# SOUTHERN COPPER

# Company Overview & Highlights

May 2018

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Vice President, Finance, Treasurer & CFO

Southern Copper Corporation

# Corporate Structure

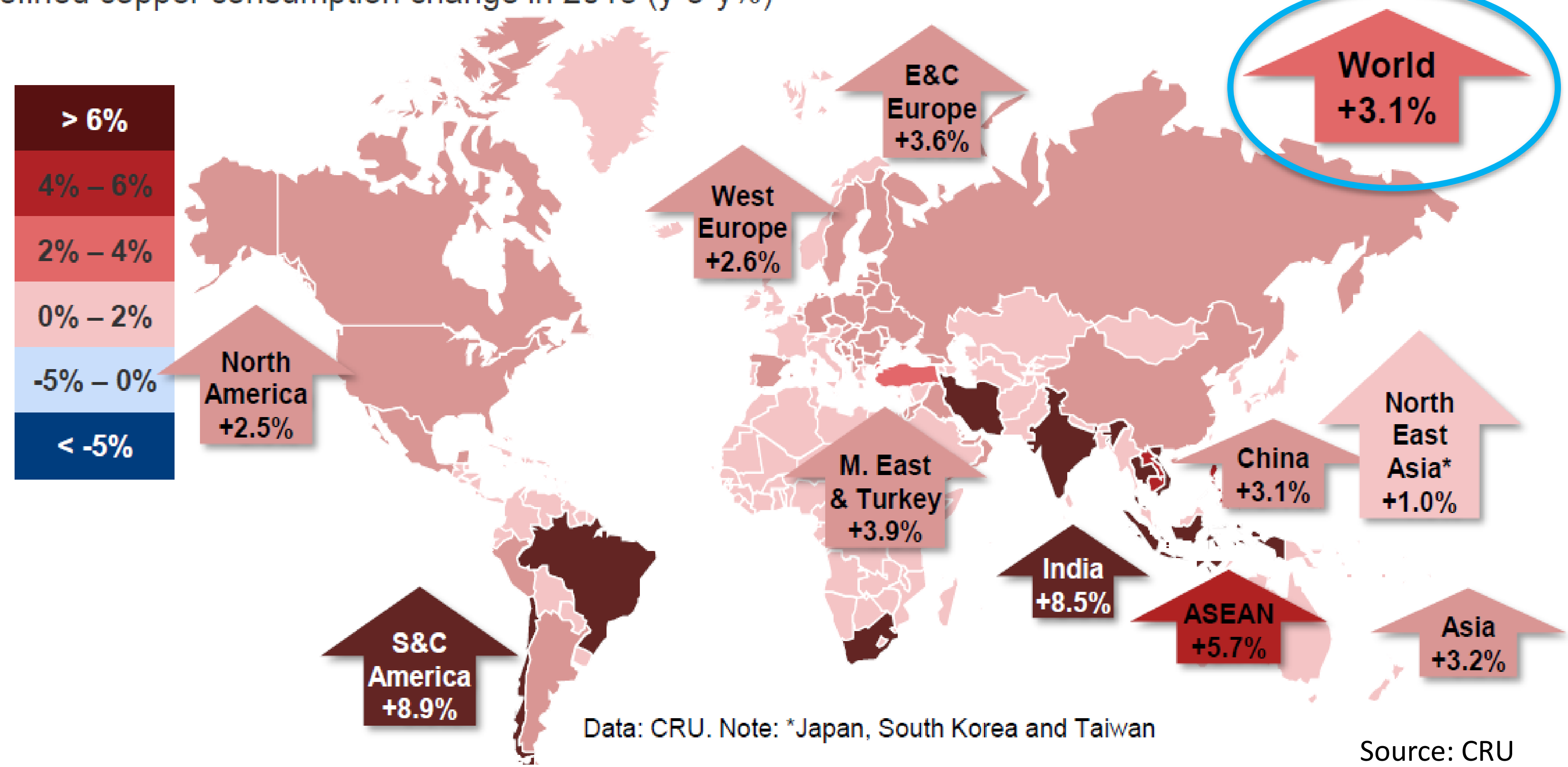
# Remarkable Year 2017 and 1Q 2018 for SCC

- Heading towards a new production record of one million tons in 2019 (+17% YoY) with the entrance of the new Toquepala concentrator in 2H18.
- One of highest margin of major copper producers: US$0.92 cash cost per pound in 2017.
- Best-in-class low cost operations, coupled with a large, high-quality reserve base in investment grade jurisdictions.

- Net income for 1Q18 was $470.7 million, 50% higher than 1Q17 net income of $314.4 million.
- 1Q18 adjusted EBITDA was $939.4 million, 30.1% higher than 1Q17. Margin increased to 51.0% from 45.6% in 1Q17.
- Cash cost per pound continued improving during 1Q17; reaching $0.79. Nine cents lower than the cash cost for the 1Q17.

## Synchronised global growth in copper demand in 2018

Refined copper consumption change in 2018 (y-o-y%)

