

SOUTHERN PERU COPPER CORP/  
Form S-3/A  
June 06, 2005

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As filed with the Securities and Exchange Commission on June 6, 2005

Registration No. 333-124439

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT NO. 2  
TO  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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**SOUTHERN PERU 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.)

**2575 East Camelback Road  
Phoenix, Arizona 85016  
(602) 977-6595**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Armando Ortega Gómez  
Secretary  
Southern Peru Copper Corporation  
2575 East Camelback Road  
Phoenix, Arizona 85016  
(602) 977-6595**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

**Michael L. Fitzgerald, Esq.  
Robert B. Williams, Esq.  
Milbank, Tweed, Hadley & McCloy LLP  
One Chase Manhattan Plaza  
New York, New York 10005**

**Approximate date of commencement of proposed sale to the public:** From time to time on or after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**EXPLANATORY NOTE**

This registration statement relates to common stock of Southern Peru Copper Corporation that may be offered from time to time by our selling stockholders named herein. This registration statement includes a base prospectus relating to the sale by our selling stockholders in one or more offerings of up to 22,551,884 shares of our common stock. In any offering, the base prospectus will be accompanied by a prospectus supplement. This registration statement also includes an illustrative form of prospectus supplement in preliminary form setting forth the terms of an offering by our selling stockholders.

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The information in this prospectus supplement is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 6, 2005

PROSPECTUS SUPPLEMENT  
(To Prospectus dated \_\_\_\_\_, 2005)

**20,978,497 Shares**

## **Southern Peru Copper Corporation**

### **Common Stock**

**\$ \_\_\_\_\_ per share**

The selling stockholders named in this prospectus supplement are selling 20,978,497 shares of our common stock. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Our common stock is listed on the New York Stock Exchange and the Lima Stock Exchange under the symbol "PCU". The last reported sale price of our common stock on the New York Stock Exchange on June 3, 2005, was US\$49.25 per share.

**Investing in our common stock involves risk. See "Risk Factors" beginning on page S-11.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ _____	\$ _____
Underwriting discounts and commissions	\$ _____	\$ _____
Proceeds to the selling stockholders (before expenses)	\$ _____	\$ _____

The underwriters may also purchase up to 1,573,387 additional shares of common stock from the selling stockholders, at the public offering price less the underwriting discounts and commissions, within 30 days from the date of this prospectus supplement. The underwriters may exercise this option to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be US\$ \_\_\_\_\_, and the total proceeds to the selling stockholders will be US\$ \_\_\_\_\_.

The underwriters expect to deliver the shares on or about \_\_\_\_\_, 2005.

**Citigroup**

**UBS Investment Bank**

**Merrill Lynch & Co.**

**Scotia Capital**

**BNP PARIBAS**

, 2005

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters and the selling stockholders have not, authorized anyone to provide you with information that is different. The selling stockholders are offering to sell shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement regardless of the time of delivery of this prospectus supplement or any sale of our common stock.

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### Financial and Other Information

*Throughout this prospectus supplement, unless the context otherwise requires, the terms "we," "us" and "the Company" refer to Southern Peru Copper Corporation and its consolidated subsidiaries, including our recently acquired Minera México subsidiary and its consolidated subsidiaries; the terms "Southern Peru Copper Corporation" and "SPCC" refer to Southern Peru Copper Corporation and its subsidiaries, excluding Minera México and its consolidated subsidiaries; the term "Minera México" refers to our subsidiary, Minera México, S.A. de C.V., and its consolidated subsidiaries; and "selling stockholders" refers to the selling stockholders identified under "Principal and Selling Stockholders."*

*Many of the terms used in this prospectus supplement are defined in the glossary of mining terms, beginning on page A-1.*

#### Financial Information

Our financial statements and other financial information included in this prospectus supplement reflect the combined accounts of Southern Peru Copper Corporation and Minera México. Effective April 1, 2005, SPCC acquired substantially all of the outstanding common stock of Minera México. The acquisition was accounted for in a manner similar to a pooling of interests as it involved the reorganization of entities under common control. Under applicable accounting requirements, the financial statements of SPCC and Minera México are combined on a historical cost basis for all the periods presented since they were under common control during all of the periods presented. The combined financial results may not be indicative of the results of operations that actually would have been achieved had the acquisition of Minera México taken place at the beginning of the periods presented and do not purport to be indicative of future results.

