

SOUTHERN COPPER CORPORATION

Moderator: Raul Jacob
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11:00 am CT

Operator: Good morning and welcome to the Southern Copper Corporation's Fourth Quarter 2007 Results Conference Call. With us this morning we have Southern Copper Corporation Mr. Genaro Guerrero, Chief Financial Officer and Mr. Raul Jacob, head of Investor Relations who will discuss the results of the Company for the fourth quarter and answer any questions that you might have.

The information discussed on today's call may include forward-looking statements regarding the Company's results and prospects which are subject to risk and uncertainties. Actual results may differ materially and the Company cautions to not place undue reliance on these forward-looking statements. Southern Copper Corporation undertakes no obligation to publicly update or provides any forward-looking statement whether as a result of new information, future events or otherwise. All results are expressed in full U.S. GAAP.

Now I will pass the call onto Mr. Raul Jacob.

Raul Jacob: Thank you very much (Andrew) and thank you everyone again for joining us for the Fourth Quarter 2007 Southern Copper Earnings Conference Call. As you know, the Southern Copper Board recently appointed Mr. Genaro Guerrero as Chief Financial Officer of the Company. Before I leave you with him let me give you some background information on Mr. Guerrero.

Genaro Guerrero is an industrial engineer that joined what today is Minera Mexico in 1983. During his long career with our corporation he has served in several positions in the finance area of Grupo Mexico and Southern Copper, among them, Minera Mexico's Treasurer and CFO of Asarco. Before being appointed as new CFO of SCC he held a financial role in Southern Peru Limited, a subsidiary of Southern Copper.

Mr. Oscar Gonzalez Rocha, our CEO, will also participate in today's conference call. I'll leave you with Genaro Guerrero.

Genaro Guerrero: Thank you Raul. And well, good morning everyone. I'm very glad to participate for the first time in this conference call. And the agenda that we are going to try to cover today is including prices, production and sales volumes. And then we are going to review some of our financial results, capital expenditures and then after that we are going to open a session for a forum for questions.

Before we go into the details on the fourth quarter of 2007 and the year of 2007 I would like to mention that Southern announced today - this morning our share purchase program (outright) in the Company to repurchase up to \$3 million of corporation's common stock. The share purchase will take place from time to time based on the market conditions and some other factors that have to be analyzed in its opportunity. The repurchase program has no expiration date and may be modified or discontinued at any time.

Any shares acquired will be available for general corporate purposes. The Company intends to finance the share repurchase program through available cash. Now after that let's focus now on the fourth quarter '07 and the last year performance. But before that I would like to say that even though the last quarter result has been affected by the legal – by the illegal strike in Cananea the earnings for the year of 2007 (were) 100% record high for Southern Copper Corporation.

This has been the consequence of a very good average metal prices and especially in two of our main products, (with our) copper and molybdenum. And also we have got a very nice increase on molybdenum production and of course in the sales of that metal.

But let's just start first with copper prices. The (unintelligible) fourth quarter of 2007 average copper price was \$3.26 per pound. That represents 2% higher than the same quarter of 2006. The average price for the full year of 2007 was \$3.23 per pound, 6% higher than the \$3.05 in 2006. The 2007 copper market was characterized by a strong demand and a weak supply response. The huge housing downturn impacted global demand by about 1%. And at the same time the emerging economies (grew) on the (warm) corporate demand of course led by China increased it by 5% in 2007.

For 2008 we think that the strong demand of emerging economies will overcome any weakness of volatility coming from the developing economies. On the supply side new projects and expansions that could contribute with more copper would be somehow upset by lower production from existing operations as well as delays on capital goods deliveries, technical and labor problems at the operations.

The full year 2007 copper production was 1306 million pounds, only 2% lower than 2006. The fourth quarter mine copper production was 278 million pounds. This production was 30% below the 396 million pounds of copper produced during the fourth quarter of 2006. The reduction of 180 million pounds in production quarter to quarter was mainly as a consequence of Cananea's illegal stoppage and a lower ore grade of Toquepala Mining Peru.

Since I have now mentioned the illegal stoppage in Cananea let me update on where we are in this equation in this facility. On January 11, as all of you know, the Mexican Labor Ministry through its Federal Arbitration and Reconciliation Counsel declared the strike illegal and asked the workers to be back at their jobs within 24 hours.

The return to regular production will be gradual due to the rehabilitation of the installation. At this time one of our (SXEW) plants in Cananea is back to work and we are expecting the second one to be producing in the next following weeks. Considering that we're expected ramping up of operations Cananea copper production will be around 300 million pounds in 2008. That represents 38% higher than the 217 million pounds produced during 2007.

