



# Southern Copper Corporation

## March, 2017





## I. Introduction



# Management Presenter

Presenters

Title

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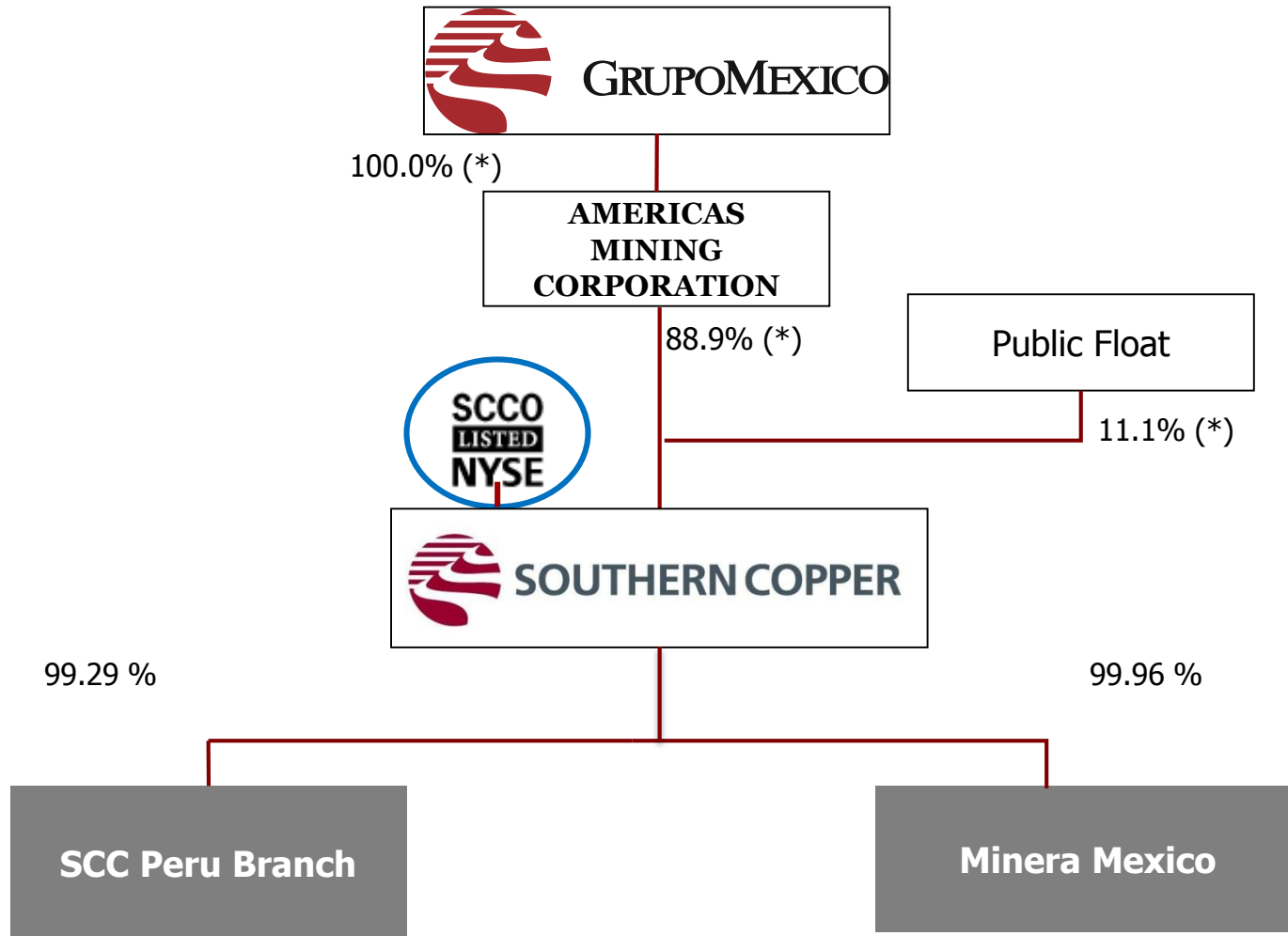
Raul Jacob

▶ Vice President, Finance & CFO

# Safe Harbor Statement

This presentation contains certain statements that are neither reported financial results nor other historical information. These estimates are forward-looking statements within the meaning of the safe-harbor provisions of the Mexican securities laws. These forward-looking estimates are subject to risk and uncertainties that could cause actual results to differ materially from the expressed in the forward-looking statements. 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Grupo Mexico does not undertake any obligation to publicly release any revision to these forward-looking estimates to reflect events or circumstances after the date of this presentation.