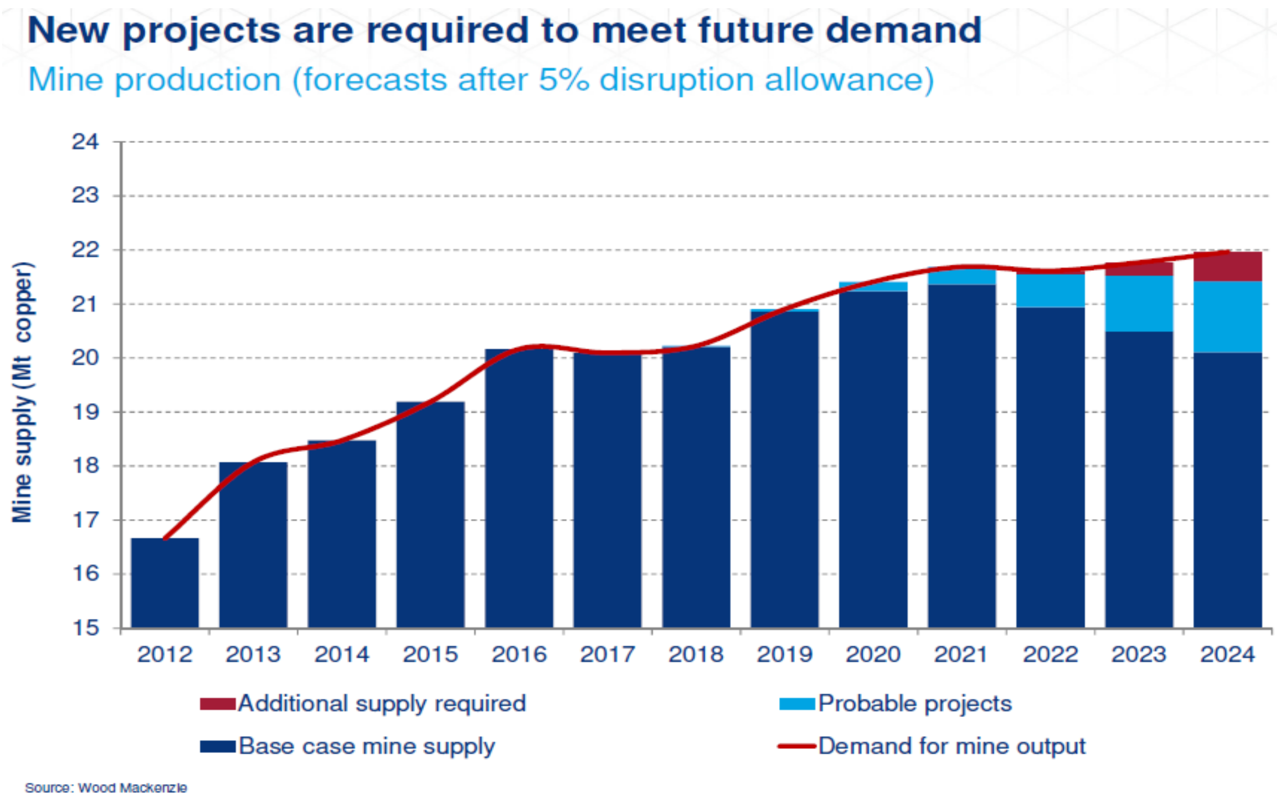



Source: CRU

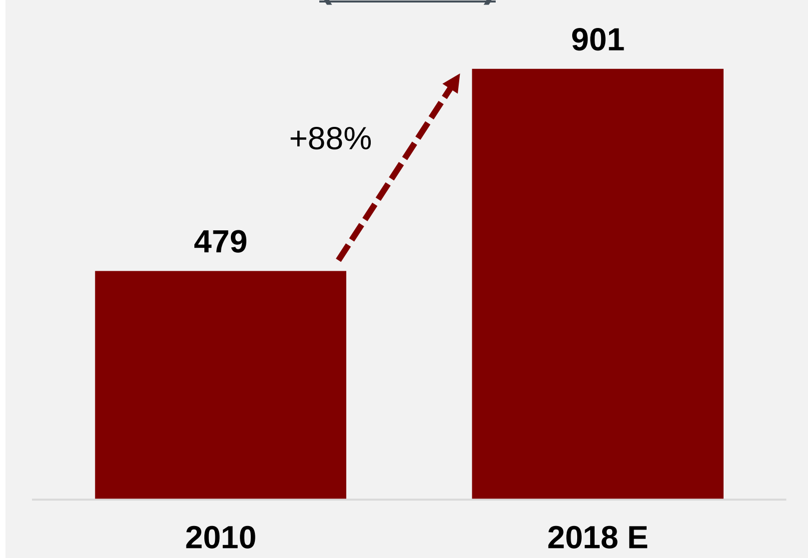
**Global growth pushes refined copper demand ahead, increasing posibilities of market structural deficit**

## COPPER MARKET TO DEMAND OVER 5 M TONS OF NEW PRODUCTION by 2035

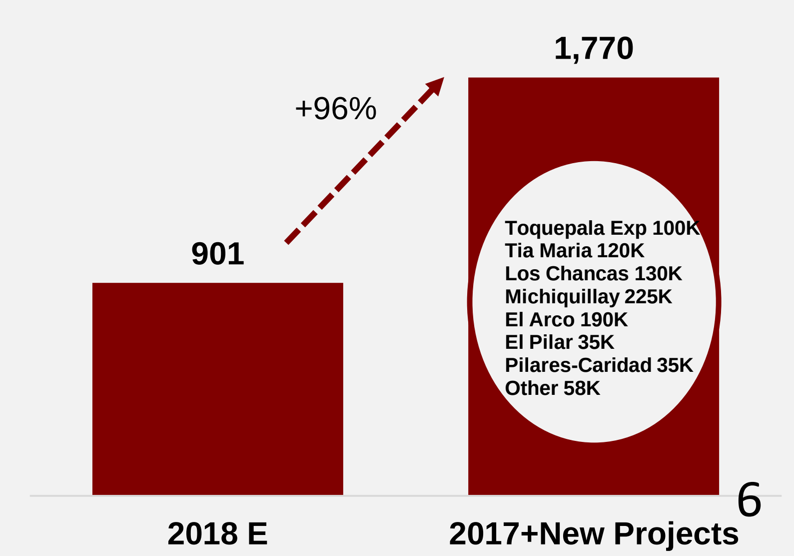
# COPPER: Market entering into a deficit by 2020




