible adjustment. In the fourth quarter of 2003, the Company and the IRS had jointly requested technical advice from the IRS National Office to help resolve the inventory value dispute. In August 2005 the National Office of the IRS responded to the IRS field audit group's request for technical advice. The issuance of this technical advice memorandum (TAM) allowed the IRS to close the field audit work for the audit cycles 1997 through 1999 and 2000 through 2002. The TAM accepts the position of the IRS field office and concludes that the Company is required to capitalize the drilling, blasting and hauling costs of material transported to its leach dumps based on the weight of material moved, without regard to metal content or recoverability.

On October 5, 2005 the Company filed a formal protest with the IRS to appeal the proposed changes with respect to the TAM conclusion, as well as other items of adjustment proposed by the IRS field audit group. These other adjustments include the methodology of capitalizing interest, the determination of useful lives for depreciable property, the calculation of deductible and creditable Peruvian taxes and the established service fee between the Company and related parties. Discussions with the Appeals Office representatives have begun and the parties have agreed to working through the protested issues and concluding the appeals process by December 31, 2007.

#### Peruvian operations:

In Peru the Superintendencia Nacional de Administracion Tributaria ("SUNAT"), the Peruvian Tax Administration, regularly audits the Company. These audits can result in proposed assessments.

In 2002, the Company received assessments and penalties from SUNAT for fiscal years 1996 through 1999, in which several deductions taken were disallowed. After appeal, the Company settled many of the issues with SUNAT in 2003. However, the portion of the assessment related to the disallowance of financial expenses is still pending resolution. In addition, the Company has not recognized a liability for penalties and interest related to the portion of the assessments settled in 2003 or for the pending assessment related to financial expenses, as it considers that they are not applicable. The status of these pending issues as well as other tax contingencies is as follows:

a) Year 1996: With regard to the appeal of the penalty related to fiscal year 1996, the Company was required to issue a letter of credit to SUNAT of \$3.4 million, which

was issued in July 2003. This deposit is recorded in other assets on the condensed consolidated balance sheet. The Company was not required to issue a deposit for the appeal of the assessments and rulings with respect to any other year. In February 2004, the Peruvian tax court denied the Company's appeal. Consequently, in April 2004, the Company filed a lawsuit against the Peruvian tax court and SUNAT before the Superior Court of Peru. In September 2005, the Superior Court declared the Company's claim valid. SUNAT appealed this decision to the Peruvian Supreme Court in Lima. In December 2006, the Peruvian Supreme Court confirmed the opinion of the lower court that declared valid SPCC's claim. SUNAT has not appealed this decision and in March 2007 issued a resolution in favor of SPCC's claim. The Company is awaiting the refund of \$3.4 million plus interest.

b) Year 1997: With regard to the penalty issued by SUNAT related to fiscal year 1997, in November 2002 the Peruvian tax court indicated that the penalty needed to be modified and declared the previously issued penalty null. Consequently, SUNAT issued a new penalty in December 2003. This penalty had been protested before SUNAT. The Company's appeal before the Peruvian tax court related to the assessments (pertaining to the deduction of certain financial expense) for fiscal year 1997 was denied. In May 2003, the Company filed a lawsuit before the superior court against SUNAT and the Peruvian tax court, seeking the reversal of the ruling of the tax court. In July 2005 the Superior Court decided in favor of the Company and remanded the case to SUNAT for a new pronouncement. SUNAT has appealed the court's decision to the Peruvian Supreme Court in Lima. In December 2006, the Supreme Court declared null the lower court's opinion and remanded the case back to the lower court for final resolution. SUNAT may appeal this decision.

In March 2007 the lower court declared null the original resolutions issued by SUNAT and the tax court, and found in SPCC's favor, and ordered SUNAT to accept the 1997 interest deduction. SUNAT may appeal this decision. This decision, if it is affirmed on appeal, is very important for SPCC as assessments related to the years 1998 through 2001 are based on SUNAT's disallowance of similar interest expense deductions.

c) Years 1998 and 1999: SUNAT has not ruled on the portion of the 1998 and 1999 assessment related to the financial deductions. However, in August 2006, SUNAT ruled on other 1998/1999 issues related to payment of commissions to certain financial institutions. The ruling resolved one issue in favor of the Company and other issues against the Company. The Company has appealed before the Peruvian tax court the portion of the claim decided against the Company.

d) Years 2000 and 2001: In December 2004 and January 2005, the Company received assessments and penalties from SUNAT for the fiscal years 2000 and 2001, in which certain deductions taken by the Company were disallowed. SUNAT has objected to the Company's method of deducting vacation pay accruals in 2000, a deduction in 2000 for a fixed asset write-off, as well as certain other deductions in both years. The Company has appealed these assessments and resolution is still pending. Additionally, the Company received penalties and assessments from SUNAT relating to treatment of foreign exchange differences for 2000 and 2001. The Company has appealed these assessments and resolution is still pending.

In June 2006, a tax court decision was published with regards to another company, which states that profits related to foreign exchange differences need not be included in calculations for monthly advance tax payments. The tax court has indicated that this decision is applicable to all future cases that are similar. As such, the Company expects that the portion of the 2000/2001 tax assessment related to foreign exchange difference will be removed from the assessment.

In September 2006, SUNAT declared not valid the Company's claim related to the income tax rate applied to commissions paid to certain financial institutions. The Company has appealed SUNAT's decision before the Peruvian tax court.

e) Year 2002: In December 2006, the Company received assessments and penalties from SUNAT for the fiscal years 2002 in which income tax rate applied to services received

by the Company and deductions taken by the Company were disallowed. In February 2007, the Company appealed these SUNAT assessments.

#### Mexican Operations:

MM is regularly examined by the Servicios de Administracion Tributaria ("SAT"), the Mexican tax administration. These examinations can result in proposed assessments.

a) Year 1995: In March 2001, SAT issued an assessment related to 1995 tax year, disallowing certain deductions related to the Company's housing and local travel expenses. The Company has appealed this assessment. The tax courts ruled against the Company. In March 2007, SAT made the final liquidation of MM's consolidated income tax and the Company paid \$0.9 million. With this payment the case is closed.

b) Year 1999: In May 2005 SAT issued an assessment against MM claiming that MM understated asset value used in the determination of asset tax. In addition, SAT claimed that MM improperly reduced their consolidated results through the consolidation of two subsidiaries.

MM believes that the SAT assessment is not legal. Accordingly, in July 2005, MM filed a Nullity Motion with the Metropolitan Regional Tax Court, Exchequer division, against the assessment, which is currently at the stage of submission of expert and documentary evidence.

#### Labor matters:

During 2006, there were a number of work stoppages at some of the Company's Mexican operations. While some of these work stoppages were of a short-term nature with little or no production loss, others have been more disruptive. A strike at the La Caridad copper mine in Sonora began in the first quarter of 2006 and ended in July 2006. A strike at the San Martin polymetallic complex in Zacatecas commenced in the first quarter of 2006 and ended in May 2006. Workers at the Cananea copper mine went on a strike on June 1, 2006 returning to work six weeks later on July 17, 2006. These work stoppages were declared illegal by the Mexican authorities. On June 9, 2006, the Company announced the closing of the La Caridad mine as picketing workers made it impossible to continue operations. As a result of these strikes, the Company declared "force majeure" on certain of its June and July copper contracts. On July 14, 2006, with the approval of a Labor Court, the Company dismissed the La Caridad workers. Individual work agreements, and the collective union contract, were terminated in compliance with the provisions of the ruling rendered by federal labor authorities. On July 26, 2006, the installations were returned to the Company and the Company commenced to hire workers to resume operations. In July 2006, the Company reopened the La Caridad mine and in the fourth quarter of 2006 restored production to 100% capacity.

In recent years the Company has experienced a number of strikes or other labor disruptions that have had an adverse impact on its operations and operating results. In Peru on August 31, 2004, unionized workers at the mining units in Toquepala and Cujajone initiated strike and sought additional wage increases based on high metal prices. The strike ended after twelve days. Collective bargaining agreements with the Company's nine Peruvian labor unions expire in 2007.

On April 28, 2007 the workers of a newly unified workers union at our Peruvian smelter in Ilo initiated a strike to demand better wages and benefits. In addition, on April 30, 2007 Peru's largest mining union launched a nationwide strike to demand better job benefits. The workers at our two Peruvian mines joined the nationwide miners' strike and also supported the unified Ilo union. The labor minister declared the strike inappropriate and the workers returned to work after 5 days when the nationwide strike was resolved by the government. The workers received guarantees from the government over working conditions and contracts. Also, SPCC signed a general agreement indicating the terms under which the review of the unified union contracts will take place.

During this brief strike the Company continued normal operations with the support of staff and administrative personnel and contractors.

However, we cannot assure you that we will not experience strikes or other labor-related work stoppages in the future that could have a material adverse effect on our financial condition and results of operations.

#### Mine accident:

On February 19, 2006 an explosion occurred at the IMMSA unit's Pasta de Conchos coal mine, located in San Juan de Sabinas, Coahuila, Mexico. Immediately, IMMSA along with neighboring industry initiated a rescue effort. Federal and local governmental help and support was received. As a result of the accident eight miners were injured and 65 perished.

Both the Coahuila Public District Attorney (Procurador de Justicia) and the Federal Attorney Office (Procuraduria Federal de la Republica) initiated investigations to establish the causes of the accident and the responsible party. A local judge at San Juan de Sabinas ordered five mine officials to stand trial for the accident. On April 16, 2007 the judge terminated the case due to the indemnification for damages to the families of the victims. Recovery efforts have stopped due to increased hazards and potential health risks for the recovery workers.

#### Other legal matters:

The Company is involved in various other legal proceedings incidental to its operations, but the Company does not believe that decisions adverse to it in any such proceedings individually or in the aggregate would have a material adverse effect on its financial position or results of operations.

Our direct and indirect parent corporations, including AMC and Grupo Mexico, have from time to time been named parties in various litigations involving Asarco. In August 2002 the U.S. Department of Justice brought a claim alleging fraudulent conveyance in connection with AMC's then-proposed purchase of SCC from Asarco. That action was settled pursuant to a Consent Decree dated February 2, 2003. The consent decree is binding solely on the U.S. government. In March 2003, AMC purchased its interest in SCC from Asarco. In October 2004, AMC, Grupo Mexico, Mexicana de Cobre and other parties, not including SCC, were named in a lawsuit filed in New York State court in connection with alleged asbestos liabilities, which lawsuit claims, among other matters, that AMC's purchase of SCC from Asarco should be voided as a fraudulent conveyance. The lawsuit filed in New York State court was stayed as a result of the August 9, 2005 Chapter 11 bankruptcy filing by Asarco, as described below. On February 2, 2007 a complaint was filed by Asarco, the debtor in possession, alleging many of the matters previously claimed in the New York State lawsuit, including that AMC's purchase of SCC from Asarco should be voided as a fraudulent conveyance. While Grupo Mexico and its affiliates believe that these claims are without merit, we cannot assure you that these or future claims, if successful, will not have an adverse effect on the Company's parent corporation or the Company. Any increase in the financial obligations of the Company's parent corporation, as a result of matters related to Asarco or otherwise could, among other effects; result in the Company's parent corporation attempting to obtain increased dividends or other funding from the Company. In 2005, certain subsidiaries of Asarco filed bankruptcy petitions in connection with alleged asbestos liabilities. In July 2005, the unionized workers of Asarco commenced a work stoppage. As a result of various factors, including the above-mentioned work stoppage, on August 9, 2005 Asarco filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code before the U.S. Bankruptcy Court in Corpus Christi, Texas. Asarco's bankruptcy case is being joined with the bankruptcy cases of its subsidiaries. Asarco's bankruptcy could result in additional claims being filed against Grupo Mexico and its subsidiaries, including SCC, Minera Mexico or its subsidiaries.

#### M. Segment and Related Information:

The Company operates in a single industry, namely mining copper. Prior to the April

1, 2005 acquisition of Minera Mexico, the Company determined that its operations in Peru fell within one segment. With the acquisition of Minera Mexico the Company continues to operate principally in one industry, the mining of copper. However, because of the demands of managing operations in two countries, effective April 1, 2005, Company management views the new Southern Copper as having three operating segments and manages on the basis of these segments. Additionally, in mining copper the Company produces a number of metal by-products, most important of which are molybdenum, silver and zinc. The significant increase in the price of molybdenum over the past two years has had an important impact on the Company's earnings. Nevertheless, the Company continues to manage its operations on the basis of the three copper segments. Added to the segment information is information regarding the Company's molybdenum sales. The segments identified by the Company are:

1. Peruvian operations, which includes the Toquepala and Cuajone mine complexes and the smelting and refining plants, industrial railroad and port facilities which service both mines.
2. Mexican open pit copper mines, which includes La Caridad and Cananea mine complexes and the smelting and refining plants and support facilities which service both mines.
3. Mexican underground mining operations, which includes five underground mines that produce zinc, copper, silver and gold, a coal and coke mine, and several industrial processing facilities for zinc and copper. This group is identified as the IMMSA Unit.

The Chief Operating Officer of the Company focuses on operating income as measure of performance to evaluate different segments, and to make decisions to allocate resources to the reported segments.