# Corporate Structure



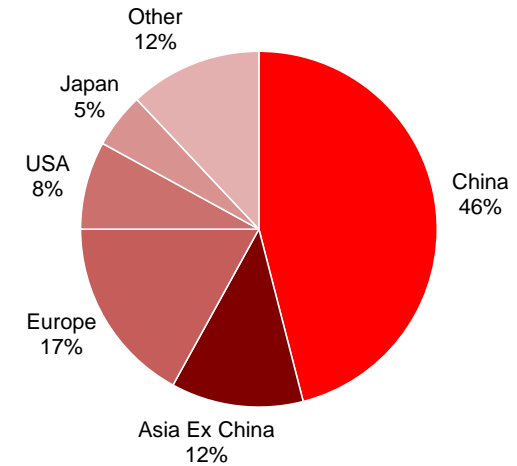
(\*) As of December 31, 2016

# Copper – The Best Fundamental Story in Commodities

## Solid Fundamentals

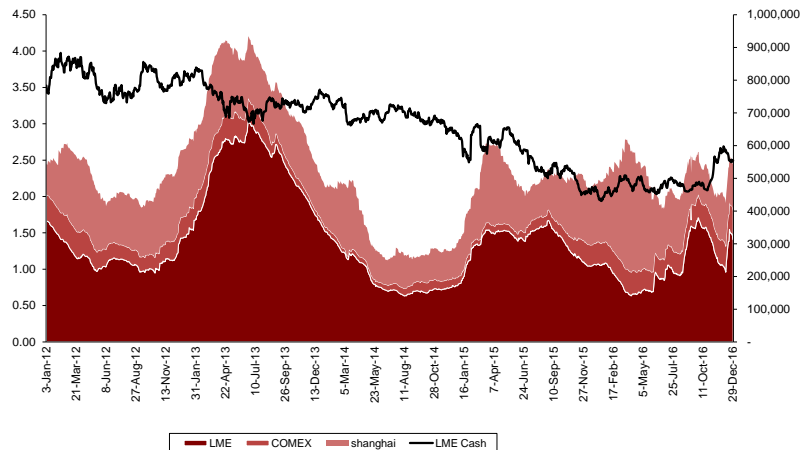
- ▶ Copper has the best fundamentals in the basic materials space:
  - 2016 demand driven by US and EU markets.
  - China: Expect 3% demand growth due to housing market recovery (tier 1 and 2 cities), state electrical infrastructure demand, and government stimulus programs.
  - Additional production expected for 2016-2017, will be offset by 850K production cuts, ore grade decay and scrap scarcity.
  - No greenfield projects approvals at current prices.
  - Market copper prices below estimated incentive price of \$3.00 - \$3.50 for greenfield production.

## Copper Consumption by Region

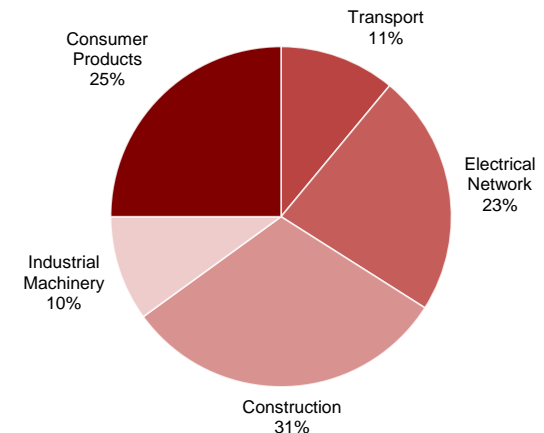


Wood Mackenzie Dec. 2015

## LME Copper Cash Price vs. Inventories



## Copper Consumption by End-use



Wood Mackenzie 2015

# Southern Copper Strengths

- ▶ Highest copper reserves of the industry
- ▶ Excellent organic growth projects
- ▶ Low cost, fully integrated operations
- ▶ Experienced management team
- ▶ Strong financial performance / investment grade since 2005
- ▶ Outstanding dividend history
- ▶ Good long-term copper & by-product fundamentals



## II. Overview of Operations



# Company Overview

Copper Reserves <sup>1</sup>: 71.4 mmt

2016 Cash Cost \$ 0.95/lb.

2017 Estimates (@ \$2.50 x Lb of Cu):

Copper Production: 900 kt

Sales: \$ 6.0 B

EBITDA: \$ 2.8 B

47% of Sales

#1 copper company by reserves <sup>2</sup>

#5 copper producer <sup>3</sup>

#10 copper smelter <sup>3</sup>

#8 refinery <sup>3</sup>

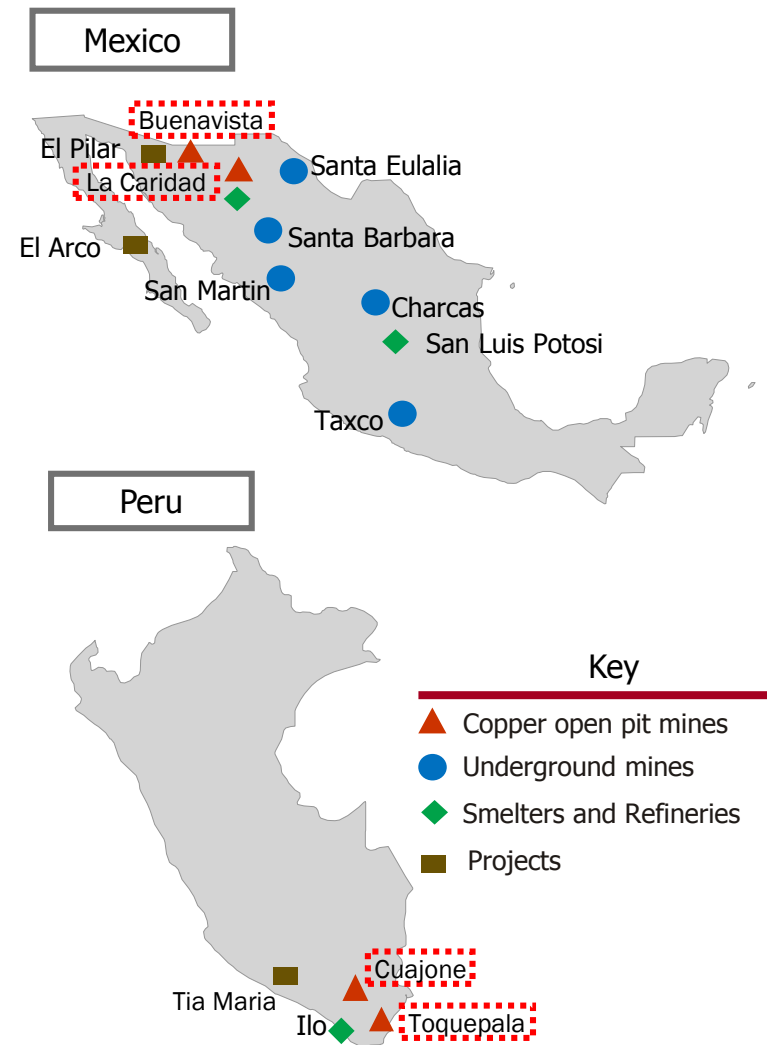
Source: Company Filings

Notes:

1 Copper contained in reserves based on US\$2.90 per pound of copper as of December 31, 2016

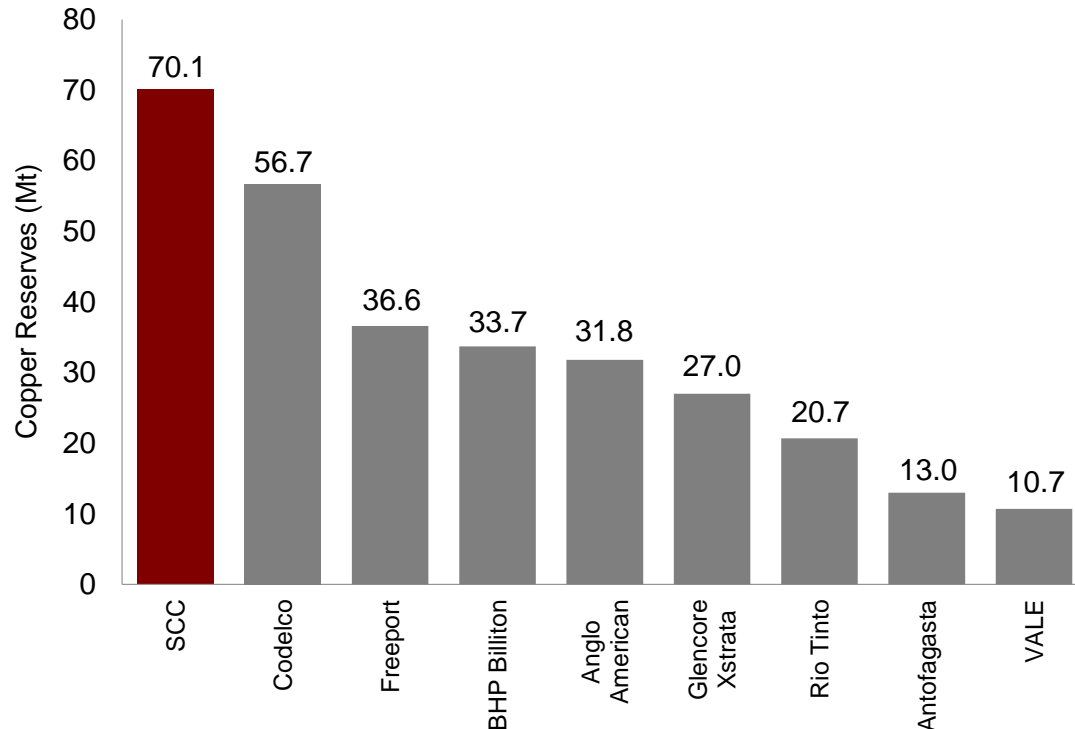
2 Based on available companies reports

3 Wood Mackenzie Limited 2014



# World's Largest Copper Reserves

## Copper Reserves as Reported

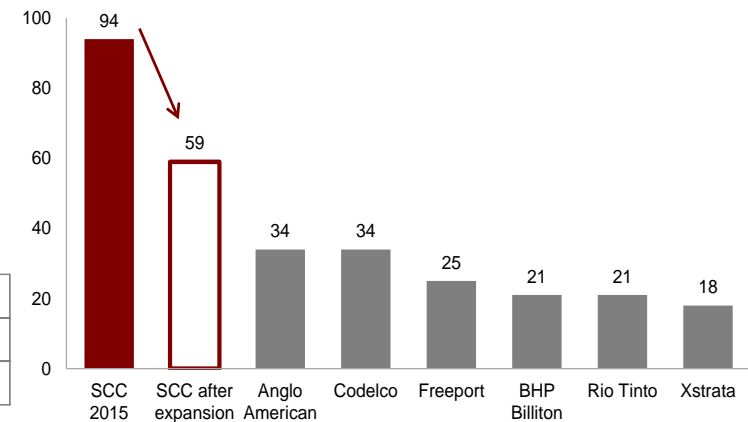


Source	10K	Annual Rep.	10K	20F	Annual Rep.	Reserve Rep.	Annual Rep.	20F	20F
Period	Dec.31, 2015	Dec.31, 2014	Dec.31, 2014	Jun. 30, 2015	Dec.31, 2014	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
Cu Price	\$2.90	N/A	\$2.00	3.35	N/A	N/A	N/A	\$3.10	\$3.35

## SCC Highlights

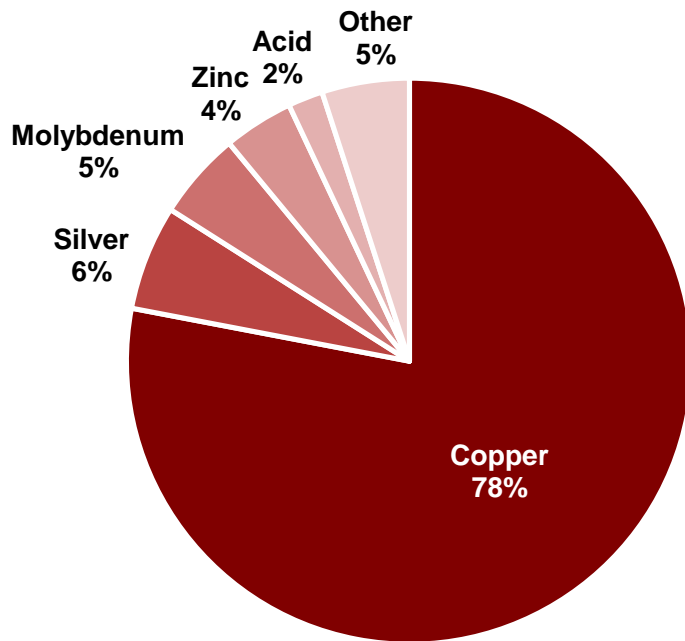
- ▶ #1 mine life among copper producers
- ▶ #5 world's largest producer of mined copper
- ▶ Highly diversified geographical presence
- ▶ Four large-scale open-pit mines
- ▶ Two world class copper greenfield projects (El Arco / Tia Maria) and several other opportunities