### OUR TRACK RECORD (000 tons)



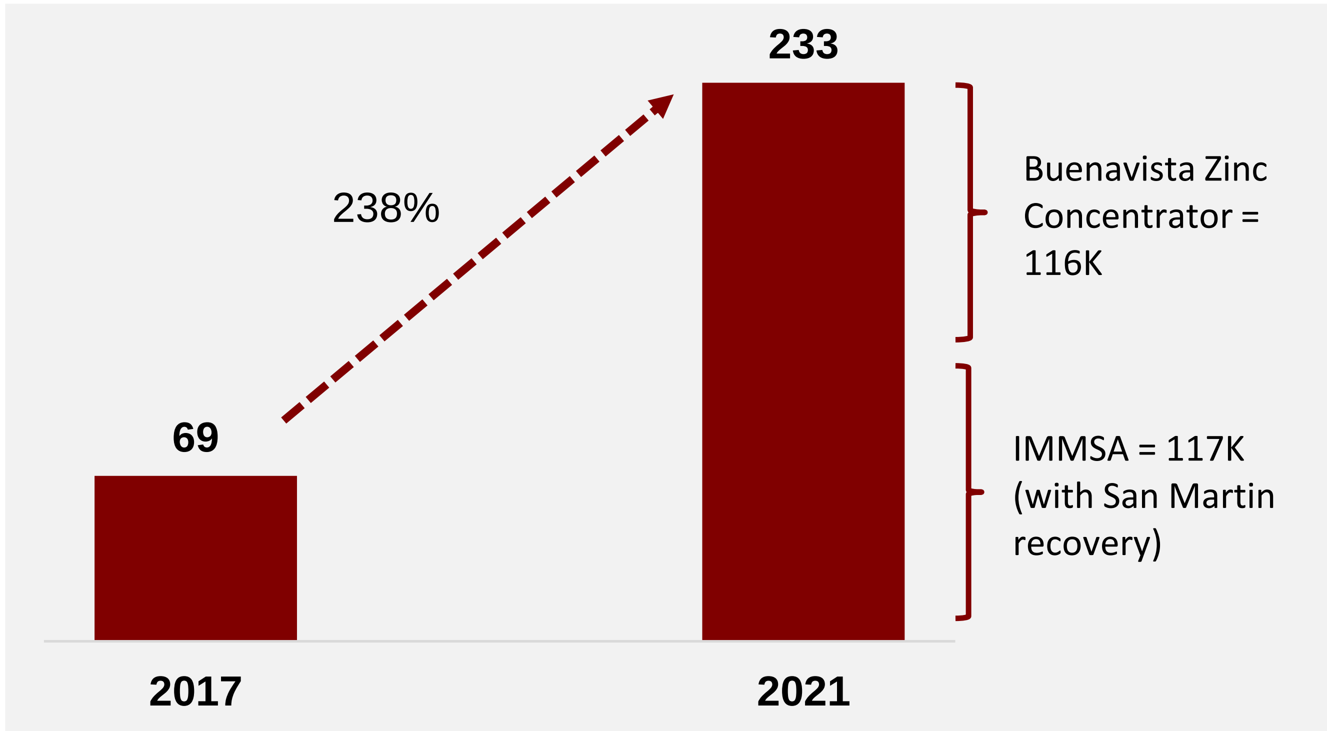

### SCCO 2nd GENERATION OF PROJECTS (000 tons)



# SCC Zinc Production

(000 MT)

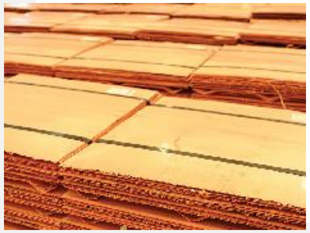
**ZINC: strong market for refined zinc creates oportunities to enhance shareholders value**



# Southern Copper Strengths

Industry cost leader with fully integrated operations and unparallel organic growth projects

Largest copper reserves of the industry, recently enhanced with the Michiquillay acquisition in Peru

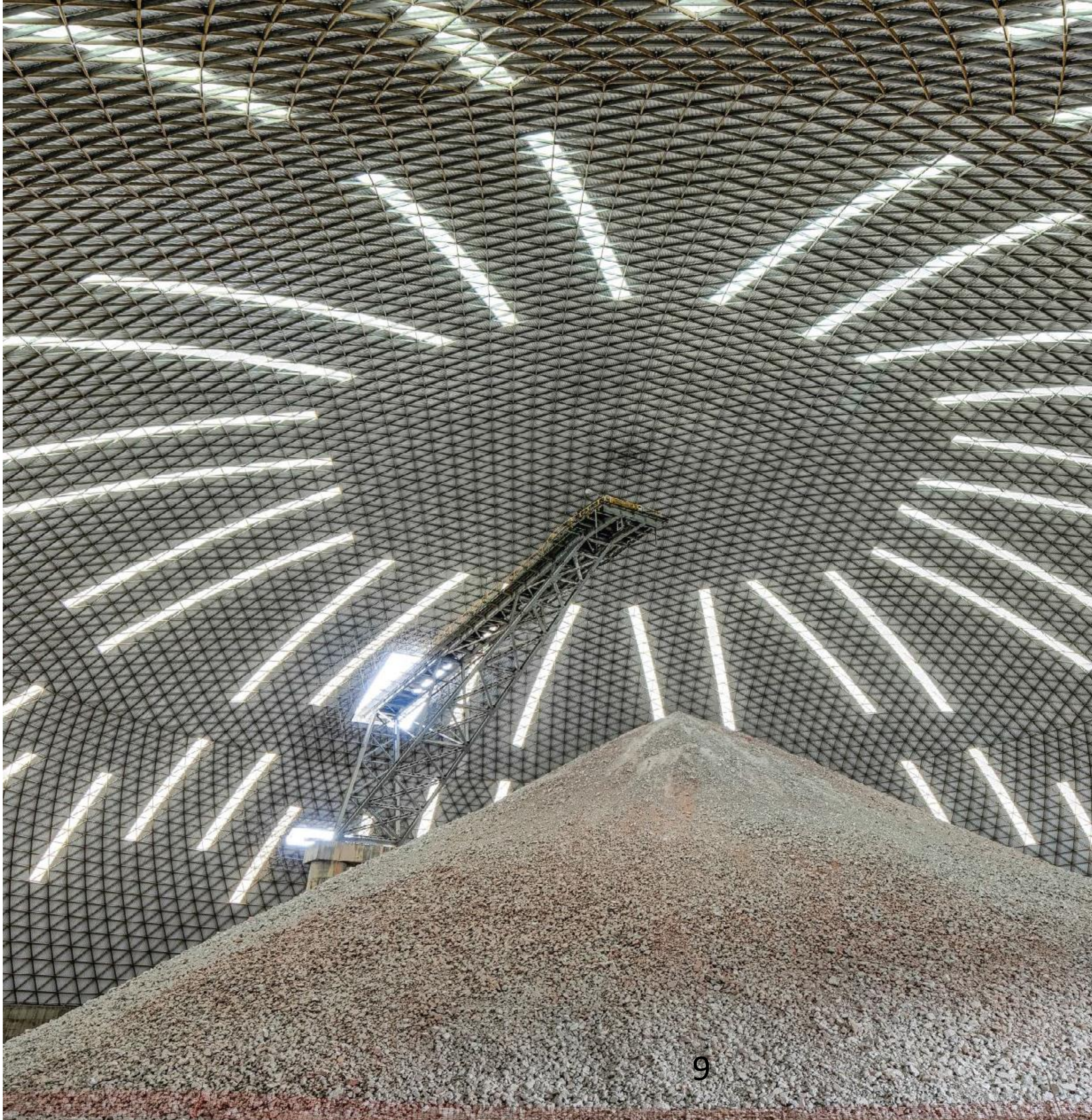


Good long-term copper & by-product fundamentals

Strong balance sheet & financial performance

Experienced Management Team

# Company Overview



# Company Overview

## #1 Copper Mining Company in Mexico, #1 in Peru,

Copper Reserves [1]: 70.6 mmt

2017 Cash Cost $ 0.916/lb.

<u>2018 Estimates (@ $3.23 x Lb of Cu):</u>

| | |
|---|---|
| Copper Production: | 901 kt |
| Sales: | $ 7.6 B |
| EBITDA: | $ 4.3 B |
| | 56% of Sales |