This prospectus supplement includes Audited Combined Financial Statements as of December 31, 2004, and for each of the years in the three-year period ended December 31, 2004. This prospectus supplement also includes certain combined financial information as of and for the years ended December 31, 2000 and 2001. The 2000 and 2001 combined financial information is unaudited and has been derived from audited stand-alone financial statements of SPCC and Minera México. Management has prepared the 2000 and 2001 combined financial information on a basis believed to be consistent with the basis on which the Audited Combined Financial Statements have been prepared.

This prospectus supplement also includes unaudited condensed combined interim financial statements as of and for the three months ended March 31, 2005 and 2004. Management believes these financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly our financial position and results of operations as of and for the three months ended March 31, 2005 and 2004. The results of operations for these periods are not necessarily indicative of the results to be expected for the full year. These unaudited condensed combined interim financial statements should be read in conjunction with our Audited Combined Financial Statements included herein.

#### Incorporation by Reference

We incorporate by reference certain information into the prospectus attached to this prospectus supplement. See "Where You Can Find More Information" in the attached prospectus. Information in this prospectus supplement and the attached prospectus supersedes information incorporated by reference that was filed with the Securities and Exchange Commission, or the SEC, prior to the date of this prospectus supplement.

The prospectus of which this prospectus supplement forms a part incorporates by reference our annual report on Form 10-K for 2004 and our quarterly report on Form 10-Q for the three months ended March 31, 2005. Except as otherwise expressly described therein, the information included in our



annual report on Form 10-K, and our quarterly report on Form 10-Q, including the financial statements and other financial and statistical data included therein, relates to SPCC prior to its acquisition of Minera México.

### **Reserves Information**

Our mineral reserves are estimates based on a number of assumptions, including production costs and metals prices. Unless otherwise stated, reserves estimates in this prospectus supplement are based on three-year average metal prices as of December 31, 2004. We refer to three-year average metal prices as "current average prices."

In this prospectus supplement certain financial information is based on reserve estimates based on certain metals price assumptions. These items include the amount of mine stripping that is capitalized, units of production amortization of capitalized mine stripping and amortization of intangible assets. For SPCC, commencing in 2003, we have used reserve estimates based on current average metals prices as of the most recent year then ended to determine these items. For periods prior to 2003 for SPCC, we have used reserves estimates based on metals prices intended to approximate average prices over the long term. In calculating such items for periods ended on or prior to December 31, 2004 for Minera México, we have used reserves estimates based on these longer term price assumptions. For periods ended after December 31, 2004, such items for Minera México have been calculated using reserve estimates based on current average prices.

In calculating these items for the three-month periods ended March 31, 2004 and 2005 for SPCC, we have used reserve estimates based on current average prices as of the most recent year then ended. In calculating these items for the three-month period ended March 31, 2004 for Minera México, we have used reserves estimates based on the above mentioned longer term price assumptions. In calculating these items for the three-month period ended March 31, 2005 for Minera México, we have used reserves estimates based on current average prices as of the year ended December 31, 2004.

We also use the above mentioned longer term price assumptions in developing our mine plans. For a further discussion regarding how we calculate our reserves, see "Business Reserves."

### **Currency Information**

Unless stated otherwise, references herein to "U.S. dollars," "dollars," "US\$" or "\$" are to United States dollars; references to "S/," "nuevo sol" or "nuevos soles" are to Peruvian nuevos soles; and references to "peso," "pesos" or "Ps." are to Mexican pesos.