## Mine Life

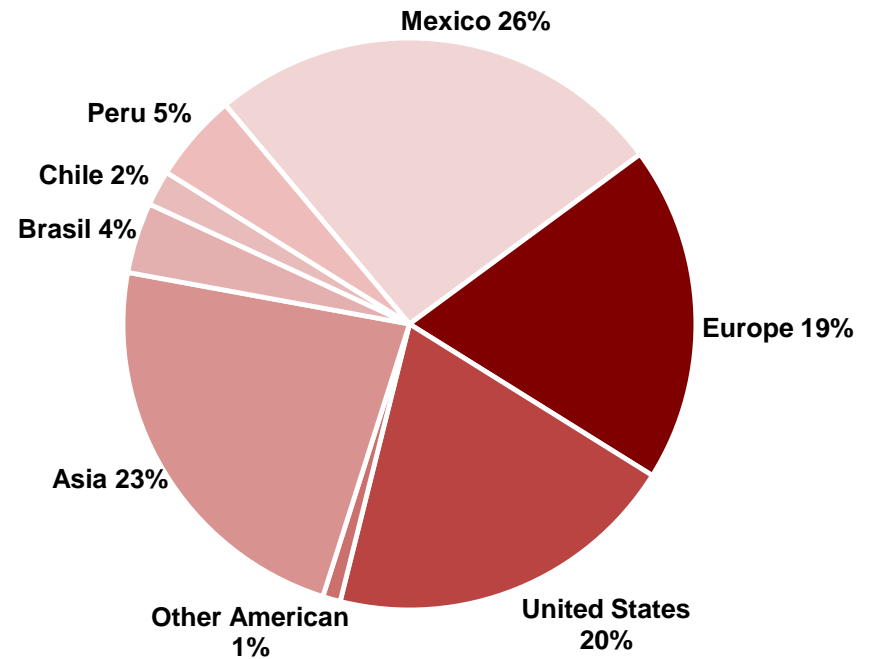


# Geographic Footprint & Product Diversification

## 2016 Revenue by Product

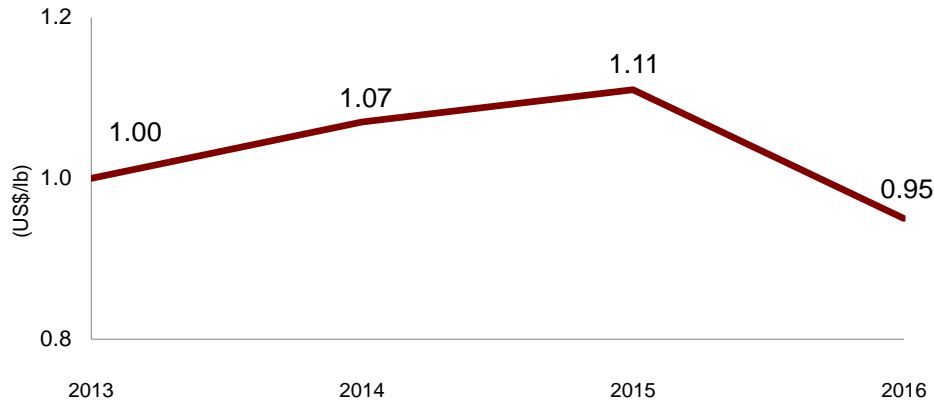


## 2016 Revenue by Market



# Low Cost Operations

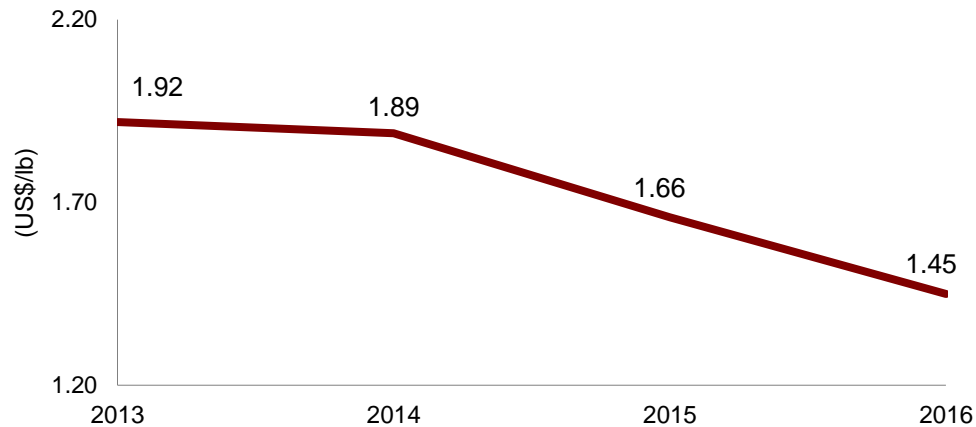
## Cash Cost per Pound of Copper Produced Net of By-Products