#1 copper company by reserves [2]

#5 copper producer [3]

#10 copper smelter [3]

#8 refinery [3]

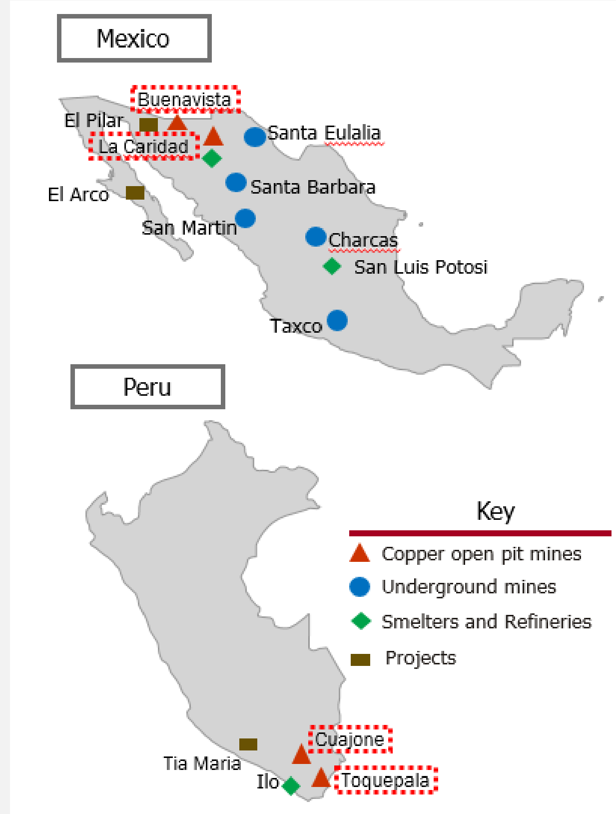
Source: Company Filings

Notes:

1 Copper contained in reserves based on US$2.90 per pound of copper as of December 31, 2017

2 Based on available companies reports

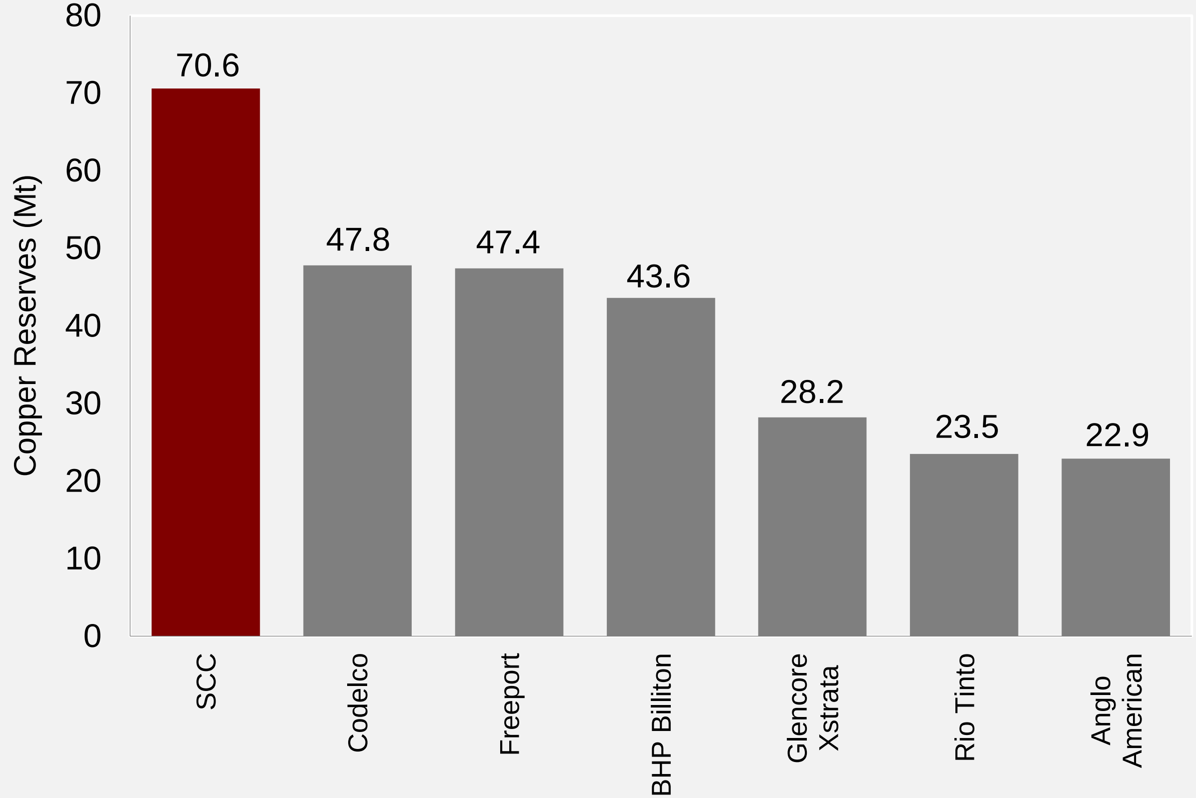
3 Wood Mackenzie Limited 2014

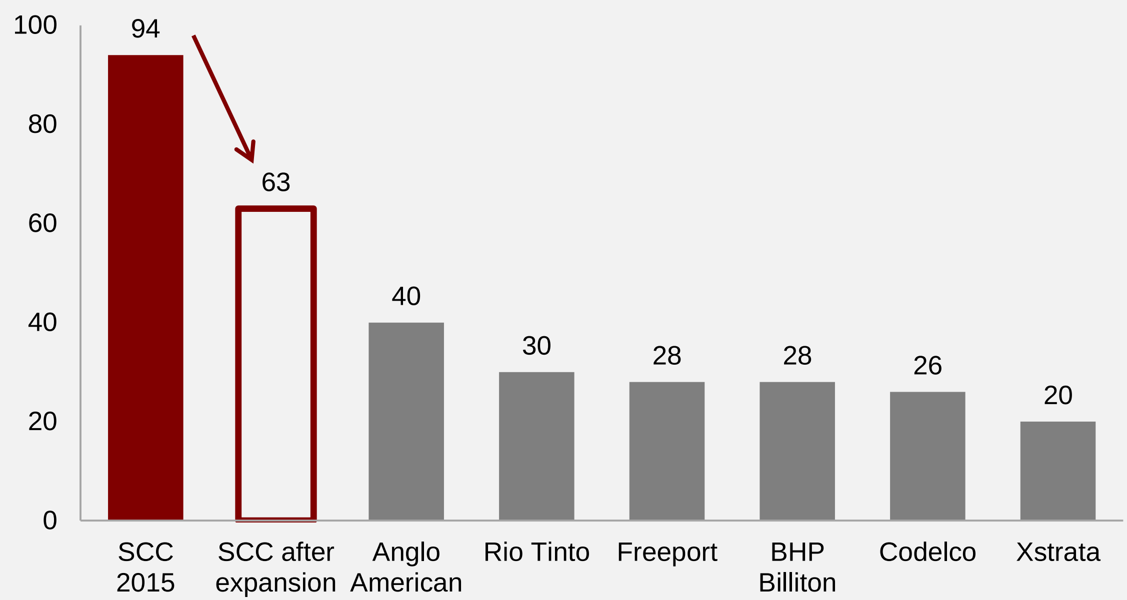



**Fully integrated low-cost operations in Investment Grade countries.**

# World´s Largest Copper Reserves

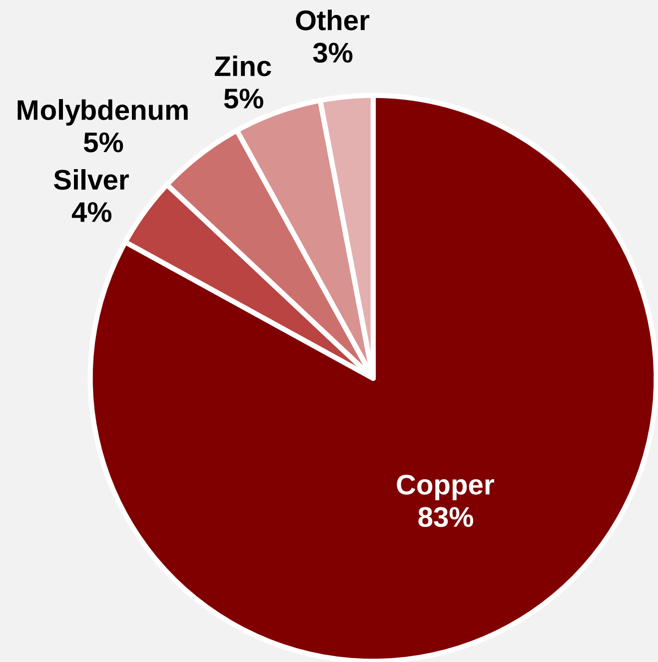
## Copper Reserves as Reported



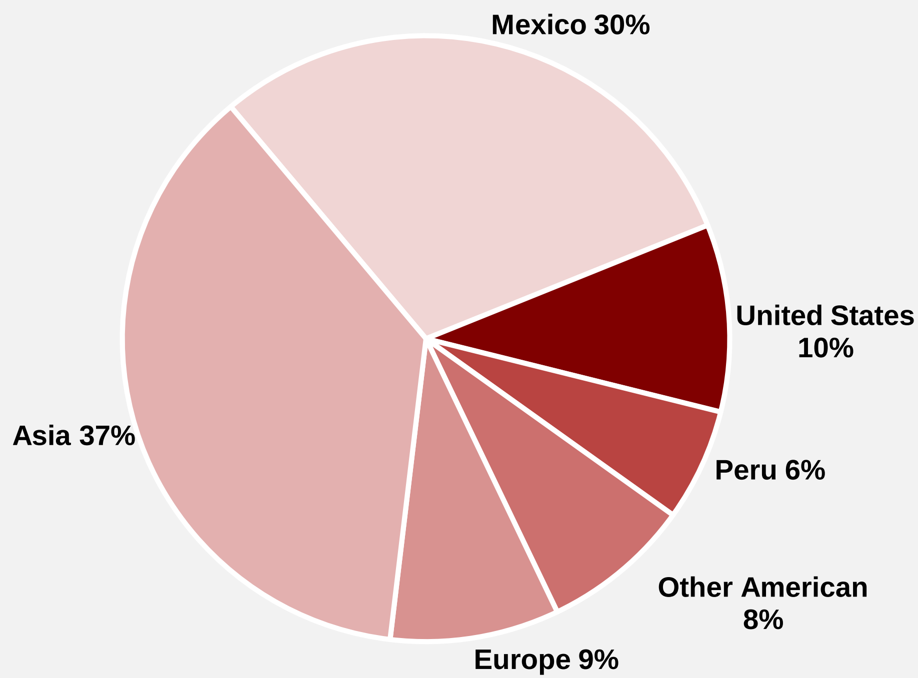



# Geographic Footprint & Product Diversification

**2017 Revenue by Product**




**2017 Revenue by Market**



## Delivering growth thru our high quality project pipeline

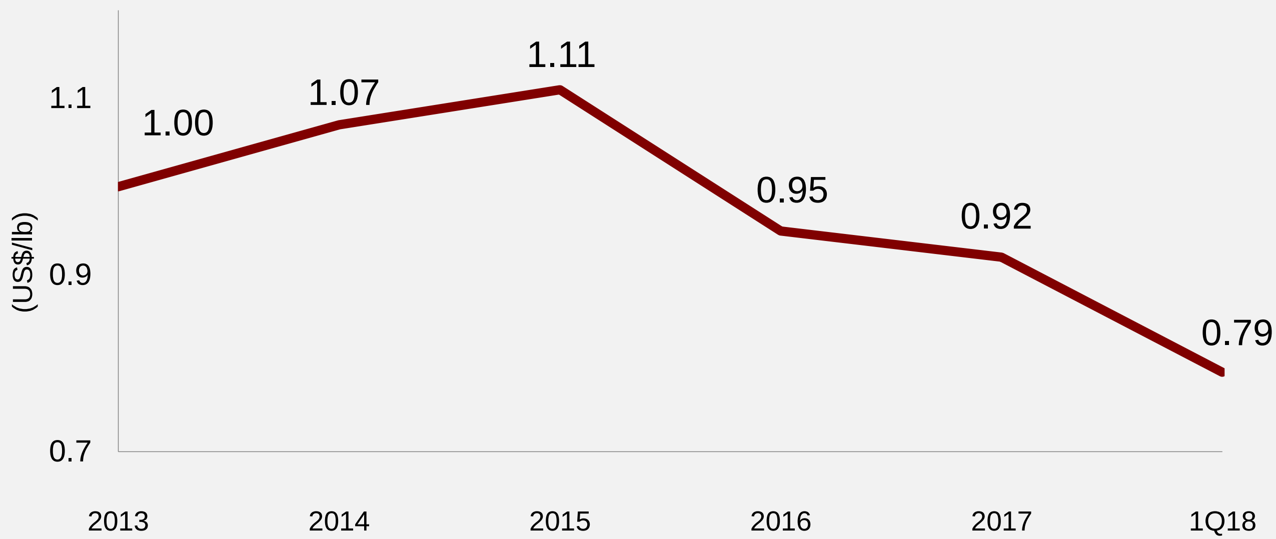
In 2017, we concluded **our $3.5 billion investment program in Mexico** and all of the projects of this program are in full operation.