Financial information relating to the Company's segments is as follows:

	Three Months Ended March 31, 2007 (in millions)				
	<u>Mexican Open Pit</u>	<u>Mexican IMMSA Unit</u>	<u>Peruvian Operations</u>	<u>Corporate and other Eliminations</u>	<u>Consolidated</u>
Net sales outside of segments	\$ 513.7	\$ 128.5	\$ 716.1	-	\$ 1,358.3
Intersegment sales	69.7	22.2	-	\$ (91.9)	-
Cost of sales (exclusive of depreciation, amortization and depletion)	188.3	64.6	304.3	(90.6)	466.6
Selling, general and administrative expense	10.4	5.5	10.0	(2.1)	23.8
Depreciation, amortization and depletion	43.0	7.8	23.3	-	74.1
Exploration	0.8	1.9	3.7	-	6.4
Operating Income	<u>\$ 340.9</u>	<u>\$ 70.9</u>	<u>\$ 374.8</u>	<u>\$ 0.8</u>	<u>787.4</u>
Less:					
Interest expense, net					(2.9)
Loss on derivative instruments					(21.2)
Other income (expense)					20.7
Taxes on income					(230.7)
Minority interest					(1.6)
Net earnings					<u>\$ 551.7</u>
Capital expenditure	\$ 20.4	\$ 6.7	\$ 31.4	\$ 26.5	\$ 85.0
Property, net	\$1,576.4	\$ 266.2	\$ 1,645.6	\$ 67.2	\$ 3,555.4
Total assets	\$2,873.1	\$ 709.7	\$ 2,991.9	\$(291.2)	\$ 6,283.5

Three Months Ended March 31, 2006  
(in millions)

	<u>Mexican Open Pit</u>	<u>Mexican IMMSA Unit</u>	<u>Peruvian Operations</u>	<u>Corporate and other Eliminations</u>	<u>Consolidated</u>
Net sales outside of segments	\$ 388.9	\$ 116.6	\$ 615.8		\$1,121.3
Intersegment sales	95.9	17.1	-	\$ (113.0)	-
Cost of sales (exclusive of depreciation, amortization and depletion)	183.9	74.9	267.5	(119.4)	406.9
Selling, general and administrative expense	7.8	3.8	9.3	3.1	24.0
Depreciation, amortization and depletion	26.7	6.9	19.8	(0.3)	53.1
Exploration	0.5	1.7	2.4	-	4.6
Operating Income	<u>\$ 265.9</u>	<u>\$ 46.4</u>	<u>\$ 316.8</u>	<u>\$ 3.6</u>	<u>632.7</u>
Less:					
Interest expense, net					(8.5)
Other income (expense)					(1.0)
Taxes on income					(199.9)
Minority interest					(1.7)
Net earnings					<u>\$ 421.6</u>
Capital expenditures	\$ 50.8	\$ 7.8	\$ 84.5	\$ -	\$ 143.1
Property, net	\$1,579.7	\$ 270.3	\$1,534.0	\$ 30.4	\$3,414.4
Total assets	\$2,692.0	\$ 552.3	\$2,856.4	\$ (685.1)	\$5,415.6

Sales value per segment:

Three months ended March 31, 2007

<u>(in millions)</u>	<u>Mexican Open Pit</u>	<u>Mexican IMMSA Unit</u>	<u>Peruvian Operations</u>	<u>Intersegment Elimination</u>	<u>Consolidated</u>
Copper	\$ 458.0	\$ 15.1	\$ 558.7	\$ (68.1)	\$ 963.7
Molybdenum	98.9	-	113.3	-	212.2
Other	26.4	135.6	44.1	(23.7)	182.4
Total	<u>\$ 583.3</u>	<u>\$ 150.7</u>	<u>\$ 716.1</u>	<u>\$ (91.8)</u>	<u>\$1,358.3</u>

Three months ended March 31, 2006

<u>(in millions)</u>	<u>Mexican Open Pit</u>	<u>Mexican IMMSA Unit</u>	<u>Peruvian Operations</u>	<u>Intersegment Elimination</u>	<u>Consolidated</u>
Copper	\$417.4	\$ 24.8	\$ 483.1	\$ (85.1)	\$ 840.2
Molybdenum	34.0	-	100.3	-	134.3
Other	33.4	108.9	32.4	(27.9)	146.8
Total	<u>\$ 484.8</u>	<u>\$ 133.7</u>	<u>\$ 615.8</u>	<u>\$ (113.0)</u>	<u>\$ 1,121.3</u>

The geographic breakdown of Southern Copper's sales is as follows:

(in millions)	Three months Ended March 31,	
	<u>2007</u>	<u>2006</u>
United States	\$ 432.1	\$ 391.7
Europe	216.0	264.4
Mexico	260.5	254.4
Peru	21.5	25.3
Latin America, excluding Mexico and Peru	185.9	118.2
Asia	242.3	67.3
Total	\$ <u>1,358.3</u>	\$ <u>1,121.3</u>

#### Major Customer Segment Information:

For the three months ended March 31, 2007, the Company has revenues from a copper customer of the Mexican and Peruvian operations, which amounts to 14.6% of total revenue.

#### N. Impact of New Accounting Standards:

In March 2006 the FASB published SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial liabilities*". This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments.

This Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This Statement does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. This Statement does not establish requirements for recognizing and measuring dividend income, interest income, or interest expense. This Statement does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in FASB Statements No. 157, *Fair Value Measurements*, and No. 107, *Disclosures about Fair Value of Financial Instruments*.

SFAS 159 will be effective for all the Companies after the beginning of a reporting entity's first fiscal year that begins after November 15, 2007. The Company is currently evaluating the impact of this statement will have on its financial position or results of operations.

#### O. Stockholders Equity:

##### Directors Stock Award Plan:

The Company established a non-vested stock award compensation plan for certain directors who are not compensated as employees of the Company. Under this plan, participants will receive 400 shares of common stock upon election and 400 additional shares following each annual meeting of stockholders thereafter. 200,000 shares of Southern Copper common stock have been reserved for this plan. At March 31, 2007 and 2006, 67,600 and 62,400 shares, respectively, have been granted under this plan. The fair value of the award is measured each year at the date of the grant.

#### Employee Stock Purchase Plan:

In January 2007, the Company offered to eligible employees a stock purchase plan (the "Employee Stock Purchase Plan") through a trust that acquires shares of Grupo Mexico stock for sale to its employees, and employees of subsidiaries, and certain affiliated companies. The purchase price is established at the approximate fair market value on the grant date. Every two years employees will be able to purchase 50% of the shares paid in the previous two years. The employees will pay for shares purchased through monthly payroll deductions over the eight year period of the plan. At the end of the eight year period, the Company will grant the participant a bonus of 1 share for every 10 shares purchased by the employee.

If Grupo Mexico pays dividends on shares during the eight year period, the participants will be entitled to receive the dividend in cash for all shares that have been fully purchased and paid as of the date that the dividend is paid. If the participant has only partially paid for shares, the entitled dividends will be used to reduce the remaining liability owed for purchased shares.

In the case of voluntary resignation of the employee, the Company will pay to the employee the difference between the fair market value of the shares at the date of termination of employment, and the purchase price. When the fair market value of the shares is higher than the purchase price, the Company will apply a deduction over the amount to be paid to the employee based on the following schedule.

<u>If the resignation occurs during:</u>	<u>% Deducted</u>
1st year after the grant date	90%
2nd year after the grant date	80%
3rd year after the grant date	70%
4th year after the grant date	60%
5th year after the grant date	50%
6th year after the grant date	40%
7th year after the grant date	20%

In the case of involuntary termination of the employee, the Company will pay to the employee the difference between the fair market value of the shares at the date of termination of employment, and the purchase price. When the fair market value of the shares is higher than the purchase price, the Company will apply a deduction over the amount to be paid to the employee based on the following schedule.

<u>If the termination occurs during:</u>	<u>% Deducted</u>
1st year after the grant date	100%
2nd year after the grant date	95%
3rd year after the grant date	90%
4th year after the grant date	80%
5th year after the grant date	70%
6th year after the grant date	60%
7th year after the grant date	50%

In case of retirement or death of the employee, the Company will render the buyer or his legal beneficiary, the shares effectively paid as of the date of retirement or death.

For the three months ended March 31, 2007, the stock based compensation expense under this plan was \$0.6 million. As of March 31, 2007, there was \$17.0 million of unrecognized compensation expense under this plan which is expected to be recognized over a period of 8 years.

#### Executive Stock Purchase Plan:

Grupo Mexico also offers a stock purchase plan for certain members of its executive management and the executive management of its subsidiaries and certain affiliated companies. Under this plan, participants will receive incentive cash bonuses which are used to purchase up to 750,000 shares of Grupo Mexico over a nine year period. The fair value of the award is estimated on the date of grant and is recognized as

compensation expense over a weighted average requisite service period of eight years. The Company recorded \$0.5 million, net of tax, in compensation expense in the first quarter of 2007. As of March 31, 2007, there was \$3.2 million of unrecognized compensation cost, related to this plan, which is expected to be recognized over a weighted average period of eight years.

The following table presents the stock award activity for the three months ended March 31, 2007 (\$ in million):

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding shares at January 1, 2007	750,000	\$2.7
Granted	-	-
Exercised	(67,500)	(0.3)
Forfeited	-	-
Outstanding shares at March 31, 2007	<u>682,500</u>	<u>\$2.4</u>

P. Subsequent events:

On April 26, 2007 the Board of Directors approved a quarterly dividend of \$1.50 per share, totaling \$441.7 million, to be paid on June 1, 2007 to shareholders of record as of May 16, 2007.

Part I Item 1a. Risk Factors

Set forth below are certain changes from the risk factors previously disclosed in SCC's annual report on Form 10-K for the year ended December 31, 2006 filed on March 1, 2007 with the Securities and Exchange Commission.

***We may be adversely affected by labor disputes.***

On April 28, 2007 the workers of a newly unified workers union at our Peruvian smelter in Ilo initiated a strike to demand better wages and benefits. In addition, on April 30, 2007 Peru's largest mining union launched a nationwide strike to demand better job benefits. The workers at our two Peruvian mines joined the nationwide miners' strike and also supported the unified Ilo union. The labor minister declared the strike inappropriate and the workers returned to work after 5 days when the nationwide strike was resolved by the government. The workers received guarantees from the government over working conditions and contracts. Also, SPCC signed a general agreement indicating the terms under which the review of the unified union contracts will take place.

During this brief strike the Company continued normal operations with the support of staff and administrative personnel and contractors. However, we cannot assure you that we will not experience strikes or other labor-related work stoppages in the future that could have a material adverse effect on our financial condition and results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW

Our business is primarily the production and sale of copper. In the process of producing copper, a number of valuable metallurgical byproducts are recovered, such as molybdenum, zinc, silver, lead and gold, which we also produce and sell. Market forces outside of our control largely determine the sales prices for our products. Our management, therefore, focuses on copper production cost control, production enhancement and prudent and conservative capital structure to improve profitability. We believe we achieve these goals through capital spending programs, exploration efforts and cost reduction programs. Our aim is to remain profitable during periods of low copper prices and to maximize financial performance in periods of high copper prices.

Our net income and earnings per share for the three months ended March 31, 2007 were \$551.7 million and \$1.87 per share and for the three months ended 2006 were \$421.6 million and \$1.43 per share, and were favorably impacted by higher prices for copper and all of our significant byproducts. Additionally, higher copper sales volumes improved the 2007 first quarter as compared to the first quarter of 2006. Strike activity at some of our Mexican operations in 2006, including the first quarter, reduced sales volumes. We completed the Ilo smelter modernization early in the first quarter of 2007 and are currently eliminating some glitches in the process to reach maximum production. As of March 31, 2007 we are at 80% capacity and expect to reach full capacity in the second quarter of 2007. In the meantime, we are selling some copper concentrates

We discuss below several matters that we believe are important to understand our results of operations and financial condition. These matters include, (i) our "operating cash costs" as a measure of our performance, (ii) metal prices, (iii) business segments, (iv) the effects of inflation and other local currency issues and (v) our expansion and modernization program.

Operating Cash Costs: An overall benchmark used by us and a common industry metric to measure performance is operating cash costs per pound of copper produced. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our operating cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings, is presented under the subheading "Non-GAAP Information Reconciliation", below. We have defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus selling, general and administrative charges, treatment and refining charges; less byproducts revenue and sales premiums, depreciation amortization and depletion, worker's participation and other miscellaneous charges, the Peruvian royalty charge and the change in inventory levels; divided by total pounds of copper produced and purchased by us. In our calculation of operating cash cost per pound of copper produced, we credit against our costs the revenues from the sale of byproducts, principally molybdenum, zinc and silver and the premiums over market price that we receive on copper sales. We account for the byproduct revenue in this way because we consider our principal business to be the production and sale of copper. We believe that our Company is viewed by the investment community as a copper company, and is valued, in large part, by the investment community's view of the copper market and our ability to produce copper at a reasonable cost. We also include copper sales premiums as a credit, as these amounts are in excess of published copper prices. The increase in recent years in the price of molybdenum has had a significant effect on our traditional calculation of cash cost and its comparability between periods. Accordingly, we present cash costs with and without crediting the byproducts revenues against our costs.

We exclude from our calculation of operating cash cost depreciation, amortization and

depletion, which are considered non-cash expenses. Exploration is considered a discretionary expenditure and is also excluded. Worker's participation provisions are determined on the basis of pre-tax earnings and are also excluded. Additionally excluded from operating cash cost are items of a non-recurring nature and the Peruvian royalty charge.