Now in respect to the 2008 corporate production plan Southern Copper Corporation is expecting to produce 1.4 billion pounds of copper. Smelting and refining operations in terms of corporate production – the Peruvian Ilo smelter has reached full capacity during the fourth quarter after it's modernization. Ilo smelter modernization and environmentally (brilliant) project – I'm sorry.

I am very enthusiastic to report to the market that the average (fuel for) capture of the smelter was 95% in 2007, higher than the 92% required by Peruvian environmental regulations. Smelting and refining production was

lower by 32% and 37% respectively for the fourth quarter compared to the fourth quarter 2006. The production plan for 2008 is 1.2 billion pounds for smelter production and around 1.2 billion pounds for refining copper production. This is including the (SXEW) production.

Now let's talk about copper sales. For the fourth quarter 2007 293 million pounds were sold, 28% lower than the 404 million pounds sold in the fourth quarter of 2006.

Shifting to the molybdenum, the molybdenum prices were \$32.1 per pound for the fourth quarter 2007, 28% higher than the same quarter in 2006. For the full year the average price was \$29.9 dollars per pound, 23% higher than 2006. For the (full) year molybdenum production increased 37% from 26 million pounds to 36 million pounds. During fourth quarter '07 molybdenum production increases 50%, growing from 8.2 million pounds to 9.4 million pounds.

These production increases were the result of higher ore grades in the Toquepala, Cuajone and Caridad mines. Due to such production increase fourth quarter molybdenum sales volume increased from 8.7 to 9.7 million pounds, 11% positive variance and a 40% positive variance for the full year compared with 2006.

The better molybdenum prices combined with the production increases contributed significantly to Southern Copper Corporation profitability in the fourth quarter and in 2007. Southern is expecting to produce 33 million pounds of molybdenum for 2008 year.

Well that has been a relation of prices, production and sales volumes. And now I would like to comment some of our financial results.

The sales for the year of 2007 increased to a record of \$6.1 billion from \$5.5 billion. This is basically the result of a higher average copper and molybdenum and silver prices and higher molybdenum volumes as we have mentioned. Net sales in the fourth quarter of 2007 decreases \$355 million when compared to the fourth quarter '06. The decrease in net sales was the result of lower volumes sold of copper, zinc and silver. The lower volume sales were partially upset by higher molybdenum and silver prices and higher molybdenum sales volume.

Copper prices protection swaps during the year have been included in net sales. These swaps were favorable for around \$8 million during the quarter – during the last quarter and for the full year \$11 million.

Now talking about costs a total operating cost for fourth quarter '07 was \$664 million compared to \$682 million in the same period of 2006. Cost of sales at the Mexican units decreased by \$71 million due to the strike. Workers' participation and mining royalties also decreased the cost by \$23 million during the period.

But on the other hand \$37 million of higher cost was recorded from our Peruvian operations due to higher labor, higher fuel and power costs. An increasing third parties' (concentrate) purchase explained the remaining difference of the \$48 million reduction in Southern Copper Corporation cost of sales.

Now going a little bit down in the P&L our administrative expenses increased \$9 million. This is basically due as a result of adjustments in the retirement plan for Mexico and the appreciation of the Peru currency in respect to the dollar and some increasing consulting fees. The appreciation - \$11 million

more due to the capitalization of the Ilo smelter modernization project and higher amortization of (leach) material cost. In the – in relation with exploration - \$10 million higher after including the cost of Tia Maria feasibility studies and Los Chancas (pre-)feasibility study. Both of them finished during the last quarter of the year.

Now talking about EBITDA – for the full year 2007 EBITDA increased by \$448 million, (\$3765) million equivalent of 62% of sales compared to an EBITDA of (\$3360) million in 2006. Year over year net sales decreases by 22% and operating cost and expenses by 3% yielding an operating income reduction of 35%. The Company's operating income amounted to \$630 million in the quarter which conversed unfavorably with last year's fourth quarter operating income of \$968 million.

EBITDA for the fourth quarter was \$712 million, 30% lower than last year's fourth quarter EBITDA of (\$1,020) million. The EBITDA margin was 55% of sales, lower than the 62% of sales (reducer) in 2006.

Now the net income for the year of 2007 was \$2.2 billion, 9% higher than the \$2 billion achieved in 2006. Fourth quarter 2007 net income decreases \$311 million from \$655 million year over year, a 52% reduction. Earnings per share amounted to \$1.06 per fully diluted share compared to \$2.23 per fully diluted share for the fourth quarter of 2006.

During the fourth quarter a non-cash charge to income tax of \$90 million was recorded to recognize the effect on taxes of Minera Mexico's dividends paid to Southern Copper Corporation during 2007.