For 2H18 we are incorporating our new **Toquepala concentrator**, increasing Company **production capacity to a new record of 1 million tons.**

We have a **project portfolio in Peru** with a total capex **of $2.9 billion**, of which **$1.7 billion have already being invested.**

## Low Cost Operations

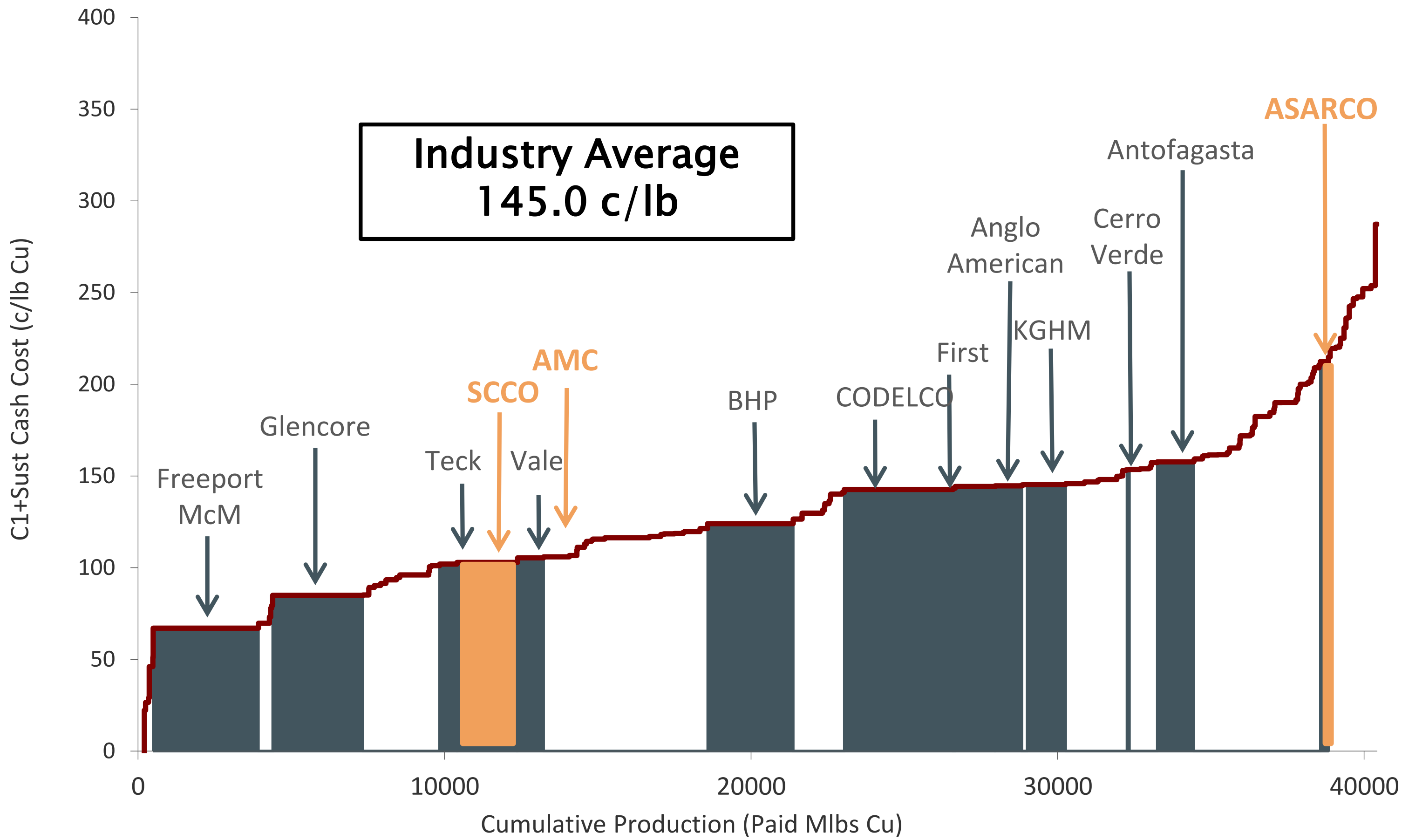
**Cash Cost per Pound of Copper Produced Net of By-Products**




- Fully integrated low cost operations
- World class assets
- Significant SX-EW production
- Strong by-product credits
- Management focus on cost efficiency