Our operating cash costs per pound, as defined, are presented in the table below for the three months ended March 31, 2007 and 2006. We present cash costs with and without the inclusion of byproduct revenues.

	Three Months, Ended March 31,	
	<u>2007</u>	<u>2006</u>
	(in cents per pound)	
Operating cash cost per pound of copper produced and purchased	4.7	21.3
Operating cash cost per pound of copper produced and purchased without byproducts revenue	123.1	116.7

As seen on the chart above, our cash cost for the first quarter of 2007 when calculated with byproducts revenue is 4.7 cents compared with 21.3 cents per pound in the first quarter of 2006. The increase in byproducts credit was due to higher molybdenum, zinc and silver prices. The price of molybdenum in the first quarter of 2007 averaged \$25.81 per pound, as compared to \$22.25 per pound in the comparable 2006 period. The price of zinc and silver in the first quarter of 2007 was 53.9% and 37.0% higher, respectively, than in the first quarter of 2006. The impact of the molybdenum and zinc credit was by far the largest effect. In the first quarter of 2007, molybdenum and zinc revenue were credits of 57.6 cents per pound and 31.7 cents per pound as compared to 38.7 cents per pound and 25.5 cents per pound in the first quarter of 2006.

Our cash cost, excluding byproduct revenues, was higher by 6.4 cents in the first quarter of 2007. In addition, our copper production, including purchased metal, in 2007 was higher by approximately 20.7 million pounds, due to higher production from our mines of 24.5 million pounds, including 14.6 million pounds from the Mexican open pit operations, 8.5 million pounds from the Peruvian open pit mines and 1.4 million pounds from the Mexican underground mines.

Metals Prices. The profitability of our operations is dependent on, and our financial performance is significantly affected by, the international market prices for the products we produce, especially for copper, molybdenum, zinc and silver. Metals prices historically have been subject to wide fluctuations and are affected by numerous factors beyond our control. These factors, which affect each commodity to varying degrees, include international economic and political conditions, levels of supply and demand, the availability and cost of substitutes, inventory levels maintained by producers and others and, to a lesser degree, inventory carrying costs and currency exchange rates. In addition, the market prices of certain metals have on occasion been subject to rapid short-term changes due to speculative activities.

We are subject to market risks arising from the volatility of copper and other metal prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, giving no effect to potential hedging programs, metal price sensitivity factors would indicate the following change in estimated 2007 earnings resulting from metal price changes.

	<u>Copper</u>	<u>Molybdenum</u>	<u>Zinc</u>	<u>Silver</u>
Change in metal prices (per pound, except silver - per ounce)	\$0.01	\$1.00	\$0.01	\$1.00
Annual change in net earnings (in millions)	\$8.5	\$17.8	\$1.6	\$10.3

Business segments.

Our Company operates in a single industry, the copper industry. With the acquisition of Minera Mexico in April 2005, we determined that to effectively manage our business we needed to focus on three segments. These segments are our Peruvian operations, our Mexican open-pit operations and our Mexican underground operations, known as our IMMSA unit. Our Peruvian operations include the Toquepala and Cujone mine complexes and the smelting and refining plants, industrial railroad and port facilities which service both mines. Our Mexican open-pit operations include La Caridad and Cananea mine complexes, the smelting and refining plants and support facilities which service both mines. Our IMMSA unit includes five underground mines that produce zinc, lead, copper, silver and gold, a coal and coke mine, and several industrial processing facilities for zinc, copper and silver.

Segment information is included in our review of "Results of Operations" and also in Note M of our Consolidated Financial Statements.

Inflation and Devaluation of the Peruvian Nuevo Sol and the Mexican Peso. Our functional currency is the U.S. dollar. Portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Since our revenues are primarily denominated in U.S. dollars, when inflation/deflation in Peru or Mexico is not offset by a change in the exchange rate of the nuevo sol or the peso, to the dollar, our financial position, results of operations and cash flows could be adversely affected to the extent that the inflation/devaluation effects are passed on to us by our suppliers or reflected in our wage adjustments. In addition, the dollar value of our net monetary assets denominated in nuevos soles or pesos can be affected by devaluation of the nuevo sol or the peso, resulting in a remeasurement loss in our financial statements.

For the three months ended March 31, 2007 and 2006, inflation and devaluation rates were as follows:

	Three Months Ended March 31,	
Peru:	2007	2006
Peruvian inflation rate	0.6%	1.5%
Nuevo sol/dollar (appreciation)/devaluation rate	(0.4)%	(2.1)%
	Three Months Ended March 31,	
Mexico:	2007	2006
Mexican inflation rate	1.0%	0.9%
Peso/dollar (appreciation)/devaluation rate	1.6%	2.2%

Expansion and Modernization program: The Ilo smelter modernization project was completed on January 31, 2007. While the environmental aspects of the smelter are operating as required, we have encountered some delays in getting the smelter to full capacity and as a consequence we have been selling some concentrates. As of March 31, 2007, smelter production reached 80% of capacity and we anticipate reaching full capacity in the second quarter of 2007. With the completion of this project we have fulfilled our total obligation under the PAMA. Investment for all commitments under the PAMA was over \$600 million.

Additionally, our crushing and conveying project at the Toquepala mine is in full production. The primary crusher and associated overland conveying system are fully operational; construction of the operating ramp had placed 41.8 millions tons of material and will be completed in the second quarter of 2007. The project is 99.8% complete. We will construct a new SX/EW plant at the Cananea mine with a 33,000 mtpy capacity. Proposals for an engineering, procurement and construction management contract have been received and are being analyzed. In conjunction with this project, we are developing a crushing and conveying system project with a 15 million mtpy capacity.

Regarding the expansion projects at the Cananea mine, the concentrator expansion is under a technical and economic evaluation. The expanded concentrator would add 33,000

tons of copper content production and would begin production in the year 2009. In parallel, due to improving molybdenum grades, we also plan to build a molybdenum plant to produce concentrates with approximately 4,000 tons of molybdenum content.

Regarding the Company's exploration activities, the pre-feasibility study at Los Chancas, a copper-molybdenum property in southern Peru is in progress and we expect it to be completed in the second quarter of 2007. Additionally, we have contracted a consulting firm to prepare a feasibility study for Tia Maria, a copper deposit in the department of Arequipa, Peru. This study should be completed by the third quarter of 2007.

#### ACCOUNTING ESTIMATES

Our discussion and analysis of financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with US GAAP. Preparation of these condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: ore reserves, revenue recognition, estimated mine stripping ratios, leachable material and related amortization, the estimated useful lives of fixed assets, asset retirement obligations, litigation and contingencies, valuation allowances for deferred tax assets, tax positions, fair value of financial instruments and inventory obsolescence. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

#### RESULTS OF OPERATIONS

The following highlights key financial and operating results for the three-months ended March 31, 2007 and 2006.

	Three Months Ended March 31, (in millions)	
<u>Statement of Earnings Data</u>	<u>2007</u>	<u>2006</u>
Net sales	\$ 1,358.3	\$ 1,121.3
Operating costs and expenses	(570.9)	(488.6)
Operating income	787.4	632.7
Non-operating income (expense)	(3.5)	(9.5)
Earnings before taxes and minority Interest	783.9	623.2
Taxes on income	(230.7)	(199.9)
Minority interest	(1.5)	(1.7)
Net earnings	<u>\$ 551.7</u>	<u>\$ 421.6</u>

Mine copper production amounted to 378.4 million pounds in the first quarter of 2007, an increase of 6.9% compared with the first quarter of 2006. This increase of 24.5 million pounds included 14.6 million pounds from the Mexican open pit operations, 8.5 million pounds from the Peruvian open pit mines and 1.4 million pounds from the Mexican underground mines.

The increase of 14.6 million pounds in production from the Mexican open-pit mines included 9.1 million pounds from the La Caridad mine and 5.5 million pounds from the Cananea mine. The increase at La Caridad was from an increase in throughput, the 2006

production was reduced by an illegal work stoppage, which began in the first quarter of 2006 and lasted into the third quarter, and an increase in mill recovery. This increase was reduced somewhat by a decrease in ore grade. The increase of 5.5 million pounds at the Cananea mine was the result of higher ore grades and higher PLS grades. The increased production at the Peruvian mines came from the Cuacone mine, which increased by 9.9 million pounds, and was the result of higher ore grades in the 2007 period. Production at Toquepala, the other Peruvian mine, decreased by 1.7 million pounds primarily due to lower mill recoveries as a result of treating ore with higher oxide content. Additionally, Peruvian SX/EW production increased by 0.3 million pounds due to higher PLS grades.

The increase of 1.4 million pounds at the Mexican underground mines was due principally to an increase of 1.0 million pounds at the San Martin mine. In the first quarter of 2006 production at the San Martin mine was reduced due to an illegal work stoppage.

Molybdenum production increased to 8.1 million pounds in the first quarter of 2007 from 7.6 million pounds in the first quarter of 2006. This 6.6% increase in production was the result of an increase of 1.8 million pounds in the Mexican production, due to higher ore grades at the La Caridad mine net of a decrease of 1.3 million pounds in Peruvian operations due to lower grade and recovery in the Toquepala mine.

Mine zinc production decreased 5.0 million pounds in the first quarter of 2007 to 71.3 million pounds compared with 76.3 million the first quarter of 2006. This 6.6% decrease in production was due to lower ore grade and recovery.

The table below outlines the average metal prices during the three months periods ended March 31, 2007 and 2006.

Average Metals Prices

	Three Months Ended		
	March 31,		
	2007	2006	%Change
Copper (\$ per pound - LME)	\$ 2.69	\$ 2.24	20.1
Copper (\$ per pound - COMEX)	\$ 2.70	\$ 2.25	20.0
Molybdenum (\$ per pound)	\$ 25.81	\$ 22.25	16.0
Zinc (\$ per pound - LME)	\$ 1.57	\$ 1.02	53.9
Silver (\$ per ounce - COMEX)	\$ 13.29	\$ 9.70	37.0

Net Sales: Net sales in the first quarter of 2007 increased \$237.0 million to \$1,358.3 million from \$1,121.3 million in the comparable period in 2006. The increase in net sales was principally the result of higher copper prices, and to a lesser extent higher molybdenum, zinc and silver prices as well as 9.7% increase in copper sales volume. Partially reducing the increase was the downward adjustment to sales in the first quarter of 2007 of \$44.3 million to record the decrease in value of the year-end 2006 provisionally priced copper sales. At December 31, 2006, 169.9 million pounds of copper were recorded at average provisional price of \$2.87 per pound, copper prices in the first quarter 2007 were about 16 to 17 cents per pound lower.

The table below presents information regarding the volume of our copper sales by segment for the three months ended March 31, 2007 and 2006.

Copper Sales (million pounds):

	Three Months Ended	
	March 31,	
	2007	2006
Copper:		
Peruvian operations	211.0	187.1
Mexican Open-pit	173.5	174.5
Mexican IMMSA unit	7.2	9.7
Inter segment elimination	(25.2)	(37.3)
Total copper sales	<u>366.5</u>	<u>334.0</u>

The table below presents information regarding the volume of sales by segment of our

significant byproducts for the three months ended March 31, 2007 and 2006.

Byproduct Sales

(million pounds except silver - in million ounces)	Three Months Ended	
	2007	March 31, 2006
Peruvian operations		
Molybdenum contained in concentrate	4.2	5.7
Zinc-refined and in concentrate	11.4	10.5
Silver	1.4	1.6
Mexican Open-pit		
Molybdenum contained in concentrate	3.8	1.6
Zinc-refined and in concentrate (1)	-	9.5
Silver	1.0	1.4
Mexican IMMSA unit		
Zinc-refined and in concentrate	64.2	73.7
Silver	2.2	2.9
Intersegment elimination		
Zinc-refined and in concentrate	(10.0)	(14.0)
Silver	(0.2)	(1.1)
Total byproduct sales		
Molybdenum contained in concentrate	8.0	7.3
Zinc-refined and in concentrate	65.6	79.7
Silver	4.4	4.8

(1) In the first quarter of 2006, the Mexican open pit purchased zinc products from IMMSA for resale to its customers, there were no zinc purchases in the first quarter of 2007.

At March 31, 2007, the Company has recorded provisionally priced sales of 83.4 million pounds of copper, at an average forward price of \$3.11 per pound. Also the Company has recorded provisionally priced sales of 3.7 million pounds of molybdenum at an average price of \$28.13 per pound. These sales are subject to final pricing based on the average monthly LME or COMEX copper prices and Dealer Oxide molybdenum prices in the future month of settlement, which will occur in the next six months of 2007.

Management believes that the final pricing of these sales will not have a material effect on the Company's financial position or results of operations.

Operating Costs and Expenses: Operating costs and expenses were \$570.9 million in the first quarter of 2007 compared with \$488.6 million in the first quarter of 2006. Cost of sales (exclusive of depreciation, amortization and depletion) for the three months ended March 31, 2007 was \$466.6 million compared with \$406.9 million in the comparable 2006 period. The increase in cost of sales is attributable to an increase of \$10.3 million in power cost, \$9.5 million in workers participation, \$21.0 million in metals purchased from third parties, \$11.3 million of sales expenses and \$2.4 million of mining royalties partially offset by an increase of \$20.5 million of capitalized leachable material from the Cananea Mine.

Selling and administrative expenses for the first quarter of 2007 were \$23.8 million compared with \$24.0 million in the first quarter of 2006.