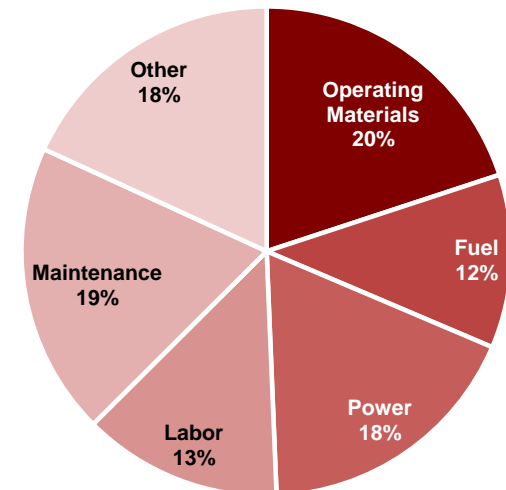
## Low Cost Drivers

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

## Operating Cash Cost per Pound of Copper Produced

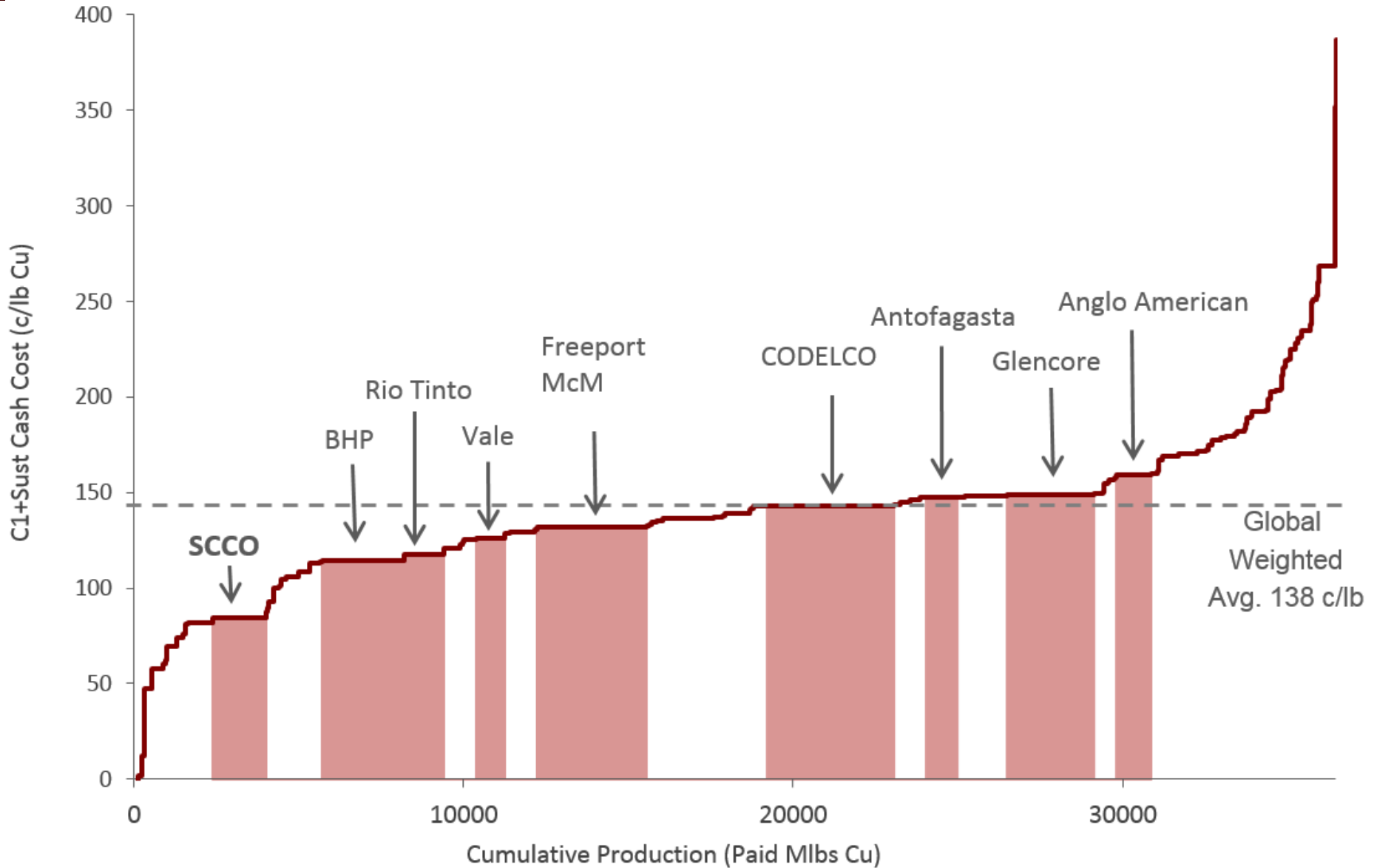


## Cost Structure (1)



(1) LTM

# 2015 Copper Production Cash Cost by Company





### **III. Financial Overview**



# SCC Financial Summary

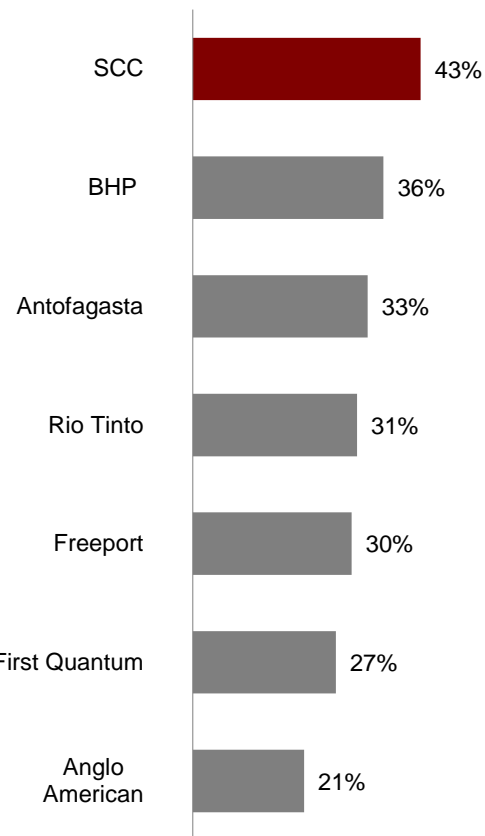
(US\$ MM)	2014	2015	2016	2017 E
<b>Copper Price (LME) US\$ per pound</b>	<b>3.11</b>	<b>2.50</b>	<b>2.21</b>	<b>2.50</b>
<b>Income Statement:</b>				
Net Revenues	\$5,788	\$5,046	\$5,380	\$6,035
<b>EBITDA</b>	<b>2,728</b>	<b>1,945</b>	<b>2,212</b>	<b>2,829</b>
EBITDA Margin	47%	38%	41%	47%
Net Income	1,333	736	777	1,208
Dividends paid per share	0.46	0.34	0.18	0.08
<b>Balance Sheet Statement:</b>				