### **Industry and Market Data**

This prospectus supplement includes market share and industry data and forecasts that we obtained from or are based upon internal company surveys, market research, consultant surveys, publicly available information and industry publications and surveys. Industry publications and surveys, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but we cannot assure you as to the accuracy and completeness of the information. We have not independently verified any of the information from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. We do not guarantee the accuracy or completeness of this information. Similarly, internal company surveys, industry forecasts and market research, which we believe to be reliable based upon management's knowledge of the industry, have not been verified by any independent sources.

### **Other Information**

Throughout this prospectus supplement, unless otherwise noted, all tonnages are in metric tons. To convert to short tons, multiply by 1.102. All ounces are troy ounces. All distances are in kilometers. To convert to miles, multiply by 0.621. To convert hectares to acres, multiply by 2.47.

## SUMMARY

*You should read this entire prospectus supplement and the accompanying prospectus, including information incorporated by reference, before making an investment in our common stock. You should also carefully consider the information set forth under "Risk Factors." In addition, certain statements include forward-looking information that involves risks and uncertainties. See "Forward-Looking Statements."*

### Overview

We are the world's largest publicly traded copper company as measured by reserves. Based on 2004 sales, we are the world's fifth largest copper mining company, and the third largest copper smelting and fifth largest copper refining company. We believe that we are also among the world's largest producers of molybdenum, silver and zinc.

All of our mining operations are located in Peru and Mexico and we conduct exploration activities in Peru, Mexico and Chile. We own and operate the following mines and metallurgical complexes:

#### *Four Open-Pit Copper Mines*

Our Cuajone and Toquepala mines, located in southern Peru, produced 397,366 tons of copper in 2004 (194,389 tons at Cuajone and 202,977 tons at Toquepala).

Our Cananea mine, located in northern Mexico, produced 173,428 tons of copper in 2004. We believe Cananea is among the world's largest copper mines in terms of reserves, and has the longest remaining mine life of any major open-pit copper mine in the world based on current production levels.

Our La Caridad mine, located in northern Mexico, produced 132,160 tons of copper in 2004.

#### *Three Metallurgical Processing Complexes*

Our Ilo complex, located in southern Peru, includes the world's sixth largest copper smelter and eighth largest copper refinery, a precious metal refinery and a sulfuric acid plant. We are currently modernizing the Ilo smelter facility with Isasmelt technology to reduce emissions.

Our La Caridad complex, located in northern Mexico, is a modern metallurgical facility that includes one of the world's largest copper smelters and one of the largest copper refineries, a precious metal refinery, a copper rod manufacturing plant and a sulfuric acid plant.

Our San Luis Potosí complex, located in central Mexico, includes an electrolytic zinc refinery, a copper smelter and a sulfuric acid plant.

#### *Underground Mines and Related Processing Facilities*

We own and operate five underground mines that produce various metals such as zinc, copper, silver and gold, as well as a coal mine and related production facilities, all of which are located in Mexico.

On April 1, 2005, we acquired Minera México from Americas Mining Corporation, or AMC, a subsidiary of Grupo México, S.A. de C.V., our controlling stockholder. On a stand-alone basis, Minera México, which owns the Cananea and La Caridad mines, among other assets, is the largest mining company in Mexico and the eleventh largest copper producer in the world. On April 1, 2005, we exchanged 67,207,640 newly

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issued shares of our common stock for the outstanding shares of Minera México, and Minera México became our 99%-owned subsidiary. Upon completion of the merger, Grupo México increased its indirect beneficial ownership of our capital stock from approximately 54.2% to approximately 75.1%.

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For the year ended December 31, 2004, after giving effect to our acquisition of Minera México, we had net sales of US\$3,097 million and net earnings of US\$982 million. We produced 718,007 tons of copper, 14,373 tons of molybdenum, 18.5 million ounces of silver and 133,778 tons of zinc in 2004, approximately 50% of which was sold outside of Latin America. As of December 31, 2004, we had proven and probable reserves of approximately 44.9 million tons of copper.

### Competitive Strengths

*Second largest copper reserves in the world.* We have an estimated 44.9 million tons of proven and probable copper reserves, the second largest copper reserves in the world and the largest copper reserves of any publicly-traded company.