Depreciation, amortization and depletion for the first quarter of 2007 were \$74.1 million compared with \$53.1 million in the first quarter of 2006. The 2007 amount includes an increase of \$16.2 million of amortization of capitalized leachable material.

Non-operating income and expenses: In the three months ended March 31, 2007 we recorded a loss on derivative instrument of \$21.2 million. This amount includes a loss on marketable securities of \$22.7 million net of a gain on exchange rate derivatives

Mexican peso/US dollar of \$1.5 million. See notes C and G to our condensed consolidated financial statements for more information on these programs.

Other income (expense) in the first quarter of 2007 was income of \$20.7 million compared with an expense of \$1.0 million in the first quarter of 2006. The increase of \$21.7 million is principally due to \$13.8 million of dividends received from Grupo Mexico related to the shares maintained in treasury stock.

Interest income was \$21.9 million in the first quarter of 2007 compared to \$9.3 million in the first quarter of 2006. This increase was principally the result of higher cash balances in the period.

Taxes on Income: Taxes on income for the first quarter ended March 31, 2007, was \$230.7 million compared with \$199.9 million for the same period of 2006. The increase was principally due to higher earnings in 2007. The effective tax rate for the three months ended March 31, 2007, was 29.4% compared to 32.1% for the same period in 2006. A decrease of 1% in the statutory Mexican tax rate contributed to the decrease in the 2007 effective income tax rate. In addition, a tax inflation adjustment and the effect of currency conversion adjustment in our Mexican operations also contributed to the reduction in the effective tax rate.

### Segment Results Analysis

#### Peruvian Open Pit Operations

	Three Months ended March 31,		Change	
	2007	2006	Value	%
	(in millions)			
Net sales	\$ 716.1	\$ 615.8	\$ 100.3	16.3%
Operating costs and expenses	(341.3)	(299.0)	(42.3)	14.1%
Operating income	\$ <u>374.8</u>	\$ <u>316.8</u>	\$ <u>58.0</u>	18.3%

Net sales in the first quarter 2007 increased \$100.3 million to \$716.3 million from \$615.8 million in the comparable period of 2006. The increase in net sales is principally the result of higher copper prices in the first quarter of 2007. Copper sales volume increased in 2007 due to higher production. Molybdenum sales volume, however, decreased in the 2007 period, due to lower production.

Operating cost and expenses in the first quarter of 2007 increased by \$42.3 million to \$341.3 million from \$299.0 million in the first quarter of 2006, principally due to higher cost of sales. Cost of sales (exclusive of depreciation, amortization and depletion) for the three months ended March 31, 2007 was \$304.3 million compared to \$267.5 million in the same period of 2006. The increase in cost of sales includes \$22.4 million of higher value of metals purchased, \$3.5 million of higher power cost, \$5.0 million of higher workers' participation and \$1.9 million of higher mining royalties.

#### Mexican Open Pit Operations

	Three Months ended March 31,		Change	
	2007	2006	Value	%
	(in millions)			
Net sales	\$ 583.4	\$ 484.8	\$ 98.6	20.3%
Operating costs and expenses	(242.5)	(218.9)	(23.6)	10.8%
Operating income	\$ <u>340.9</u>	\$ <u>265.9</u>	\$ <u>75.0</u>	28.2%

Net sales in the first quarter of 2007 increased \$98.6 million to \$583.4 million from \$484.8 million in the first quarter of 2006. The increase in net sales is principally

result of higher copper and silver prices partially offset by lower zinc sales volume.

Operating cost and expenses in the first quarter of 2007 increased by \$23.6 million to \$242.5 million from \$218.9 million in the first quarter of 2006, principally due to higher depreciation, amortization and depletion. An increase of \$16.3 million in depreciation, amortization and depletion was principally due to the amortization of capitalized leachable material.

Mexican Underground Operations (IMMSA)

	Three Months ended March 31,		Change	
	2007	2006	Value	%
	(in millions)			
Net sales	\$ 150.7	\$133.7	\$ 17.0	12.7%
Operating costs and expenses	(79.8)	(87.3)	7.5	8.6%
Operating income	\$ <u>70.9</u>	\$ <u>46.4</u>	\$ <u>24.5</u>	52.8%

Net sales in the first quarter 2007 increased \$17.0 million to \$150.7 million from \$133.7 million in the comparable period of 2006. The increase in net sales was principally the result of higher zinc prices, which increased by 53.9% reduced somewhat by a 14% decrease in volume of zinc sales. Operating cost and expenses in the first quarter of 2007 decreased by \$7.5 million to \$79.8 million from \$87.3 million in the first quarter of 2006. Cost of sales (exclusive of depreciation, amortization and depletion) decreased \$10.3 million to \$64.6 million in the first quarter of 2007 from \$74.9 million in the first quarter of 2006. The decrease in cost of sales includes \$20.7 million of increase in inventories due to shipping delays, partially offset by \$7.2 million of higher value of metals purchased to third parties.

Intersegment Eliminations and Adjustments

The net sales, operating costs and expenses and operating income displayed above will not be directly equal to amounts in our condensed consolidated statement of earnings because the adjustments of intersegment operating revenues and expenses must be taken into account. Please see Note M of the financial statements.

**CASH FLOW**

The following table shows the cash flow for the three months ended March 31, 2007 and 2006.

	Three Months Ended March 31,	
	2007	2006
	(in millions)	
Net cash provided from operating activities	\$ 548.6	\$ 437.7
Net cash used for investing activities	\$ (183.9)	\$ (144.9)
Net cash used for financing activities	\$ (502.3)	\$ (407.2)

Net cash provided by operating activities was \$548.6 million in the first quarter of 2007, compared with \$437.7 million in the 2006 period. The increase of \$110.9 million was principally due to higher earnings which represent the 100.6% and 96.3% of the cash provided by operating activities in the first quarter of 2007 and 2006, respectively.

Net cash used in investing activities was \$183.9 million in the first quarter of 2007 compared with \$144.9 million in the first quarter of 2006 and included \$85.0 million for capital expenditures. The capital expenditures included \$31.4 million of investments at our Peruvian operations, \$11.7 million of which for the Ilo smelter modernization project, \$4.9 million for the new PLS dam project and \$14.8 million for various other replacement expenditures. In addition, we spent \$27.1 million for replacement assets at our Mexican operations, \$20.4 million of which belongs to our Mexican open pit operations and \$6.7 million in our IMMSA unit. The \$20.4 million of capital expenditures in our Mexican open pit operations includes \$2.8 million in La

Caridad smelter project, \$1.8 million in the Cananea concentrator and \$2.0 million in the Cananea SX-EW plant. Also in the first quarter of 2007, we purchased offices (approximately eight floors) in a building in Mexico City for \$26.5 million. The first quarter of 2007 includes the purchase of \$100 million of investment in marketable securities. In the first quarter of 2006, cash used for investing activities was \$144.9 million; this amount includes capital spending of \$143.1 million, of which \$63.3 million was used in the Ilo smelter modernization project, \$21.2 million from other replacement expenditures in Peru and \$58.6 million from replacement expenditure in Mexico.

Net cash used in financing activities in the first quarter of 2007 was \$502.3 million, compared with \$407.2 million in the first quarter of 2006. The first quarter of 2007 includes a dividend distribution of \$500.5 million, compared with a distribution of \$404.9 million in the first quarter of 2006.

#### LIQUIDITY AND CAPITAL RESOURCES

On March 2, 2007, the Company paid a quarterly dividend of \$1.70 per share, totaling \$500.6 million. On April 26, 2007 the Board of Directors approved a quarterly dividend of \$1.50 per share, totaling \$441.7 million, to be paid on June 1, 2007 to shareholders of record as of May 16, 2007.

We expect that we will meet our cash requirements for 2007 and beyond from internally generated funds, cash on hand and from additional external financing if required.

At March 31, 2007 the Company's debt as a percentage of total capitalization (the total of debt, minority interest and stockholders equity) was 29.2% as compared with 29.3% at December 31, 2006. At March 31, 2007, the Company's cash and cash equivalent and marketable securities amounted to \$1,268.9 million compared to \$1,302.8 million at December 31, 2006.

#### NON-GAAP INFORMATION RECONCILIATION

Reconciliation of operating cash cost to GAAP cost of sales in millions of dollars and cents per pound.

	<u>Three Months Ended</u>			
	<u>March 31,</u>			
	2007		2006	
	<u>\$</u>	<u>¢ per</u>	<u>\$</u>	<u>¢ per</u>
	<u>million</u>	<u>pound</u>	<u>million</u>	<u>pound</u>
Cost of sales (including depreciation, amortization and depletion) - GAAP	\$540.7	146.0	\$ 460.0	131.6
Add:				
Selling, general and administrative expenses	23.8	6.4	24.0	6.9
Treatment and refining charges	19.0	5.1	12.2	3.5
Less:				
Byproducts revenue (1)	(438.5)	(118.4)	(333.4)	(95.4)
Depreciation, amortization and depletion	(74.1)	(20.0)	(53.1)	(15.2)
Workers' participation	(71.1)	(19.2)	(61.6)	(17.6)
Royalty charge and other	(15.6)	(4.1)	(7.8)	(2.3)
Inventory change	<u>33.0</u>	<u>8.9</u>	<u>34.2</u>	<u>9.8</u>
<b>Operating cash cost</b>	<b><u>17.2</u></b>	<b><u>4.7</u></b>	<b><u>74.5</u></b>	<b><u>21.3</u></b>
Add byproduct revenue	438.5	118.4	333.4	95.4
<b>Operating cash cost, without byproduct revenue</b>	<b><u>\$ 455.7</u></b>	<b><u>123.1</u></b>	<b><u>\$ 407.9</u></b>	<b><u>116.7</u></b>
Total pounds of copper produced and purchased (in millions)		370.3		349.6

(1) Includes net byproduct sales revenue and premiums on sales of refined products.

#### Impact of New Accounting Standards

Please see note N to our condensed consolidated financial statements.

#### Quantitative and Qualitative Disclosure about Market Risk

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would also result in gains or losses in the market value of our fixed rate debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Based upon our indebtedness at December 31, 2006, a change in interest rates of one percent (or 100 basis points) would impact net income and cash flows by \$0.7 million annually.

We are also exposed to market risk associated with changes in foreign currency exchange rates as certain costs incurred are in currencies other than our functional currency. To manage the volatility related to the risk, we may enter into forward exchange contracts, currency swaps or other currency hedging arrangements. We have only had limited involvement with derivative instruments and do not use them for trading purposes.

We are subject to market risks arising from the volatility of copper and other metal prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, and giving no effects to potential hedging programs metal price sensitivity factors would indicate estimated change in net earnings resulting from metal price changes in 2007 as provided in the table below.

	<u>Copper</u>	<u>Molybdenum</u>	<u>Zinc</u>	<u>Silver</u>
Change in metal prices (per pound except silver - per ounce)	\$0.01	\$1.00	\$0.01	\$1.00
Change in net earnings (in millions)	\$8.5	\$17.8	\$1.6	\$10.3

The Company occasionally uses derivative instruments to manage our exposure to market risk from changes in commodity prices, interest rate and exchange rate risk exposures and to enhance return on assets. We generally do not enter into derivative contracts unless it anticipates a future activity that is likely to occur that will result in exposing us to market risk.

#### Copper and zinc derivatives:

From time to time we enter into derivative instruments to protect a fixed copper, or zinc price for a portion of our metal sales. We did not hold any copper or zinc swaps in the 2007 and 2006 first quarters.

During April 2007, the Company entered into copper collar contracts to protect 8.4 million pounds of copper production for each of the months, June 2007 through December 2007 at weighted average minimum and maximum prices of \$3.18 per pound and \$4.04 per pound, respectively, for each of the months.

#### Gas swaps:

The Company established long swap contracts for 900 million MMBTUs with a fixed price of \$7.525 in the first quarter of 2007 and 900 million of MMBTUs with a fixed price of \$4.2668 per MMBTU in the first quarter of 2006. In this respect, the Company recorded a

loss of \$0.9 million and a gain of \$2.3 million, in the first quarter of 2007 and 2006, respectively, which were charged/(credited) to the production cost. At March 31, 2007, we do not hold any open gas swap contract.

Exchange rate derivatives, U.S. dollar / Mexican peso contracts:

Because more than 85% of our sales collections in Mexico are in US dollars and many of our costs are in Mexican pesos, during 2006 the Company entered into zero-cost derivatives contracts with the purpose of protecting, within a range, against an appreciation of the Mexican peso to the US dollar. In these contracts if the exchange rate settles at or below the barrier, the Company does not sell dollars, if the exchange rate settles above the barrier price established in the contract the Company sells dollars at the strike price established in the contract.

In the first quarter of 2007 the exercise of these zero-cost derivative contracts resulted in a gain of \$1.5 million, which was recorded as a gain on derivative instruments on the condensed consolidated statement of earnings.

At March 31, 2007 we held the following exchange rate derivative operations:

<u>Notional Amount</u> (millions)	<u>Due Date, Weekly</u> <u>expiration during</u>	<u>Strike Price</u> (Mexican Pesos/U.S. Dollars)	<u>Barrier Price (Mexican</u> <u>Pesos/U.S. Dollars)</u>
\$ 52.0	3rd Quarter 2007	11.15	10.675
\$ 52.0	3rd Quarter 2007	11.52	11.15
\$ 52.0	3rd Quarter 2007	11.90	11.54
\$ 72.0	4th Quarter 2007	11.35	10.65
\$ 72.0	4th Quarter 2007	11.65	11.35
\$ 80.0	1st Quarter 2008	11.60	11.28
\$ 80.0	1st Quarter 2008	11.28	10.70

At March 31, 2007, the fair value of the above listed exchange rate derivative contracts is \$0.1 million. The notional amounts are comprised on therein transactions that have the same strike and Barrier price.