Cash, Equivalents & Short Term Investments	\$703	\$878	\$597	\$1,519
Total Assets	11,394	12,593	13,277	14,406
Total Debt	4,181	5,952	5,954	5,954
Total Liabilities	5,557	7,294	7,406	7,327
Total Shareholders' Equity	5,804	5,263	5,832	7,039
<b>Cash Flow Statement:</b>				
Capital Expenditures	\$1,530	\$1,150	\$1,119	\$1,105
Free Cash Flow <sup>1</sup>	(174)	(270)	(195)	918
Dividends paid to common shareholders	381	271	139	62
<b>Total Debt / EBITDA</b>	<b>1.5x</b>	<b>3.1x</b>	<b>2.7x</b>	<b>2.1x</b>

<sup>1</sup> Free Cash Flow defined as net cash from operating activities less capital expenditures.

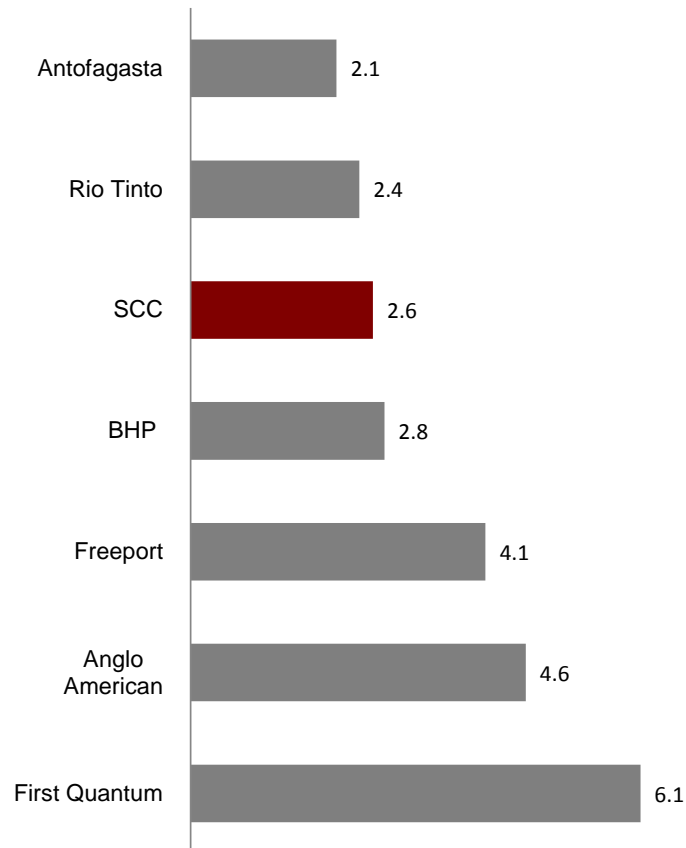
# Solid Financial Performance

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

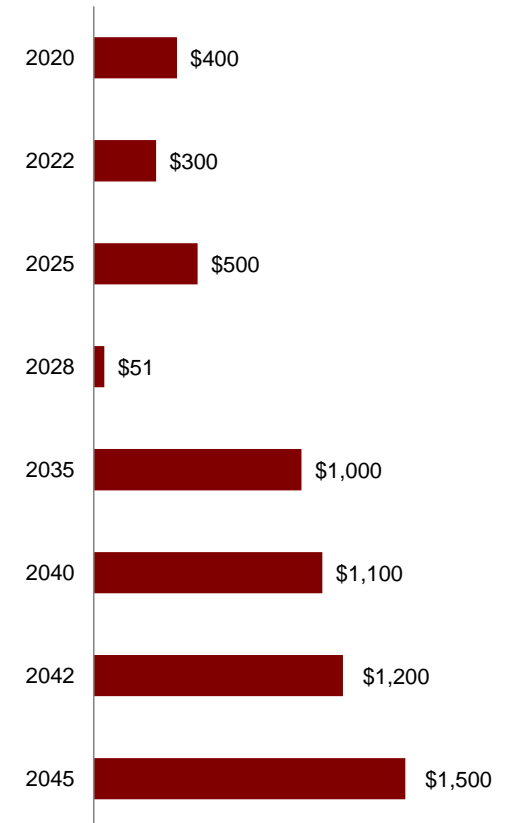
2016E EBITDA Margin (%)



2016E Total Debt / EBITDA (x)