# Copper Industry Cost Curve

**Worldwide Cost Leader:**




Source: WoodMackenzie 2018

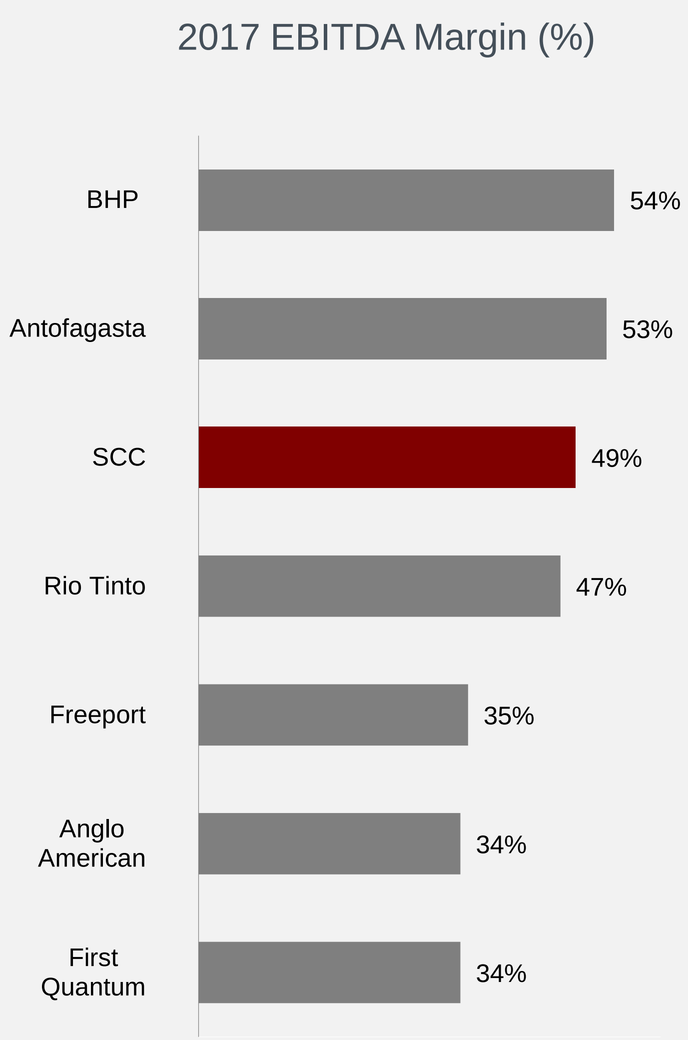
# Financial Summary

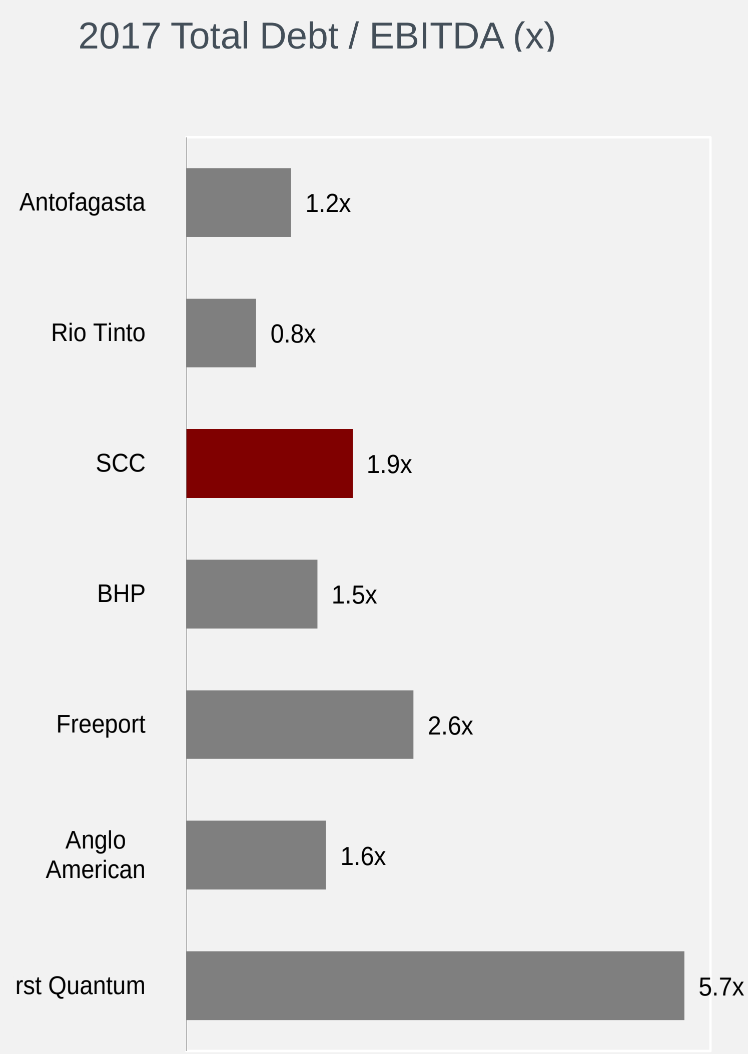
| (US$ MM) | 2015 | 2016 | 2017 | 2018 E |
|---|---|---|---|---|
| **Copper Price (LME)** **US$ per pound** | **2.50** | **2.21** | **2.80** | **3.23** |
| **Income Statement:** | | | | |
| Net Revenues | $5,046 | $5,380 | $6,655 | $7,607 |
| **EBITDA** | **1,945** | **2,212** | **3,292** | **4,263** |
| EBITDA Margin | 38% | 41% | 49% | 56% |
| U.S. Income Tax Reform Adjustment | | | (743) | |
| Net Income | 736 | 777 | 729 | 2,078 |
| Dividends paid per share | 0.34 | 0.18 | 0.59 | 0.60 |
| **Balance Sheet Statement:** | | | | |
| Cash, Equivalents & Short Term Investments | $878 | $597 | $1,055 | $2,385 |
| Total Assets | 12,593 | 13,277 | 13,771 | 15,716 |
| Total Debt | 5,952 | 5,954 | 5,957 | 5,957 |
| Total Liabilities | 7,294 | 7,406 | 7,621 | 7,714 |
| Total Shareholders' Equity | 5,263 | 5,832 | 6,108 | 7,954 |
| **Cash Flow Statement:** | | | | |
| Capital Expenditures | $1,150 | $1,119 | $1,024 | $1,643 |
| Free Cash Flow [1] | (270) | (195) | 953 | 1,564 |
| Dividends paid to common shareholders | 271 | 139 | 456 | 232 |
| | | | | |
| Total Debt / EBITDA | 3.1x | 2.7x | 1.8x | 1.4x |

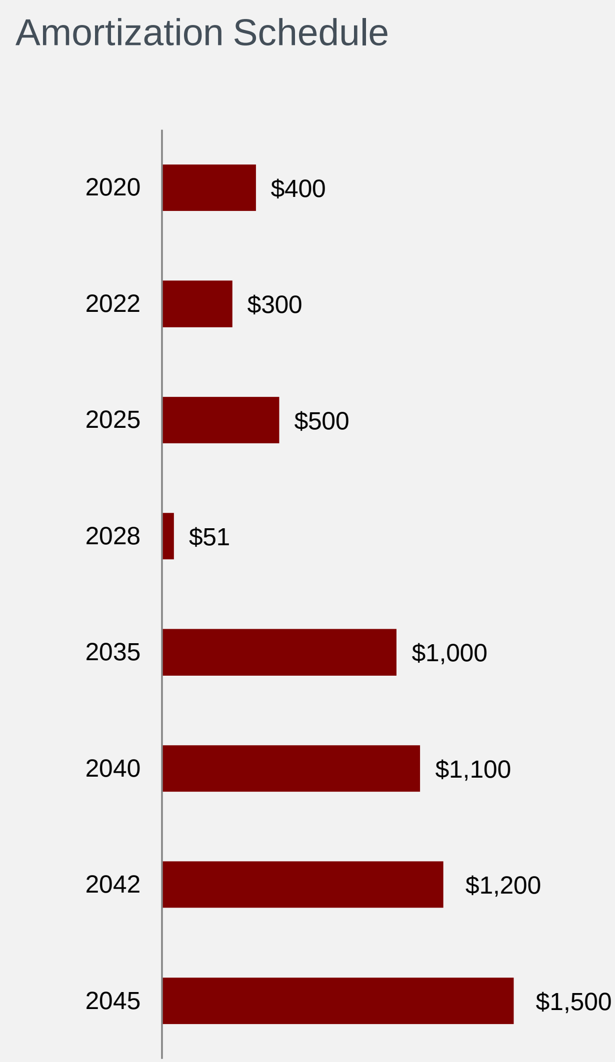
1 Free Cash Flow defined as net cash from operating activities less capital expenditures.