*Highly integrated copper production.* We are a highly integrated producer of copper which enables us to maintain high smelter utilization, achieve pricing premiums through value-added copper products and reduce our reliance on third parties for treatment and refinery services. For example, our Cananea and La Caridad mines provide a stable and secure source of copper concentrate for our La Caridad complex, our Cuajone and Toquepala mines supply our Ilo complex and our underground mines provide zinc and copper concentrate for our San Luis Potosí complex. Our integrated operations enable us to have significant economies of scale with reduced costs and earnings volatility.

*A portfolio of low-cost operations.* Our copper mines are well positioned from a cost perspective. In addition to our integrated operations, we believe we benefit from other advantages that contribute to making us a low-cost producer of copper and other metals. These include the relatively high quality of our reserves and the proximity of many of our operations to each other.

*Diversified mix of operations.* We operate four copper mines, with no one mine contributing more than 28% of our total mine production during 2004. We also operate three metallurgical complexes. We believe this diversity of operations reduces the impact of a major mine failure or labor disruptions at any one operation. We offer a diverse product mix that includes molybdenum, a byproduct of our copper mining operations, as well as other byproduct metals, such as zinc and silver. We believe we are one of the world's largest producers of molybdenum. Further, our operations and reserves are balanced between Peru and Mexico, countries with a tradition of mining and well-established mining laws.

*Significant organic growth prospects that can be financed with internal funds.* We have identified a number of potential development projects that we believe can be implemented to increase our future production capacity without major investments. These development projects, which include several brownfield projects that together could increase our production capacity by an estimated 88,000 tons (or approximately 12% of our current capacity) of copper per year, can be financed by internally generated funds and can be implemented within two to three years. We also have identified other potential brownfield and greenfield projects at our properties in Peru and Mexico and are currently conducting exploration activities in Peru, Mexico and Chile.

*Management team with a track record of success over our long operating history.* Our senior managers have an average of 20 years of experience with our Company or its predecessors. Our senior managers have successfully led the Company in varied economic conditions and have a track record of improving operating efficiency and reducing costs.

### Business Strategies

Our objective is to increase stockholder value through earnings and cash flow growth in varied market conditions. We seek to achieve this objective by focusing on the following strategies:

*Growing and expanding our operations.* We intend to further realize the potential of our existing operations by expanding our production capacity and reserves, as well as exploring and developing

promising mineral deposits. We believe that our existing operations have significant growth potential that can be financed principally through internally generated cash flows. We also intend to supplement internal growth by selectively pursuing value-enhancing acquisition opportunities.

*Continuing our focus on copper.* We are primarily a copper producer, with approximately 68.1% of our 2004 revenues derived from copper production. We intend to continue to focus principally on the production of copper. Our earnings and cash flows are highly sensitive to movements in the price of copper, and we estimate that a US\$0.01 per pound increase in the price of copper would generate approximately US\$15.6 million of additional operating income based on our 2004 total production.

*Improving the cost position of our operations.* We are focused on improving our cost structure in order to maintain our profitability throughout the commodity price cycle and to generate cash flow to fund attractive investment opportunities. We seek to lower costs by (i) improving economies of scale through production expansions, (ii) investing selectively in new equipment and advanced production technologies, such as SX/EW, and (iii) fully utilizing our metallurgical facilities to capture processing margins and premiums.

*Maintaining a relatively conservative capital structure.* As of March 31, 2005, we had a cash balance of US\$809 million and total debt of US\$1.21 billion, giving us a net debt position of US\$402 million and a ratio of net debt to net debt plus shareholders' equity of 0.12. Since March 31, 2005, the most significant change to our cash balance was the payment of a US\$350 million dividend. We seek to maintain a relatively conservative level of financial leverage with the goal of enabling us to minimize our borrowing costs, to be opportunistic regarding growth projects and strategic investments and acquisitions and to reduce financial risks during market downturns.