Amortization Schedule



Source: Bloomberg Consensus

Source: Company Reports and Bloomberg Consensus

# Investment Program to Significantly Increase Production

## Board approved

## Other projects

### 2013-16

#### Buenavista:

- Molybdenum Plant 3Q13 - \$38M - 2K Tons Mo
- SX/EW III 4Q14 - \$525M 120K Tons Cu
- Concentrator Plant 1Q16 - \$1.4B - 188K Tons Cu, 2.6K Tons Mo
- Mine equipment \$505M

Quajone: Variable Cut-off Grade + HPGR 2H13 - \$158M - 22K Tons Cu, 0.7K Tons Mo

### 2017-20

El Pilar 1Q18 - \$310M - 35K Tons Cu

Toquepala Concentrator Expansion 2Q18 - \$1.2B - 100K Tons Cu, 3.1K Tons Mo

Pilares 3Q18 - \$200M 34.5K Tons Cu

Buenavista Zinc Conc. 1Q19 - \$360M 16K Tons Cu - 60K Tons Zn

Tia Maria SX/EW 2Q20 - \$1.4B - 120K Tons Cu

### MEXICO

El Arco Conc. & SX/EW - \$2.8B 184K Tons Cu, 105K Oz Au

Angangueo Polymetallic Mine - \$170M - 10.4K Tons Cu, 7K Tons Zn, 4K Tons Pb, 2.4M Oz Ag

Los Chalchihuites - \$140M 26K Tons Cu

Malpica - \$92M 10K Tons Cu

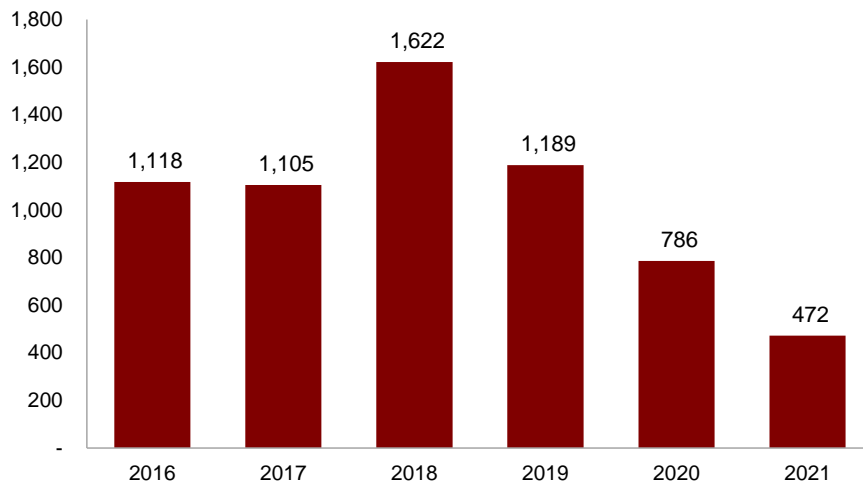
### PERU

Los Chancas Conc. & SX/EW - \$2.8B - 134K Tons Cu, 7.6K Tons Mo

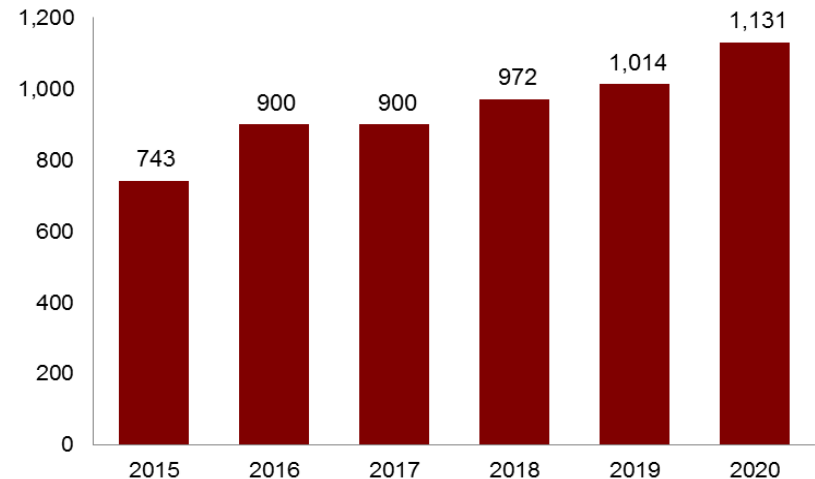
Quajone Concentrator Expansion - \$500M - 50K Tons Cu, 0.7 Tons Mo

Ilo Smelter & Refinery Expansion

## 2016-2021 Capex Program Overview (MM)



## 2015-2020 Copper Production Forecast ('000 MT Cu)



# Best-in-class Mining Projects Reaching Completion Providing Competitive Cash Costs and Increased Production Levels

## Project Capital Intensity at SCCO Projects

### SCCO Project Pipeline

Type	Initial Capex (US\$MM)	% of Total Capex	Incremental Production Av. Cu Eq. (kt/a)	Capital Intensity (US\$/tpa Av. Cu Eq.)	
<b>Brownfield Projects</b>					
Cuajone variable cut-off grade + HPGR	Expansion (X)	158.0	2.5%	22.0	7,182
Toquepala concentrator expansion	Expansion (N)	1,253.2	19.9%	100.0	12,532
Buenavista SXEW III	Expansion (N)	1,363.5	21.6%	120.0	11,363
Buenavista concentrator expansion	Expansion (N)	1,785.4	28.3%	188.0	9,497
Pilares	Extension	189.5	3.0%	40.0	4,738
<b>Total / Weighted Average Intensity</b>		<b>4,749.6</b>	<b>75.3%</b>	<b>470.0</b>	<b>10,105</b>
<b>Greenfield Projects</b>					
Tia Maria SXEW Project	Probable	1,379.2	21.9%	120.0	11,493
Anganguo	Possible	174.7	2.8%	10.4	16,798
<b>Total / Weighted Average Intensity</b>		<b>1,553.9</b>	<b>24.7%</b>	<b>130.4</b>	<b>11,916</b>