Marketable Securities - Reverse barrier notes:

Commencing in 2006 the Company began making short term investments (90 days to 1 year). The investments initially contained interest rates above the prevailing market rates. At March 31, 2007 the Company holds \$380 million in investments of these types, as follows (in millions):

<u>Investment</u>	<u>Book</u> <u>Value</u>
3-month note, issued December 12, 2006 with extensions every 3 months up to a maximum of 12 months, with an interest rate of 7%, a barrier range is established by a pool of Mexican and Peruvian bond issues.	\$ 200.0
3-month note, issued January 19, 2007 with extensions every 3 months up to a maximum of 12 months, with an interest rate of 7.25%, a barrier range is established by a pool of Mexican and Peruvian bond issues.	100.0
180-day note, maturing June 12, 2007 with an interest rate of 6%, with barrier range of \$37.669 and \$69.957 of SCC stock price, NYSE symbol PCU.	40.0
180-day note, maturing June 28, 2007 with an interest rate of 6%, with barrier range of \$38.738 and \$71.942 of SCC stock price, NYSE symbol PCU.	20.0
300-day note, maturing December 24, 2007 with an interest rate of 3.6%, with barrier range of \$50.00 and \$75.00 of SCC stock price, NYSE symbol PCU.	<u>20.0</u>
	\$ <u>380.0</u>

In the first quarter of 2007 the Company earned \$6.0 million on these investments, which were recorded in interest income on the condensed consolidated statement of earnings.

Certain of these investments are indexed to SCC common stock while others are indexed to certain bond pools. Both types of indexation clauses could cause the principal of the investment to be reduced if the established ranges are breached. Since the notes are not principal protected the Company may lose part or all of the initial investment. These indexation clauses have been deemed to be bifurcated embedded derivatives and have been subject to valuation using a binomial model. At March 31, 2007, valuing the embedded derivatives at fair value resulted in a liability of \$34.3 million. This liability has been included in other accounts payable and the increment of the liability in the first quarter of 2007 of \$22.7 million is recorded as loss on derivative instruments on the condensed consolidated statement of earnings.

Dual currency notes:

Additionally, in the first quarter of 2007 the Company invested \$120.0 million in dual currency notes which provided an above market interest return subject to a barrier range of the Mexican peso/US dollar exchange rates. These investments matured in the first quarter 2007 and the Company recorded interest income of \$0.5 million.

Cautionary Statement:

Forward-looking statements in this report and in other Company statements include statements regarding expected commencement dates of mining or metal production operations, projected quantities of future metal production, anticipated production rates, operating efficiencies, costs and expenditures as well as projected demand or supply for the Company's products. Actual results could differ materially depending upon factors including the risks and uncertainties relating to general U.S. and international economic and political conditions, the cyclical and volatile prices of copper, other commodities and supplies, including fuel and electricity, availability of materials, insurance coverage, equipment, required permits or approvals and financing, the occurrence of unusual weather or operating conditions, lower than expected ore grades, water and geological problems, the failure of equipment or processes to operate in accordance with specifications, failure to obtain financial assurance to meet closure and remediation obligations, labor relations, litigation and environmental risks as well as political and economic risk associated with foreign operations. Results of operations are directly affected by metal prices on commodity exchanges that can be volatile.

#### Item 4. Controls and Procedures

##### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2007, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

##### CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There was no change in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Southern Copper Corporation:

We have reviewed the accompanying consolidated condensed balance sheet of Southern Copper Corporation and its subsidiaries as of March 31, 2007, and the related consolidated condensed statements of earnings for the three-month periods ended March 31, 2007 and March 31, 2006 and the consolidated condensed statement of cash flows for the three month periods ended March 31, 2007 and March 31, 2006. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated condensed interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2006 and the related consolidated statement of earnings, changes in stockholders' equity and of cash flows for the year then ended (not presented herein), and in our report dated February 28, 2007 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 2006, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers

México, D.F.

May 9, 2007

Part II - OTHER INFORMATION

Item 1. - Legal Proceedings

The information provided in Note L to the condensed consolidated financial statements contained in Part I of this Form 10-Q, is incorporated herein by reference.

Item 4. - Submission of Matters to a Vote of Security Holders

The annual meeting of stockholders of the Company was held on Thursday, April 26, 2007, at which shareholders of record at the close of business on March 23, 2007 (the "record date") were entitled to vote at the annual meeting.

At the annual meeting, the holders of Common Stock were asked to elect 14 directors.

All of the fourteen persons nominated as directors of the Corporation to represent the Common Stockholders were elected and each of the director nominees received the following votes:

	For	Withheld
German Larrea Mota-Velasco	254,735,913	17,232,092
Emilio Carrillo Gamboa	251,802,276	20,165,729
Alfredo Casar Perez	271,555,224	412,781
Jaime Fernando Collazo Gonzalez	254,804,028	17,163,977
Xavier Garcia de Quevedo Topete	254,836,709	17,131,296
J. Eduardo Gonzalez Felix	254,431,367	17,536,638
Oscar Gonzalez Rocha	271,159,536	808,469
Harold S. Handelsman	251,452,832	20,515,173
Genaro Larrea Mota-Velasco	252,980,059	18,987,946
Armando Ortega Gomez	251,910,529	20,057,476
Luis Miguel Palomino Bonilla	254,837,463	17,130,542
Gilberto Perezalonso Cifuentes	252,232,592	19,735,413
Juan Rebolledo Gout	271,588,942	379,063
Carlos Ruiz Sacristan	271,616,661	351,344

The stockholders approved the amendment to the by-laws to eliminate provisions that have been made extraneous or inconsistent with the Certificate of Incorporation as a result of the elimination of our Class A Common Stock made on May 19, 2005 when all Class A Common Stock converted on a share-by-share basis into newly-issued shares of Common Stock. The proposal received 271,687,230 votes, representing the affirmative vote of 92.27% of the voting power of all shares of Common Stock entitled to vote on the proposal.

The stockholders approved and ratified the selection of PricewaterhouseCoopers S.C. as independent accountants for calendar year 2007. The proposal received the following votes:

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Common Stock	271,451,710	389,254	127,041

Other Business:

The Secretary reported that no other business was brought to the attention of the shareholders or by them.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
3.2	By-laws as amended on April 26, 2007
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.

Part II - OTHER INFORMATION

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN COPPER CORPORATION  
(Registrant)

/s/ Oscar Gonzalez Rocha

Oscar Gonzalez Rocha  
President and Chief Executive Officer

Date: May 9, 2007

/s/ J. Eduardo Gonzalez Felix

J. Eduardo Gonzalez Felix  
Vice President, Finance and Chief  
Financial Officer

Date: May 9, 2007

## BY-LAWS OF SOUTHERN COPPER CORPORATION

(As last amended on April 26, 2007)

## ARTICLE I.

## MEETINGS OF STOCKHOLDERS.

SECTION 1.01. Annual Meetings. The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as properly may come before the meeting shall be held at 2 o'clock in the afternoon, or on such other date or at such other hour as shall be fixed by the Board of Directors (the "Board"), on the Thursday next following the last Wednesday of April in each year, commencing April 25, 1996, if not a legal holiday, or, if a legal holiday, then on the next succeeding day not a legal holiday.

SECTION 1.02. Special Meetings. Except as provided by Section 211(c) of the General Corporation Law of the State of Delaware with respect to meetings ordered by the Court of Chancery, special meetings of the stockholders may be called at any time but only by the Chairman of the Board, the President, the Board pursuant to a resolution approved by eight Directors or by a holder of shares representing at least 10% of the then outstanding number of shares of the Corporation's common stock (hereinafter referred to as Common Stock).

SECTION 1.03. Place of Meeting. All meetings of the stockholders shall be held at the principal office of the Corporation in New York City or at such other place, within or without the State of Delaware, as may be designated by the Board and stated in the notice of the meeting.

SECTION 1.04. Notice of Meetings. Except as otherwise required by statute, the Secretary or an Assistant Secretary shall cause notice of the time, place and purpose or purposes of each meeting of the stockholders (whether annual or special) to be mailed or otherwise delivered, at least ten (but not more than sixty) days prior to the meeting to each stockholder of record entitled to notice of and to vote at such meeting at his address as the same appears on the books of the Corporation at the time of such mailing or delivery. Notice of any meeting of stockholders shall not be required to be given to any person who may become a stockholder of record after such mailing or delivery of such notice and prior to the meeting, or to any stockholder who shall sign a waiver of such notice in writing, whether before or after the time of such meeting. Notice of any adjourned meeting of the stockholders of the Corporation shall not be required to be given, unless otherwise required by statute.

SECTION 1.05. List of Stockholders Entitled to Vote. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 1.06. Quorum. Unless otherwise provided by statute or by the Certificate of Incorporation, the presence in person or by proxy of the holders of record of the shares entitled to cast a majority of the votes at any meeting of the stockholders shall constitute a quorum at such meeting. Unless otherwise provided by statute or by the Certificate of Incorporation, whenever the holders of any class or series of shares are entitled to vote separately on a specified item of business, the presence in person or by proxy of stockholders holding of record in the aggregate a majority of the outstanding shares of such class or series entitled to vote shall constitute a quorum for the transaction of such specified item of business. Whether or not a quorum shall be present at any meeting of the stockholders, the stockholders entitled to vote who

are present in person or by proxy, or, if no stockholder entitled to vote is present in person or by proxy, any officer authorized to preside or act as Secretary of such meeting, without notice other than by announcement at such meeting, may adjourn such meeting from time to time for a period not exceeding thirty days at any one time. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting as originally called. If a record date for the determination of the stockholders entitled to notice of and to vote at such meeting as originally called shall have been fixed as hereinafter provided, said record date shall apply to any such adjourned meeting unless the Board fixes a new record date for such adjourned meeting, in which case notice of said adjourned meeting shall be given to each stockholder of record on the new record date at least ten days before the date of said adjourned meeting.

SECTION 1.07. Organization. The Chairman of the Board, or in his absence the President, shall preside at all meetings of stockholders. If both are absent, any other officer designated by the Board shall preside. If no officer so designated is present, the stockholders present in person or represented by proxy may elect one of their number to preside. The Secretary shall act as secretary at all meetings of the stockholders; but in the absence of the Secretary the presiding officer may appoint any person to act as secretary of the meeting.

SECTION 1.08. Voting. At each meeting of the stockholders each stockholder having the right to vote shall be entitled to such vote for each share of stock held by him as may be provided in the Certificate of Incorporation. At each meeting of the stockholders each stockholder entitled to vote shall be entitled to vote in person or by proxy. Every proxy shall be executed in writing by the stockholder or his agent unless given by telegram or cable. A copy or facsimile telecommunication may be substituted or used in lieu of the original writing or transmission so long as such copy or facsimile telecommunication is a complete reproduction of the entire original writing or transmission. No proxy shall be valid after eleven months from the date of its execution, unless a longer time is expressly provided therein, but in no event shall a proxy be valid after three years from the date of its execution. At all meetings of the stockholders, all matters, other than those the manner of deciding which is expressly regulated by statute or by the Certificate of Incorporation or by Sections 2.04 or 2.09 of Article II, shall be decided by a majority of the votes cast in person or by proxy by the holders of shares entitled to vote thereon. Shares belonging to the Corporation shall not be voted or counted in determining the total number of shares outstanding at any time.

SECTION 1.09. Inspectors. The Board shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed or shall fail to qualify, the person presiding at such meeting shall appoint one or more inspectors to act at such meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

SECTION 1.10. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

## ARTICLE II.

### BOARD OF DIRECTORS.

SECTION 2.01. General Powers. The property, affairs and business of the Corporation shall be managed under the direction of the Board.

SECTION 2.02. Number, Term of Office and Qualifications. The number of directors of the Corporation shall be fixed from time to time by resolution of a majority of the

Board of Directors, provided that the number of directors shall not be less than six or more than fifteen. The directors shall be elected annually at the annual meetings of the stockholders, and each director (whether elected at any annual meeting or to fill a vacancy or otherwise) shall hold office until his successor is elected and qualified or until his death or until he shall resign in the manner provided in Section 2.10, or shall have been removed in the manner provided in Section 2.09.

SECTION 2.03. Notice of Stockholder Business and Nominations.

(A) Annual Meeting of Stockholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) by or at the direction of the Chairman of the Board or the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors or (b) by any stockholder of the Corporation who is entitled to vote at the meeting with respect to the election of directors or the business to be proposed by such stockholder, as the case may be, who complies with the notice procedures set forth in clauses (2) and (3) of paragraph (A) of this Section 2.03 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation as provided below.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (b) of paragraph (A)(1) of this Section 2.03, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such business must be a proper subject for stockholder action under the Delaware General Corporation Law (the "GCL"). To be timely, a stockholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is advanced by more than thirty (30) days, or delayed by more than sixty (60) days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than one hundred and twentieth (120) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 2.03 to the contrary, if the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least eighty (80) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by paragraph (A)(2) of this Section 2.03 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(B) Special Meeting of Stockholders.

Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) by or at the direction of the Chairman of the Board or the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors or (ii) by any stockholder of the Corporation who is entitled to vote at the meeting with respect to the election of directors, who complies with the notice procedures set forth in this paragraph (B) and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation as provided below. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder's notice as required by paragraph (A)(2) of this Section 2.03 shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than the one hundred and twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(C) General.

(1) Only persons who are nominated in accordance with the procedures set forth in this Section 2.03 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.03. Notwithstanding the foregoing provisions of this Section 2.03, the Special Nominating Committee of the Board shall have the power to nominate special independent directors, all as provided in the Certificate of Incorporation of the Corporation.

(2) Except as otherwise provided by law, the Certificate of Incorporation or this Section 2.03, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 2.03 and, if any proposed nomination or business is not in compliance with this Section 2.03, to declare that such defective nomination or proposal shall be disregarded.

(3) For purposes of this Section 2.03, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(4) Notwithstanding the foregoing provisions of this Section 2.03, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.03. Nothing in this Section 2.03 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy materials with respect to a meeting of stockholders pursuant to Rule 14a-8 under Exchange Act or (ii) of the holders of any series of Preferred Stock or any other series or class of stock as set forth in the Certificate of Incorporation to elect directors under specified circumstances or to consent to specific actions taken by the Corporation.

SECTION 2.04. Election of Directors. At each meeting of the stockholders for the election of directors, the holders of Common Stock shall be entitled, to elect the Corporation's directors, with each share of Common Stock entitled to one vote, such directors to be elected by a plurality of the votes cast at such election by the holders of Common Stock entitled to vote.

SECTION 2.05. Annual and Regular Meetings. An annual meeting of the Board shall be held in each year on the day of the annual meeting of the stockholders, at such time as is convenient either before or after such meeting, at the place where such meeting is held or at such other place as may be fixed by the Board, and if so held no notice of such annual meeting need be given to any director of the Corporation. If the annual meeting of the Board shall not be so held on the day of the annual meeting of stockholders in any year, such meeting shall be held as soon thereafter as practicable, upon the notice provided for in Section 2.06 of this Article II in the case of special meetings, at such time and place (which may be within or outside the State of Delaware) as may be specified in the notice or waiver of notice of such meeting. The Board from

time to time may provide for the holding of other regular meetings of the Board and fix the time and place (which may be within or outside of the State of Delaware) thereof. Notice of regular meetings shall not be required to be given; provided, however, that in case the Board shall fix or change the time or place of regular meetings, notice of such action shall be mailed promptly to each director who shall not have been present at the meeting at which such action was taken, addressed to him at his usual place of business. Any or all directors may participate in meetings of the Board or Committees of the Board by means of conference telephone or by any means of communication by which all persons participating in the meeting are able to hear each other, and such participation shall constitute presence in person at such meeting.

SECTION 2.06. Special Meetings; Notice. Special meetings of the Board shall be held whenever called by the Chairman of the Board, the President, the Chairman of the Executive Committee or by three of the directors at such time and place (which may be within or outside of the State of Delaware) as may be specified in the respective notices or waivers of notice thereof; provided that, if the Chairman is unable to serve by reason of death, disability or other cause beyond his control, the available director who is most senior in terms of length of service as a director, or, if there is more than one such available director of equal seniority, any such director, shall promptly call a special meeting of the Board to appoint an interim or replacement chairman. Except as otherwise required by statute, notice of each special meeting shall be mailed to each director addressed to him at his usual place of business at least three days before the day on which the meeting is to be held, or shall be sent to him at such place by telegram, cable, telex or facsimile, or if such notice is not feasible, shall be given by telephone or two-way radio, or shall be delivered personally, not later than one day before the day on which the meeting is to be held; provided, however, that if the meeting is to be held outside the United States, the notice, if mailed, shall be mailed at least ten days before the day on which the meeting is to be held, or, if sent by telegram, cable, telex or facsimile, or if such notice is not feasible, by telephone or two-way radio, or delivered personally, not later than five days before the day on which the meeting is to be held. Notice of any special meeting shall not be required to be given to any director who shall attend such meeting in person, or to any director who shall sign a waiver of notice of such meeting, whether before or after the time of such meeting; and any such meeting shall be a valid meeting without any notice thereof having been given if all the directors shall be present thereat and none of them shall protest such lack of notice prior to the conclusion of the meeting. Notice of any adjourned meeting shall not be required to be given.

SECTION 2.07. Quorum. At meetings of the Board, the presence of eight Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the affirmative vote of a majority of the directors present shall be necessary for the adoption of any resolution or the taking of any action unless the matter is one for which by express provision of the Certificate of Incorporation or of these By-laws, or by law, a different vote is required. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present.

SECTION 2.08. Organization. The Chairman of the Board, or in his absence the President, shall preside at all meetings of the Board. If both are absent, the Board shall appoint a temporary chairman from among the directors present. The Board shall follow such order of business at its meetings as it may from time to time determine.

SECTION 2.09. Removal of Directors. Any director may be removed at any time, either for or without cause, by the affirmative vote in person or by proxy of stockholders holding of record in the aggregate a majority of the outstanding shares of the class of stock of the Corporation entitled to vote given at a special meeting of said stockholders called for that purpose; provided, however, that with respect to the removal of special independent directors nominated in accordance with the provisions of the Corporation's Certificate of Incorporation, a replacement special independent director shall be concurrently designated and elected in accordance with the requirements of the Corporation's Certificate of Incorporation.

SECTION 2.10. Resignations. Any director may resign at any time by giving written notice of such resignation to the Board, the Chairman of the Board, the President or the Secretary of the Corporation. Unless a subsequent time is specified in written

notice, such resignation shall take effect upon receipt thereof by the Board or any such officer.

SECTION 2.11. Vacancies. If any vacancy shall occur in the Board by reason of death, resignation, disqualification, removal or other, the remaining directors shall continue to act. Subject to Section 2.09 of this Article and the provisions of the Corporation's Certificate of Incorporation relating to special independent director vacancies, vacancies shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board. Any director elected in accordance with the preceding sentence shall hold office until the next succeeding annual meeting of stockholders, or a special meeting at which directors are elected, and until such director's successor shall have been duly elected and qualified.

SECTION 2.12. Compensation of Directors. Each director who is not compensated as an employee of the Company shall receive such compensation for attendance at meetings of the Board, or of any committee appointed by the Board, as the Board may fix and determine from time to time.

SECTION 2.13. Designation as Director Emeritus. The Board may, in its sole discretion, grant the honorary title of Director Emeritus to a former director of the Corporation in recognition of service to the Corporation. Such title shall be honorary only, and a Director Emeritus shall not be a "Director" as that term is used in these By-Laws or in any document of the Corporation. Any such Director Emeritus shall have no duties or responsibilities to the Corporation, nor any authority to act on behalf of the Corporation or receive any compensation from it solely by virtue of holding such title.

### ARTICLE III.

#### EXECUTIVE COMMITTEE.

SECTION 3.01. Powers. During the intervals between meetings of the Board, the Executive Committee shall have and may exercise all the powers and authority of the Board, except as prohibited by statute, in the management of the business and affairs of the Corporation, including the power and authority of the Board to declare a dividend and to authorize the issuance of stock, and may authorize the seal of the Corporation to be affixed to all papers which may require it. In the discretion of the Board, the Executive Committee shall have such more limited or specific powers as the Board may from time to time designate.

SECTION 3.02. Designation of Members; Qualifications; Term of Office; Alternate Members. The Board, by resolution or resolutions passed in the manner provided in Section 2.07, shall designate from among its members an Executive Committee of five members, one of whom shall be the President of the Corporation. The Board, by resolution or resolutions passed in the manner provided in Section 2.07, shall designate, from among the five designees to the Executive Committee, a Chairman of the Executive Committee. Thereafter, members of the Executive Committee shall be designated annually, in like manner, at the annual meetings of the Board. Each member of the Executive Committee (whether designated at an annual meeting of the Board or to fill a vacancy or otherwise) shall be and remain a director and shall hold office until his successor shall have been designated or until he shall cease to be a director or until his death or until he shall resign in the manner provided in Section 3.05 of this Article or shall have been removed in the manner provided in Section 3.06 of this Article. The Board, by resolution or resolutions passed in the manner provided in Section 2.07, may appoint another member of the Board to serve as an alternate to any director appointed to the Executive Committee. During any meeting of the Executive Committee which shall be attended by an alternate so appointed and not attended by the member for whom such alternate was appointed as an alternate, the alternate shall be deemed a member of the Executive Committee for all purposes in the place of the member for whom he was appointed an alternate.

SECTION 3.03. The Chairman of the Executive Committee. The Board, by resolution or resolutions passed in the manner provided in Section 2.07, shall designate, from among the five designees to the Executive Committee, a Chairman of the Executive Committee. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee and shall perform such other duties as are given to him by these By-Laws or as from time to time may be assigned to him by the Board or the Executive Committee.

SECTION 3.04. Meetings; Notices; Records. The Executive Committee may hold regular and special meetings at such place or places (within or outside the State of Delaware) and at such time or times as it shall determine from time to time. Notice of regular meetings shall not be required to be given; provided, however, that whenever the time or place of regular meetings shall be fixed or changed, notice of such action shall be mailed promptly to each member who shall not have been present at the meeting at which such action was taken, addressed to him at his usual place of business. Notice of each special meeting shall be mailed to each member addressed to him at his usual place of business at least three days before the day on which the meeting is to be held, or shall be sent to him at such place by telegram, cable, telex or facsimile, or if such notice is not feasible, shall be given by telephone or two-way radio, or shall be delivered to him personally, not later than two days before the day on which the meeting is to be held; provided, however, that if the meeting is to be held outside the United States, the notice, if mailed, shall be mailed at least ten days before the day on which the meeting is to be held, or, if sent by telegram, cable, telex or facsimile, or if such notice is not feasible, by telephone or two-way radio, or delivered personally, not later than five days before the day on which the meeting is to be held. Notice of any special meeting need not be given to any member who (or the alternate of whom) shall attend such meeting in person, or who shall sign a waiver of notice of such meeting, whether before or after the time of such meeting; and any such meeting shall be a valid meeting without any notice thereof having been given if all the members shall be present thereat (a member being deemed present if his alternate is present) and none of them shall protest such lack of notice prior to the conclusion of the meeting. No notice need be given to any alternate member, and no notice need be given of any adjourned meeting. The Executive Committee shall keep a record of its proceedings.

SECTION 3.05. Quorum and Manner of Acting. (a) At all meetings of the Executive Committee the presence of at least four members shall be necessary and sufficient to constitute a quorum for the transaction of business, and the affirmative vote of all members who are present shall be necessary for the adoption of any resolution or the taking of any action. All questions on which such a vote shall not have been obtained shall be referred to the Board.

(b) Minutes of all meetings of the Executive Committee will be delivered to the entire Board. Copies of all materials submitted to the Executive Committee will be made available to the entire Board.

SECTION 3.06. Resignations. Any member of the Executive Committee may resign at any time by giving written notice of such resignation to the Board, the Chairman of the Board, the President or the Secretary of the Corporation. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board or any such officer.

SECTION 3.07. Removal. Any member of the Executive Committee may be removed at any time, either for or without cause, by resolution passed at any meeting of the Board in the manner provided in Section 2.07.

SECTION 3.08. Vacancies. If any vacancy shall occur in the Executive Committee by reason of disqualification, death, resignation, removal or otherwise, the remaining members shall continue to act and such vacancy may be filled at any meeting of the Board by resolution passed in the manner provided in Section 2.07.

#### ARTICLE IV.

##### OTHER COMMITTEES.

SECTION 4.01. Committees of the Board. The Board, by resolution passed in the manner provided in Section 2.07, may appoint from among its members one or more additional committees, each of which shall have at least two members and each of which, to the extent provided in the resolution, shall have and may exercise all the authority of the Board except as otherwise provided by statute. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board, and the quorum for the Audit Committee shall be the presence in person or by telephone of one member, but in no case less than one-third of the total number of members of the Audit Committee.

#### ARTICLE V.

## OFFICERS.

SECTION 5.01. Number. The Board of Directors may elect a Chairman of the Board, who shall be a director, and shall elect a President, who shall be a director, one or more Vice Presidents, a Treasurer, a Comptroller, a Secretary and a General Auditor. The Board of Directors may elect such other officers as may be appointed in accordance with the provisions of Section 5.03. In addition, the Board may designate one or more of the Vice Presidents as Executive Vice President or Senior Vice President. Any two or more offices may be held by the same person but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law or the By-Laws to be executed, acknowledged, or verified by two or more officers.

SECTION 5.02. Election, Term of Office and Qualifications. Each officer (except such officers as may be appointed in accordance with the provisions of Section 5.03) shall be elected by the Board annually at its annual meeting, provided, however, that officers may be elected at any meeting of the Board to fill vacancies or additional offices. Each such officer (whether chosen at an annual meeting of the Board or to fill a vacancy or otherwise) shall hold office until the next annual meeting of the Board and until his successor shall have been elected and qualified, or until his death, or until he shall resign in the manner provided in Section 5.04 or shall have been removed in the manner provided in 5.05.

SECTION 5.03. Appointed Officers and Agents. In addition to the officers of the Corporation to be elected pursuant to Section 5.02, the Board, or the Chairman of the Board or the President with the approval of the Board, may from time to time appoint such other officers and agents as the Board or the officer making such appointment may deem necessary or advisable, to hold office for such period, have such authority and perform such duties as may be determined from time to time by the Board or the officer making such appointment.