# Solid Financial Performance

## Top Tier Margins and Conservative Leverage for Increased Financial Flexibility




GrupoMexico

# Succesfully Completed & Robust Pipeline

We have delivered a **strong organic growth** with our finished proyects, **more than 330 Ktons**

**but growth does not finish here.....**

we are aiming to reach a **target of copper production of more than 1.2M for 2021** and more than 1.5M in the next 10 years.

## Delivered

2013-2017
**Buenavista, Sonora, Mexico**
Molybdenum Plant
3Q13 - $38M /2K Tons Mo

SX/EW III
4Q14 - $525M
120K Tons Cu

Concentrator Plant
1Q16 - $1,400M
188K Tons Cu / 2.6K Tons Mo

**Cuajone, Moquegua, Peru**
Variable cut-off
Grade + HPGR/2H13 - $158M
22K Tons Cu / 0.7K Tons Mo

## Board Approved

2018-2019
**Toquepala, Tacna, Peru**
Concentrator Expansion
2Q18 - $1,200M
100K Tons Cu / 3.1K Tons Mo

**Tia Maria, Arequipa, Peru**
SX/EW
2Q20- $1,400M
120K Tons Cu

**El Pilar, Sonora, Mexico**
1Q20 - $256M
35K Tons Cu

**Pilares–Caridad, Sonora, Mexico**
Concentrator – 2018 $159M
35K Tons Cu

**Buenavista, Sonora, Mexico**
Zinc Concentrator
$413M
20K Tons Cu + 100K Tons Zn

## Pipeline (pending approval)

**El Arco, Baja California, Mexico**
Concentrator & SX/EW
$2,800M
190K Tons Cu
105K Oz Au

**Los Chancas, Apurimac, Peru**
$2,800M
130K Tons Cu
7.5k Tons Mo

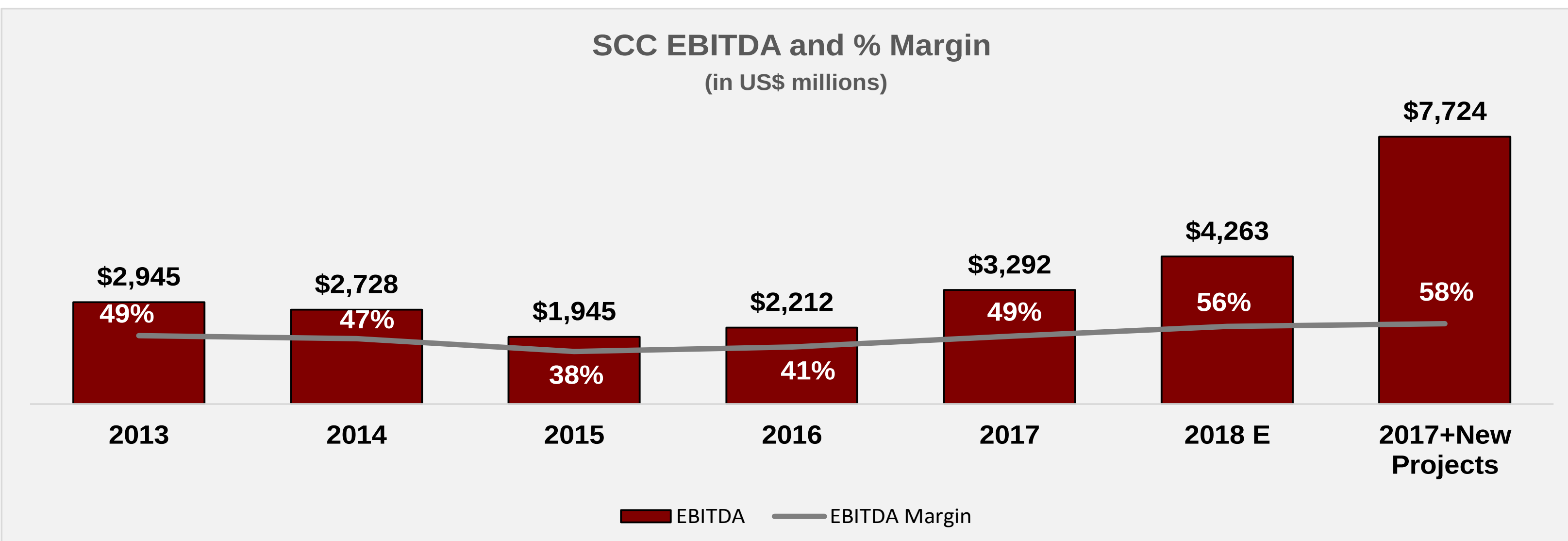
**Empalme, Sonora, Mexico**
Copper Smelter $870M
300K Tons Cu Cont.

**Los Chalchihuites, Mexico**
$140M 26K Cu

**Michiquillay, Peru**
$2,500M
225K Cu

# SCCO is the Premier Copper Play

- **World class assets in investment grade countries**
- **#1 in reserves of any company with various exploration prospects**
- **Second generation growth plan to create shareholders value through a pipeline of new projects:**
  - Copper from 0.9M to 1.8M (+102%)
  - Zinc from 69K to 233K (+238%)
  - Reducing cash cost after by products from $0.92 (2017) to $0.76 (2017 + New Projects)
- **Fully integrated low cost operations**
- **Outstanding dividend history**
- **Experienced management with proven track record**




| Cu price | $3.32 | $3.11 | $2.50 | $2.21 | $2.80 | $3.23 | $3.00 |
|---|---|---|---|---|---|---|---|

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Many of these risks and uncertainties relate to factors that are beyond Grupo Mexico’s ability to control or estimate precisely, such as future market conditions, commodity prices, the behavior of other market participants and the actions of governmental regulators.

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