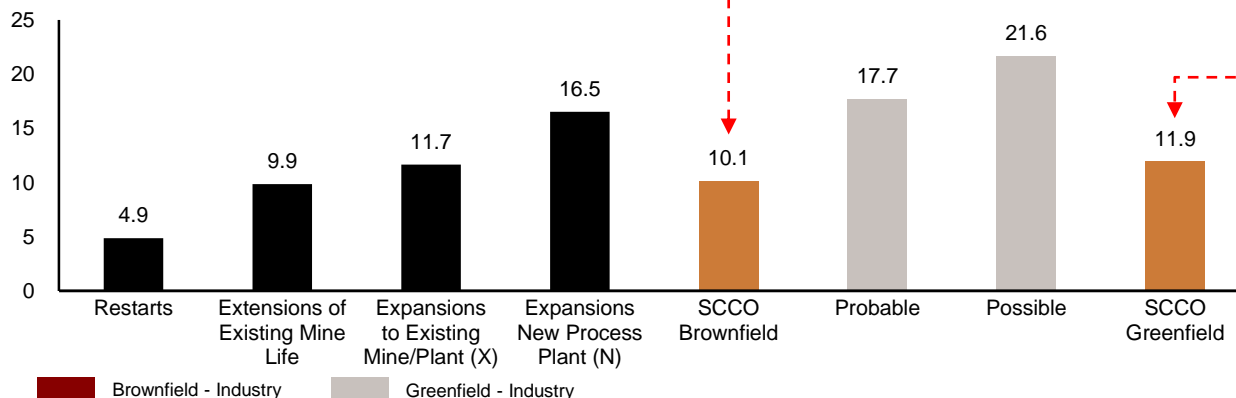
## Key Differentiators to Achieve Lower Capital Intensity

- Use of less capital intensive and environmentally friendly SX/EW technology for 45% of production growth
- Significant economies of scale in infrastructure for 77% of production increase coming from brownfield expansions
- Reduced mining preparation cost due to low pre stripping for Tia Maria and Buenavista projects
- Experienced project development team focused on capital efficiency

## Industry-Wide Capital Intensity Comparison vs. SCCO Projects

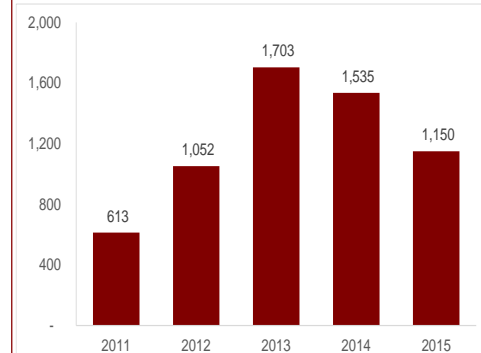
### Weighted Avg. Project Capital Intensity of Existing Projects

US\$ 000 per tonne of Cu Equivalent Annual Incremental Production



## 2011-2015 Capex Evolution

US\$MM



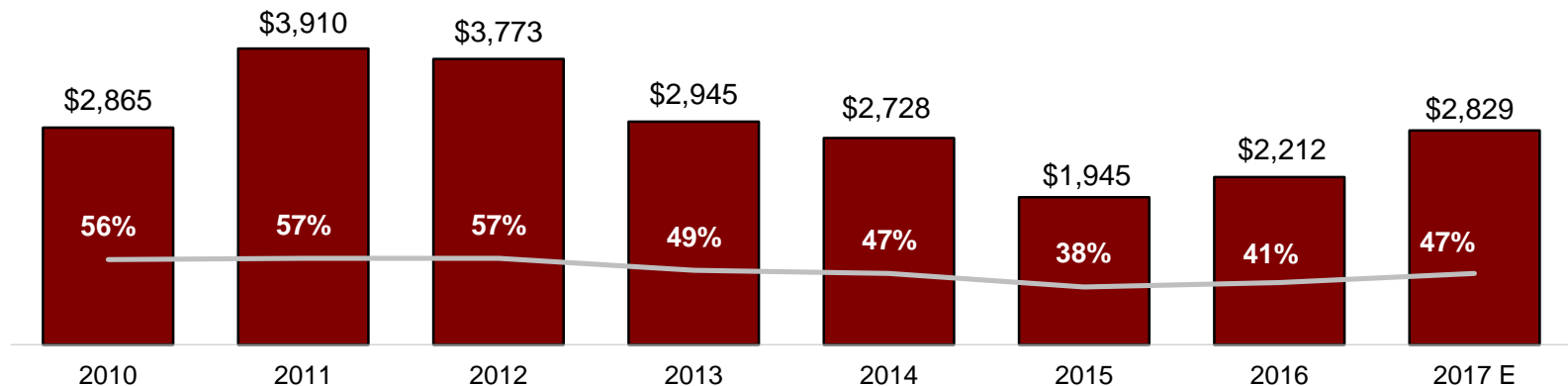
# SCC's Major Strengths

## SCC is the Premier Copper Play

- World class assets in investment grade countries
- #1 in reserves of any company with various exploration prospects
  - Increasing copper production
- Capacity to deliver projects through flexible capital structure and significant cash generation capability. Investments focused on cost competitiveness
- Fully integrated low cost operations
- Outstanding dividend history
- Experienced management with proven track record

SCC EBITDA and % Margin

(in US\$ millions)



Cu price	\$3.42	\$4.00	\$3.61	\$3.32	\$3.11	\$2.50	\$2.21	\$2.50
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