SECTION 5.04. Resignations. Any officer may resign at any time by giving written notice of such resignation to the Board, the Chairman of the Board, the President or the Secretary. Unless a subsequent time is specified in such written notice, such resignation shall take effect upon receipt thereof.

SECTION 5.05. Removal. All officers, except those appointed in accordance with the provisions of Section 5.03, may be removed, either for or without cause, at any meeting of the Board called for that purpose, by resolution passed by a vote of a majority of the entire Board. The officers and agents appointed in accordance with the provisions of Section 5.03 may be removed, either for or without cause, at any meeting of the Board by resolution passed by a majority of a quorum, or by any superior officer or agent upon whom such power of removal shall have been conferred by the Board.

SECTION 5.06. Vacancies. A vacancy in any office by reason of death, resignation, removal, disqualification or any other cause shall be filled in the manner provided in this Article V for election or appointment to such office.

SECTION 5.07. The Chairman of the Board. The Chairman of the Board, if one shall have been elected, shall preside at all meetings of the stockholders and of the Board. He may sign certificates representing stock of the Corporation, the issuance of which shall have been authorized by the Board. He shall perform such other duties as are required of him by these By-Laws or as from time to time may be assigned to him by the Board. Subject to the discretion of the Board, the Chairman of the Board may be designated by the Board as the chief executive officer of the Corporation.

SECTION 5.08. The President. Unless the Board of Directors otherwise determines, the President shall be the chief executive officer of the Corporation. Subject to the direction of the Board and the Chairman of the Board, he shall have general charge of the business, affairs and property of the Corporation and general supervision over its officers and agents. He shall see that all orders and resolutions of the Board are carried into effect. Unless the Board of Directors otherwise determines, in the absence or in the case of the death or disability of the Chairman of the Board, or in the event of and during the period of a vacancy in that office, he shall have and exercise all powers of the Chairman of the Board. He may sign certificates of stock of the Corporation, the issuance of which shall have been authorized by the Board. From time to time he shall report to the Board all matters within his knowledge which the interests of the Corporation may require to be brought to its notice. He shall perform

such other duties as are given to him by these By-Laws or as may from time to time be assigned to him by the Board or the Chairman of the Board.

SECTION 5.09. Absence of the Chairman and President. In the absence or in the case of the death or disability of the Chairman of the Board and the President, any officer designated by the Chairman of the Board or by the Board shall perform the duties of the Chairman of the Board and, when so acting, such officer shall have and exercise all the powers of the Chairman of the Board.

SECTION 5.10. The Vice Presidents. Each Executive Vice President, Senior Vice President and Vice President shall have the power of signing deeds, contracts and other instruments requiring execution by the Corporation, and shall perform such other duties as shall be assigned to him by the Chairman of the Board or President from time to time. Any Executive Vice President, Senior Vice President or Vice President may sign certificates representing stock of the Corporation the issuance of which shall have been authorized by the Board. One of the Vice Presidents, as designated from time to time by the Chairman of the Board, shall act as the custodian of all deeds, leases, contracts and other legal documents and all other important papers and records of the Corporation which are delivered to him for safekeeping.

SECTION 5.11. The Treasurer. The Treasurer shall

(a) have charge of and be responsible for the funds of the Corporation;

(b) cause the moneys of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositaries as shall be selected in accordance with Section 6.03 or to be otherwise dealt with in such manner as the Board may direct;

(c) render to the Chairman of the Board, the President or the Board, whenever requested, a statement of all his transactions as Treasurer;

(d) sign (unless the Secretary, an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation the issuance of which shall have been authorized by the Board; and

(e) in general, perform all duties incident to the office of Treasurer and such other duties as are required of him by these By-Laws or as from time to time may be assigned to him by the Board, the Chairman of the Board or the President.

SECTION 5.12. The Comptroller. The Comptroller shall be the chief accounting officer of the Corporation. He shall

(a) establish and maintain accounting policies, practices and procedures, including an adequate system of internal controls to safeguard the assets and properly determine the liabilities of the Corporation;

(b) cause appropriate accounting records to be maintained and reports rendered;

(c) establish and administer the tax policy, planning and compliance functions;

(d) prepare appropriate financial reports for government agencies, stockholders, creditors and stock exchanges;

(e) be the custodian of all securities, negotiable instruments and other like assets of the Corporation;

(f) be empowered from time to time to require from any and all officers or agents of the Corporation reports or statements giving such information as he may desire with respect to any and all transactions of the Corporation;

(g) render to the Chairman of the Board, the President or the Board, whenever requested, such statements and accounts as may be required; and

(h) in general, perform all duties incident to the office of Comptroller and such other duties as are required of him by these By-Laws or as from time to time may be assigned to him by the Board, the Chairman of the Board or the President.

SECTION 5.13. The Secretary. The Secretary shall

(a) record all votes and the minutes of all meetings of the stockholders and the Board, and of committees of directors when required, in a book or books to be kept for that purpose;

(b) cause all notices to be duly given in accordance with the provisions of these By-Laws and as required by statute;

(c) be custodian of the seal of the Corporation, and cause such seal or a facsimile thereof to be affixed to all certificates representing stock of the Corporation prior to the issuance thereof and to all instruments the execution of which on behalf of the Corporation under its seal shall have been duly authorized in accordance with these By-Laws;

(d) see that the books, reports, statements, certificates and other documents and records, other than the financial and stock books, required by statute, are properly kept and filed;

(e) sign (unless the Treasurer, an Assistant Treasurer or Assistant Secretary shall sign) certificates representing stock of the Corporation the issuance of which shall have been authorized by the Board; and

(f) in general, perform all duties incident to the office of Secretary and such other duties as are required of him by these By-Laws or as from time to time may be assigned to him by the Board, the Chairman of the Board or the President.

SECTION 5.14. General Auditor. The General Auditor shall be the chief auditing officer of the Corporation. He shall determine the adequacy of the system of internal control, investigate compliance with Corporation policy and procedures, verify the existence of assets of the Corporation, see that proper safeguards are maintained to prevent or discover fraud and check on the reliability of the accounting and reporting system. He shall render such reports as may be requested, and perform such other duties as may be assigned to him, by the Board, the Chairman of the Board or the President.

#### ARTICLE VI.

##### EXECUTION OF INSTRUMENTS, BORROWING OF MONEY AND DEPOSIT OF CORPORATE FUNDS.

SECTION 6.01. Execution of Instruments. All deeds, contracts and other instruments requiring execution by the Corporation shall be signed by the Chairman of the Board, the President, the Chairman of the Executive Committee, an Executive Vice President, a Senior Vice President, a Vice President, or the Treasurer, and attested or countersigned by the Comptroller, an Assistant Comptroller, the Secretary, an Assistant Secretary, or an Assistant Treasurer; provided, however, that authority to sign any deeds, contracts or other instruments requiring execution by the Corporation may be conferred by the Board upon any person or persons whether or not such person or persons be officers of the Corporation; and provided, further, that the Chairman of the Board, the President, the Chairman of the Executive Committee and any Executive Vice President may delegate, from time to time, by instrument in writing, all or any part of his or her authority to any other person or persons. Such authority may be general or confined to specific instances.

SECTION 6.02. Indebtedness. When so authorized by the Board, any officer or agent of the Corporation may effect loans and advances at any time for the Corporation secured by mortgage or pledge of the Corporation's property or otherwise, and may do every act and thing necessary or proper in connection therewith. Such authority may be general or confined to specific instances.

SECTION 6.03. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to its credit in such banks or trust companies or with such bankers or other depositaries as the Board may select, or as may be selected by any officer or officers, or agent or agents, authorized so to do by the Board.

SECTION 6.04. Checks, Drafts, etc. All notes, drafts, acceptances, checks, endorsements, and all evidences of indebtedness of the Corporation whatsoever, shall be signed by such officer or officers or such agent or agents of the Corporation and in such manner as the Board from time to time may determine.

SECTION 6.05. Proxies. Proxies to vote with respect to shares of stock of other corporations owned by or standing in the name of the Corporation may be executed and

delivered from time to time on behalf of the Corporation by the Chairman of the Board, the President, the Chairman of the Executive Committee, an Executive Vice President, a Senior Vice President, a Vice President or the Treasurer, and attested or countersigned by the Secretary or an Assistant Secretary of the Corporation, or by any other person or persons thereunto authorized by the Board.

## ARTICLE VII.

### SHARES OF STOCK.

SECTION 7.01. Certificates of Stock. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by the Chairman of the Board, the President, an Executive Vice President, a Senior Vice President, or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary, or an Assistant Secretary (or signed in such other manner as may be required or permitted by statute) certifying the number of shares owned by him in the Corporation. Each such certificate shall be signed by the Corporation's transfer agent or an assistant transfer agent and by the Corporation's registrar, at least one of whom shall not be an officer or employee of the Corporation. Any such signature required hereunder may be facsimile; and in case any officer, transfer agent, assistant transfer agent or registrar whose facsimile signature has been used on any such certificate shall cease to hold such office before it shall have been issued, such certificate shall nevertheless be deemed adopted and approved by the Corporation for issuance and delivery thereafter. Certificates representing shares of stock of the Corporation shall be in such form as shall have been approved by the Board and the seal of the Corporation or a facsimile thereof shall be affixed thereto. There shall be entered upon the stock books of the Corporation at the time of issuance of each share the number of the certificate issued, the name of the person owning the shares represented thereby, the number and class of such shares and the date of issuance thereof. Every certificate exchanged or returned to the Corporation shall be marked "Canceled," with the date of cancellation indicated thereon.

SECTION 7.02. Transfer of Stock. Transfer of shares of the stock of the Corporation shall be made on the books of the Corporation by the holder of record thereof, or by his attorney thereunto duly authorized by a power of attorney duly executed in writing and filed with the Secretary, and on surrender of the certificate or certificates representing such shares. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the absolute owner thereof for all purposes, and accordingly shall not be bound to recognize any legal, equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise expressly provided by the statutes of the State of Delaware.

SECTION 7.03. Regulations. Subject to the provisions of this Article VII, the Board may make such rules and regulations as it may deem expedient concerning the issuance, transfer and registration of certificates for shares of the stock of the Corporation.

SECTION 7.04. Transfer Agents and Registrars. The Board shall appoint one or more transfer agents and one or more registrars with respect to the certificates representing shares of stock of the Corporation and all such certificates shall bear the signatures of at least one transfer agent and one registrar.

SECTION 7.05. Fixing of Record Date. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining stockholders entitled to receive payment of any dividend or allotment or any right, or for the purpose of any other action, the Board may fix, in advance, a date as the record date for any such determination of stockholders. Such date shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

SECTION 7.06. Lost or Destroyed Certificates. The holder of any shares of stock of the Corporation shall immediately notify the Corporation and its transfer agents and registrars, if any, of any loss or destruction of the certificate representing the same. The Corporation may issue a new certificate in the place of any certificate theretofore issued by it alleged to have been lost or destroyed, and the Board may require the owner of the lost or destroyed certificate or his legal representatives to

give the Corporation a bond in such sum or without limit as to amount as the Board may direct, and with such surety or sureties as may be satisfactory to the Board, to indemnify the Corporation against any claim that may be made against it or any such transfer agent or registrar with respect to any such certificate alleged to have been lost or destroyed. A new certificate may be issued without requiring any Bond when, in the judgment of the Board, it is proper so to do.

#### ARTICLE VIII.

##### MISCELLANEOUS.

SECTION 8.01. Offices. The Corporation may establish and maintain one or more offices outside of the State of Delaware, in such places as the Board from time to time may deem advisable.

SECTION 8.02. Corporate Seal. The corporate seal shall be circular in form and shall bear the name of the Corporation and shall otherwise be in such form as shall have been or shall be approved from time to time by the Board.

SECTION 8.03. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January in each year and shall end on the thirty-first day of the following December.

SECTION 8.04. Word Usage. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

SECTION 8.05. Amendments. These By-Laws may be altered or amended at any meeting of the stockholders (annual or special) at which a quorum is present, if notice of the proposed alteration or amendment be contained in the notice of the meeting, by the affirmative vote of the holders of at least a majority of the voting power of all shares of Common Stock of the Corporation entitled to vote generally in the election of directors, or at any regular or special meeting of the Board; provided, however, that Article IX shall not be altered, amended or repealed, and no provision inconsistent with its provisions shall be adopted, except in accordance with the provisions of Section 9.17 therein.

#### ARTICLE IX.

##### INDEMNIFICATION.

SECTION 9.01. General. The Corporation shall indemnify against Liabilities (as hereinafter defined) and advance Expenses (as hereinafter defined) to an Indemnitee (as hereinafter defined) to the fullest extent permitted by applicable law and as provided in this Article.