Now our capital expenditures – The capital expenditures including exploration expense amounted \$82 million during the fourth quarter of 2007, a year over

year decrease when compared to the \$131 million expended in the fourth quarter of 2006. The difference comes from the completion of the Ilo smelter modernization and that happens in January 2007.

The Company has an investment program that will increase total copper production in about 270,000 tons by 2011. The 39% increase in production will be achieved at a capital cost of (\$2108) million. As has been informed to the market the program is focusing on a group of projects based in Peru. And let me inform you on new developments regarding this project.

The first one is Tia Maria Project. This project is located in the (Arakepo) region. The total reserve is 638 million tons of mineral with an average copper (low) grade of .39%. When finished this project at the end of 2010 will produce 120,000 tons of copper per year and for the next 19 years. The Company is currently bidding the dry and wet areas of the project and the 2008 budget for the project is \$65 million.

On expansion for the Toquepala and Cuajone mines as well as the (Elo-metaluticar) facilities the Company has started the closest for contracting feasibility and environmental impact (of) status. The result of these studies are expected to be ready at the end of 2008. The total budget of these studies for the year of 2008 is around \$36 million.

For 2008 the Company capital expenditure authorized amount is \$530 million. Out of those \$100 million will go to the Peruvian expansion that we already mentioned and around \$150 million will be for maintenance capital in Peru and Mexico. And the remaining will be used for several projects that will improve of course our Southern Copper Corporation's productivity.

Now talking about payment of dividends the policy of the Company is to review through each of the Board meetings the capital investment plan, cash resources and expected future cash flow generation from operations in order to get the appropriate quarterly dividends. Then accordingly the Company declares a quarterly dividend of \$1.40 for common shares to be paid on February 29, 2008 to common shareholders of record at the close of business on February 12, 2008.

Well that is basically what I have to report for this conference call and then I would like to open the forum for questions. Thank you very much for your attention.

Operator: At this time I would like to remind everyone if you would like to ask a question please press star then the number 1 on your telephone keypad. If you would like to withdraw the question press the pound key. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Mr. Oscar Tabera. Go ahead sir.

Oscar Tabera: Good morning everybody. A couple of questions please – On the first one can you tell us what your expectations for zinc and silver production are for 2008 as well as lead?

Man: (Unintelligible) silver and lead?

Genaro Guerrero: Oscar?

Oscar Tabera: Yes.

Genaro Guerrero: How are you doing? This is Genaro. And well in respect of zinc our guidance for 2008 zinc production is 300 million pounds of production for the year. Do you have zinc...

Oscar Tabera: And lead and silver if you have it.

Genaro Guerrero: ...Silver and lead? For silver it should be around the same that we are – that we have been producing in 2007 depending on when the Company solves the problem for the unions that are on strike that number will go up obviously. Lead – we'll maintain our current lucky trend.

Oscar Tabera: Yeah and, you know, this is where the question was going. There's been reports that perhaps a couple of the mines in Mexico will be closed. Do you foresee any closure on your mines on the (zinc lead) side?

Genaro Guerrero: There's 300 million pounds of zinc – already are including the decision on the closing of the (Stubble) Corporations in (Tasco).

Oscar Tabera: Okay.

Genaro Guerrero: The Company has decided to stop that mine. The Company is going to continue exploring the mine and continue having it but at this time the decision is to stop operations.

Oscar Tabera: Okay, thank you Genaro. Then secondly, on your CAPEX expenditures, you know, you have a budget of (tripling) \$1 billion over the next five years, you know, \$530 million in 2008. How do you foresee the expenditures happening in 2009 – like I mean is that going to be a \$1.5 billion year in terms of expenditures? Because, you know, how can you get Tia Maria to (operate) in 2010 if you don't have that kind of expenditure before...

Genaro Guerrero: I understand your question Oscar and yeah, there's a very intensive capital expenditure program for the following four years. This year where we – as we mentioned we are going to expend the 530. That is including of course maintenance and other projects.

And for 2009 we are expecting to expend \$950 million in projects plus maintenance. For 2010 we are expecting to invest \$965 million plus maintenance. And for 2011 at the end of our project this number is going to decrease to \$127 million plus the maintenance of the year. The maintenance of the year is usually around \$150 million.

Oscar Tabera: Okay. And then, you know, just a follow-up on that if I can. What do you think that your dividend policy will – do you foresee that changing in 2009 and 2010 with higher capital expenditures?

Genaro Guerrero: No, I don't think so. We are continue – as I have mentioned – reviewing with the Board of Directors in respect to our cash availability and so what is going to be the dividend declared. (Unintelligible).

Oscar Tabera: Okay, thanks very much. And it was nice to hear you looking forward to catching up at some time. And I'll let the next guy ask questions.

Genaro Guerrero: Thank you very much Oscar.

Operator: Your next question comes from (Jorde Dominguez). Go ahead.

(Jorde Dominguez): Hey, good morning gentlemen. And my first question comes on the lines of the income tax. We saw the income tax rate did rise by a couple of points in

2006 versus 2007. Is it because of differentials in Peruvian tax versus Mexican tax?

Genaro Guerrero: Yes (Jorde), well I suppose that your question is to – that if we can...

(Jorde Dominguez): Revert.

Genaro Guerrero: Revert it?

(Jorde Dominguez): I mean not revert it but go back to the percentages of tax paid that you had in 2006 or should we expect 34%, 35% levels in 2008 going forward?

Genaro Guerrero: Yes of course – of course we can go back to those levels of income taxes or income tax rates.

(Jorde Dominguez): Okay, so it's – what level should we expect in 2008 and going forward, 31%, 32% or closer to 35%?

Genaro Guerrero: Okay, well let me – I am going to use your question in order to explain a little bit what happen with this income tax amount that we recorded in the fourth quarter. This of course is a charge to income tax. It's a non-cash item and was recorded to recognize the effect on taxes for Mineta Mexico dividends paid to Southern Copper, its parent company.

More specifically this tax deferred recognition on the P&L derives from the difference between the effective tax rate in Mexico and the effective tax rate in U.S. applied the difference over the portion of the dividends paid from the Mexican subsidiary - that is Mineta Mexico – to its parent company or to its parent, to the U.S. parent that is Southern Copper Corporation. Again, this recognition is a non-cash charge and corresponds to the portion of dividends

paid by Mineta Mexico during 2007. This actually is a catch-up for the whole year.

(Jorde Dominguez): Okay.

Genaro Guerrero: Then for the future, well I would say that that is going to depend on the calculation of the effective tax rate in Mexico versus the effective tax rate in U.S. and of course that will be affected by several tax credits and our tax plan for the following years.

(Jorde Dominguez): Okay, thank you for the explanation. And one last question if I may ask – you mentioned the mining production level for 2008 that you guys expect. Do you guys expect a recovery – the smelting and refining production for 2008 as well to 2006 levels?

Genaro Guerrero: Yeah, we are expecting to recover that and we are expecting to improve it a little bit.

(Jorde Dominguez): Could you give a little color on the levels? Could we see – expect 1.3 billion pounds for the smelting and refining, more or less along those lines?

Genaro Guerrero: Yes, yeah – I mentioned 1.2 billion pounds for smelting and refining for 2008.

(Jorde Dominguez): Okay, (unintelligible). Thank you so much for your time guys.

Genaro Guerrero: Thank you (Jorde).

Operator: Your next question comes from (Dave Dubet).

(Dave Dubet): Hi, and this is (Dave) from (Numero). I just have a question on the cost front. I would like to know what was the cash cost per pound in the fourth quarter of 2007 and for the full year 2007 and how do you expect this cash cost going forward in 2008? Thank you.

Genaro Guerrero: Okay (Dave), the Company cash cost per pound produced in the fourth quarter – this is before subtracting by products revenues -- \$1.57 per pound. This is higher 47 cents than the \$1.10 per pound for the fourth quarter of 2006. This increase is mainly due to the copper production reduction that represents around 44 cents. Cash cost, inflation explains the remaining difference. We got a little bit higher cost.

Including the effect of byproducts revenues the Company cash cost was negative 27 cents per pound in the fourth quarter of 2007. These figures converse with a negative cash cost of 28 cents per pound for the same period of 2006. Now for the full year of 2007 cash cost before byproducts, credits was \$1.36 per pound. This compared to a \$1.28 per pound for 2006, 8 cents increase year to year. The Company estimation for the full cash cost for the year of 2008 is around \$1.33 per pound.

(Dave Dubet): Thank you. Thank you very much.

Genaro Guerrero: Thanks.

Operator: Your next question comes from Mr. (Harry Matere). Go ahead Sir.

(Stephanie Lisha): Hi, this is (Stephanie Lisha) speaking for (Harry Matere). I had a quick question regarding – I know you outlined the CAPEX distribution based on the 2.1 growth invest- 2.1 billion growth investment. I was curious though, is

there any possibility that you guys could come to market to finance some of that and – or would you just continue to manage your dividend?

Genaro Guerrero: No, I think that there is a very strong possibility to go to the market and try to get finance for those projects.