SECTION 9.02. Proceedings Other Than Proceedings by or in the Right of the Corporation. An Indemnitee shall be entitled to the indemnification provided in this Section 9.02 if, by reason of his being or having been a Corporate Agent (as hereinafter defined), he is, or is threatened to be made, a party to any threatened, pending or completed Proceeding (as hereinafter defined), other than a Proceeding by or in the right of the Corporation. Pursuant to this Section 9.02, an Indemnitee shall be indemnified against Expenses and Liabilities actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

SECTION 9.03. Proceedings by or in the Right of the Corporation. An Indemnitee shall be entitled to the indemnification provided in this Section 9.03 if, by reason of his being or having been a Corporate Agent, he is, or is threatened to be made, a party to any threatened, pending or completed Proceeding brought by or in the right of the Corporation to procure a judgment in its favor. Pursuant to this Section 9.03, an Indemnitee shall be indemnified against Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding and against any amount paid in settlement of such Proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation. Notwithstanding the foregoing, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which the Indemnitee

shall have been adjudged to be liable to the Corporation, unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such Proceeding was brought shall decide that, despite the adjudication of liability, the Indemnitee is fairly and reasonably entitled to indemnity for such Expenses in view of all the circumstances of the case; provided further, that, with respect to indemnification for settlement of any such Proceeding, the Corporation shall provide indemnification only if either the amount paid in settlement is reasonable under all the facts and circumstances, including its relationship to the estimated expense of litigating the Proceeding to conclusion, or the Court of Chancery of the State of Delaware, or the court in which such Proceeding was brought or is pending, shall determine, upon application, that in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnification for such settlement. No indemnification for amounts paid in settlement of any such Proceeding shall be required unless the Corporation has given its prior consent to such settlement.

SECTION 9.04. Indemnification for Expenses of a Party Who is Wholly or Partially Successful. Notwithstanding any other provision of this Article, to the extent that an Indemnitee is, by reason of his being or having been a Corporate Agent, a party to any Proceeding and is successful, on the merits or otherwise, in such Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If an Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Corporation shall indemnify such Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 9.04 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

SECTION 9.05. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Article, to the extent that an Indemnitee is, by reason of his being or having been a Corporate Agent, a witness in any Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

SECTION 9.06. Advancement of Expenses. The Corporation shall advance all reasonable Expenses incurred by or on behalf of an Indemnitee in connection with any Proceeding upon the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by the Indemnitee or refer to invoices or bills for Expenses furnished or to be furnished directly to the Corporation, and shall include or be preceded or accompanied by an undertaking by or on behalf of the Indemnitee to repay any Expenses advanced unless it shall ultimately be determined pursuant to Section 9.07 of this Article that the Indemnitee is entitled to be indemnified against such Expenses.

SECTION 9.07. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Article, an Indemnitee shall submit to the Corporation a written request for indemnification, and provide for the furnishing to the Corporation of such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnitee has requested indemnification.

(b) Upon written request by an Indemnitee for indemnification pursuant to Section 9.07(a) hereof, a written determination with respect to the Indemnitee's entitlement thereto shall be made: (i) if a Change in Control (as hereinafter defined) shall have occurred, by Independent Counsel (as hereinafter defined); (ii) if a Change in Control shall not have occurred, (A) by the Board by a majority vote of the Disinterested Directors (as hereinafter defined) even though less than a quorum, or (B) by a majority vote of a quorum of Disinterested Directors on a Committee of the Board, or (C) by Independent Counsel; and, if it is so determined that the Indemnitee is entitled to indemnification, payment to the Indemnitee shall be made in a timely fashion. An Indemnitee shall cooperate with the person, persons or entity making such determination

with respect to the Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by an Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Corporation (irrespective of the determination as to an Indemnitee's entitlement to indemnification).

(c) In the event the determination of entitlement is to be made by Independent Counsel pursuant to Section 9.07(b) of this Article, the Independent Counsel shall be selected as provided in this Section 9.07(c). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board or a Committee thereof, and the Corporation shall give written notice to the Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change of Control shall have occurred, the Independent Counsel shall be selected jointly by the Indemnitee and the Board or a Committee thereof. In the event that the Board or a Committee thereof cannot agree with the Indemnitee on the choice of Independent Counsel, such Counsel shall be selected by the Board or a Committee thereof from among the New York City law firms having more than 100 attorneys. The Corporation shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 9.07(b) hereof, and the Corporation shall pay all reasonable fees and expenses incident to the procedures of this Section 9.07(c), regardless of the manner in which such Independent Counsel was selected or appointed.

#### SECTION 9.08. Presumptions and Effect of Certain Proceedings.

(a) If a Change in Control shall have occurred, in making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that an Indemnitee is entitled to indemnification under this Article if the Indemnitee has submitted a request for indemnification in accordance with Section 9.07(a) of this Article, and the Corporation shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

(b) If the person, persons or entity empowered or selected under Section 9.07 of this Article to determine whether an Indemnitee is entitled to indemnification shall not have made such determination in a timely fashion after receipt by the Corporation of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be entitled to indemnification, absent (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(c) The termination of any Proceeding or of any claim, issue or matter therein by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Article) of itself adversely affect the right of an Indemnitee to indemnification or create a presumption that an Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that an Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Every Indemnitee shall be presumed to have relied upon this Article in serving or continuing to serve as a Corporate Agent.

SECTION 9.09. Indemnification of Estate; Standards for Determination. If an Indemnitee is deceased and would have been entitled to indemnification under any provision of this Article, the Corporation shall indemnify the Indemnitee's estate and his spouse, heirs, administrators and executors. When the Board, a Committee thereof or Independent Counsel acting in accordance with Section 9.07 of this Article in determining the availability of indemnification under Sections 9.02, 9.03, 9.04 or 9.05 and when an Indemnitee is unable to testify on his own behalf by reason of his death or mental or physical incapacity, said Board, Committee or Counsel shall deem the

Indemnitee to have satisfied applicable standards set forth in Sections 9.02, 9.03, 9.04 or 9.05 unless it is affirmatively demonstrated by clear and convincing evidence that indemnification is not available under Sections 9.02, 9.03, 9.04 or 9.05. When requested in writing by the spouse of an Indemnitee and/or the heirs, executors or administrators of an Indemnitee's estate, the Corporation shall provide appropriate evidence of this By-Law.

SECTION 9.10. Limitation of Actions and Release of Claims. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Corporation or its affiliates (as hereinafter defined) against an Indemnitee, his spouse, heirs, executors or administrators after the expiration of two years from the date the Indemnitee ceases (for any reason) to serve as a Corporate Agent, and any claim or cause of action of the Corporation or its affiliates shall be extinguished and deemed released unless asserted by filing of a legal action within such two-year period.

SECTION 9.11. Other Rights and Remedies of Indemnitee.

(a) The Corporation, on behalf of Indemnitees, may arrange for such insurance covering such Liabilities and Expenses arising from actions or omissions of an Indemnitee in his capacity as a Corporate Agent as is obtainable and is reasonable and appropriate in cost and amount.

(b) In the event that (i) a determination is made pursuant to Section 9.07 of this Article that an Indemnitee is not entitled to indemnification under this Article, (ii) advancement of Expenses is not timely made pursuant to Section 9.06 of this Article, (iii) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 9.07(b) of this Article and such determination shall not have been made and delivered in a written opinion in a timely fashion after receipt by the Corporation of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 9.05 of this Article in a timely fashion after receipt by the Corporation of a written request therefor, or (v) payment of indemnification is not made in a timely fashion after a determination has been made that an Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 9.08 of this Article, the Indemnitee shall be entitled to an adjudication in the Court of Chancery of the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advancement of Expenses. Alternatively, the Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. The Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration in a timely manner following the date on which the Indemnitee first has the right to commence such Proceeding pursuant to this Section 9.11(b). The Corporation shall not oppose the Indemnitee's right to seek any such adjudication or award in arbitration.

(c) In the event that a determination shall have been made pursuant to Section 9.07 of this Article that an Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 9.11 shall be conducted in all respects as a de novo trial or arbitration on the merits, and the Indemnitee shall not be prejudiced by reason of that adverse determination. If a Change in Control shall have occurred, in any judicial proceeding or arbitration commenced pursuant to this Section 9.11 the Corporation shall have the burden of proving that the Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(d) If a determination shall have been made or deemed to have been made pursuant to Sections 9.07 or 9.08 of this Article that an Indemnitee is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 9.11, absent (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(e) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 9.11 that the procedures and presumptions of this Article are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Article.

(f) In the event that an Indemnitee, pursuant to this Section 9.11, seeks a judicial adjudication of, or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Article, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all expenses (of the types described in the definition of Expenses in Section 9.15 of this Article) actually and reasonably incurred by him in such judicial adjudication or arbitration, but only if he prevails therein. If it shall be determined in said judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

SECTION 9.12. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation of the Corporation or any affiliate, the By-Laws of the Corporation or any affiliate, any agreement, any insurance policy maintained or issued, directly or indirectly, by the Corporation or any affiliate, a vote of stockholders, a resolution of Disinterested Directors, or otherwise. No amendment, alteration or repeal of this Article or of any provision hereof shall be effective as to any Indemnitee with respect to any action taken or omitted by such Indemnitee as a Corporate Agent prior to such amendment, alteration or repeal. The provisions of this Article shall continue as to an Indemnitee whose status as a Corporate Agent has ceased and shall inure to the benefit of his heirs, executors and administrators.

(b) In the event of any payment under this Article, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

(c) The Corporation shall not be liable under this Article to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that the Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

SECTION 9.13. Severability. If any provision or provisions of this Article shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article (including without limitation, each portion of any Section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article (including, without limitation, each portion of any Section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

SECTION 9.14. Certain Persons Not Entitled to Indemnification or Advancement of Expenses. Except as expressly provided in Section 9.11(b) and (f) of this Article, no person shall be entitled to indemnification or advancement of Expenses under this Article with respect to any Proceeding, or any claim therein, brought or made by him against the Corporation.

SECTION 9.15. Definitions. For purposes of this Article:

(a) Affiliate of a Person shall mean any Person (other than the Corporation) that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, the first Person. For the purposes of the above definition, the term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), shall mean the possession, directly or indirectly, of more than 50% of the then outstanding voting stock entitled to elect directors of such Person. "Person" shall mean any natural person, firm, partnership, association, corporation, company, trust, business trust, joint venture, unincorporated organization or government or any department or agency thereof.

(b) "affiliate" and "associate" shall have the meanings given such terms under Rule 405 under the Securities Act of 1933, as amended.

(c) "Change in Control" shall mean either:

(i) a change in the membership of the Board such that one-half or more of its members were neither recommended nor elected to the Board by Grupo Mexico S.A. de C.V. or its Affiliates; or

(ii) Grupo Mexico S.A. de C.V. and its Affiliates cease to own at least 51% of the shares of Common Stock of the Corporation.

(d) "Corporate Agent" is a person who is or was a director, officer, employee, agent or fiduciary of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Corporation.

(e) "Disinterested Director" means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by an Indemnitee.

(f) "Expenses" shall include all reasonable costs, disbursements and counsel fees.

(g) "Indemnitee" includes any person who is, or is threatened to be made, a witness in or a party to any Proceeding as described in Sections 9.02, 9.03, 9.04 or 9.05 of this Article by reason of his being or having been a Corporate Agent.

(h) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Corporation or the Indemnitee or any affiliate or associate of any such person, in any matter material to any such person; or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Article.

(i) "Liabilities" shall mean amounts paid or incurred in satisfaction of settlements, judgments, awards, fines and penalties.

(j) "Proceeding" includes any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding whether civil, criminal, administrative or investigative, except one initiated by an Indemnitee pursuant to Section 9.11 of this Article to enforce his rights under this Article.

SECTION 9.16. Notices. Any notice, request or other communication required or permitted to be given to the Corporation under this Article shall be in writing and either delivered in person or sent by telex, telegram or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

SECTION 9.17. Amendments. This Article may be amended or repealed only by action of the Board approved by the favorable vote of a majority of the votes cast by stockholders entitled to vote thereon (with such stockholders voting together as a single class, with each share of Common Stock entitled to one vote) at a meeting of stockholders for which proxies are solicited in accordance with then applicable requirements of the Securities and Exchange Commission, except that (i) the Board, without stockholder approval, may make technical amendments that do not substantively affect the rights of an Indemnitee hereunder and (ii) following a Change in Control, as defined in Section 9.15(c) of this Article, there shall also be required for approval of any such amendment or repeal the favorable vote of a majority of the votes (voted as a single class, with each share of Common Stock entitled to one vote cast by persons other than any person or group of persons owning, directly or indirectly, more than 50% of the then outstanding voting stock of the Corporation (and any affiliate or associate of any such person or persons)).

CERTIFICATION PURSUANT TO  
Section 302 of the Sarbanes-Oxley Act of 2002

I, Oscar Gonzalez Rocha, President and Chief Executive Officer of Southern Copper Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Copper Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

\_\_\_\_\_  
/s/ Oscar Gonzalez Rocha  
Oscar Gonzalez Rocha  
President and Chief Executive Officer

Date: May 9, 2007

CERTIFICATION PURSUANT TO  
Section 302 of the Sarbanes-Oxley Act of 2002

I, J. Eduardo Gonzalez Felix, Vice President, Finance and Chief Financial Officer of Southern Copper Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Copper Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Southern Copper Corporation (the "Company") on Form 10-Q for the period ending March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Oscar Gonzalez Rocha, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Oscar Gonzalez Rocha

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Oscar Gonzalez Rocha  
President and Chief Executive Officer

Date: May 9, 2007

A signed original of this written statement required by section 906 has been provided to Southern Copper Corporation and will be retained by Southern Copper Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Southern Copper Corporation (the "Company") on Form 10-Q for the period ending March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Eduardo Gonzalez Felix, Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Eduardo Gonzalez Felix  
J. Eduardo Gonzalez Felix  
Vice President, Finance and Chief  
Financial Officer

Date: May 9, 2007

A signed original of this written statement required by section 906 has been provided to Southern Copper Corporation and will be retained by Southern Copper Corporation and furnished to the Securities and Exchange Commission or its staff upon request.