(Stephanie Lisha): And do you have any kind of timing with doing that? And can you by any chance give the CAPEX distribution again? I think I missed it earlier.

Genaro Guerrero: Okay.

(Stephanie Lisha): Thank you.

Genaro Guerrero: And do you mean for the next four years?

(Stephanie Lisha): Yeah.

Genaro Guerrero: Okay. In 2008 – and I am going to talk about – first about the project. For 2008 we have \$100 million.

(Stephanie Lisha): Okay.

Genaro Guerrero: For 2009, \$950 million – 2010, \$965 million and 2011, \$127 million.

(Stephanie Lisha): Perfect, thank you.

Genaro Guerrero: No problem.

Operator: Your next question comes from (Jorge Rodriguez). Go ahead Sir.

(Jorge Rodriguez): Good morning. My question is regarding the ore grade Toquepala. Do you have the actual figure of the decline in ore grades and is this something that may linger on for the coming quarters?

Genaro Guerrero: Well let me check if - Mr. Gonzalez Rocha, are you on the line? Yeah, probably we missed him. Then I'll pass this question to Raul Jacob who has some information in relation with that. Go ahead Raul please.

Raul Jacob: Thank you Genaro. In 2006 the Company declared new reserves for the Toquepala mine. As a consequence of this review in the reserve base of this operation we also adjust the long term ore grade of the Toquepala operation. Last year in 2007 the average ore grade for Toquepala was .74% for copper. For the year 2008 our current production plan indicates that we will have an ore grade of .62% for the Toquepala mine.

So that will affect our production of copper and concentrate coming from these operations. But at the same time we will have some more copper coming from (Guajona) that will improve or basically head off somehow the loss in production in Toquepala.

(Jorge Rodriguez): Okay, thank you.

Operator: Your next question comes from Mr. (Rodrigo Gerata). Go ahead Sir.

(Rodrigo Gerata): Good morning everyone. I have two questions. The first one is what is your copper and molybdenum sales forecast for the 2008? And the second one is what do you think about this recent change in the union position here in Mexico?

Genaro Guerrero: Okay (Rodrigo), let's try to cover first your first question. In terms of sales of copper, well we can consider that our sales are going to be – our production for the – the production estimate that I gave you for 2008. That was 300 – hold on – that was 1.4 billion pounds of copper and for molybdenum, 33 million pounds of molybdenum. Can you repeat your second question please?

(Rodrigo Gerata): What do you think about this recent change in the union position here in Mexico regarding the meeting that was yesterday between the union and the governmental agency here?

Genaro Guerrero: (Rodrigo), about these questions let me pass the question to our counsel in Southern Copper Corporation. This is Mr. Armando Ortega who is going to take care of your question.

Armando Ortega: Yes, good morning. I think we are simply hearing and reading what the union declared yesterday. We are not sure whether the union has a different position or not. Unfortunately that union is untrustworthy. And I think we wait and see. I don't think at this juncture we have any more elements to have an opinion, an educated opinion as to where these gentlemen are leading or not.

(Rodrigo Gerata): Okay.

Genaro Guerrero: Thank you Armando. Okay, we don't have any other questions. Thank you very much for your attention and for joining us in this conference call. Is there any other question?

Operator: Your next question comes from (Dan Richmond). Go ahead Sir.

(Dan Richmond): Yes, I noticed on your December 31 balance sheet a new category of current assets called Investments with a balance of almost \$118 million. Could you

tell us what this is and perhaps it's related to my next question. I noticed under Other Non-Current Other Liabilities they increased \$58.9 million in the fourth quarter. Could you tell me what the major elements of this increase in other liabilities is and which balance sheet our expense accounts got charged for the debit?

Genaro Guerrero: Okay (Dan), in relation with the first question this has been separated from the cash and marketable securities because this is a series of investments in different papers with different maturities that are not cash and marketable. And that's the reason that we have separated that from the total. It's \$117 million.

(Dan Richmond): Thank you. And the increase in other non-current liabilities, the \$58 million?

Genaro Guerrero: Well in that respect I don't have the breakdown at this moment in front of me and at the top of my head. They're – I know that there are – those are reclassifications but well, if you are interested on the detail of that we can provide you the breakdown - well later on during the day.

(Dan Richmond): Thank you. That was in my E-mail to you yesterday.

Genaro Guerrero: Yes, we know (Dan) and we have your E-mail and then we will prepare a report and we will send that to you.

(Dan Richmond): Thank you.

Genaro Guerrero: Well thank you very much. If we don't have any other questions – we appreciate a lot your assistance to this conference call and well we will – I hope that we can hear you and that you can join us again for the next conference call. Thank you very much.

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