*Dividends.* We have distributed a significant amount of our net income as dividends since 1996. We anticipate paying significant amounts of dividends for the immediately foreseeable future, although we cannot assure you that this dividend practice will be maintained.

### Copper Market Conditions

Copper is a fundamental material in the world's infrastructure. Copper has unique chemical and physical properties, including high electrical conductivity and resistance to corrosion, as well as excellent malleability and ductility, that have made it a superior material for use in the electrical energy, telecommunications, building construction, transportation and industrial machinery businesses. Wire and cable products, used principally as energy cable, building wire and magnet wire, account for as much as 71% of copper consumption. Copper is also an important metal in non-electrical applications such as plumbing, roofing and, when alloyed with zinc to form brass, in many industrial and consumer applications. The building and construction industry accounts for approximately 37% of worldwide copper usage. Worldwide copper sales in 2004 were estimated to be approximately US\$48 billion based on 2004 worldwide copper sales of 16.9 million tons and the average copper price per pound in 2004 of US\$1.29.

Historically, the price of copper has been both volatile and cyclical, a reflection of current and expected economic conditions and the supply of and demand for copper.

During the 1980s and 1990s, copper prices averaged, on an annual basis, approximately US\$0.84 per pound and US\$1.01 per pound, respectively. The price of copper has increased considerably over the past few years since its 15-year low reached in November 2001, particularly since March 2003 when significant appreciation of the metal commenced. In 2004, the average copper price of US\$1.29 per pound was almost US\$0.50 higher than the previous year's average. We believe factors contributing to the current strength of copper prices include:

*Reduced supply and low inventory levels.* Reduction in new mine development, declining grades at existing mines and discipline among existing producers in not expanding production have all contributed to a current supply deficit. This has been aided by the significant restructuring and consolidation in the industry over the past few years. Current inventories of copper held by producers and commodity exchanges are at historically low levels. When copper inventories are low, higher copper prices generally result.

*Increased demand, especially from China.* Increases in worldwide industrial production as well as increased use of copper in developing countries have led to recent increases in demand for copper. China's growth in copper consumption, which accounted for approximately 40% of the increase in global market consumption of copper in 2004, has been a significant contributor to demand. Demand has also benefited from a recovery in the U.S. manufacturing sector. As producers' and commodities exchanges' inventories have decreased and industrial production and consumer confidence have increased, end users have increased their business inventories of copper as they have realized the need to have copper available, particularly on short notice.

*Weakening U.S. dollar.* There has been a strong inverse correlation over time between copper prices and U.S. dollar exchange rates. Approximately 92% of copper production occurs in regions where the local currency is not the U.S. dollar. Production economics for producers and the impact of raw materials costs on consumers in these regions change with movements in the exchange rate of the U.S. dollar against these regions' currencies. The current weakness of the U.S. dollar has had a significant upward impact on the price of copper in U.S. dollars.

These factors, which are all interdependent and impact prices to varying degrees, are reflected in the current market price of copper. Changes to any one of these factors will impact prices in the future.

### Corporate Information

We were incorporated in Delaware in 1952. Our corporate offices in the U.S. are located at 2575 East Camelback Road, Suite 500, Phoenix, Arizona 85016 and our telephone number is (602) 977-6595. Our corporate offices in Mexico are located at Avenida Baja California No. 200, Colonia Roma Sur, 06760 Mexico, D.F., Mexico. Our corporate offices in Peru are located at Avenida Caminos del Inca 171, Chacarilla del Estanque, Surco, Lima 100, Peru. Our website is [www.southernperu.com](http://www.southernperu.com). The information on our website is not part of this prospectus supplement.

**The Offering**

Selling Stockholders	Cerro Trading Company, Inc., SPC Investors L.L.C., Phelps Dodge Overseas Capital Corporation and Climax Molybdenum B.V. See "Principal and Selling Stockholders."
This Offering	20,978,497 shares of our common stock are being offered by the selling stockholders. See "Underwriting."
Use of Proceeds	All of the shares of common stock offered in this offering will be sold by the selling stockholders. We will not receive any proceeds from the sale of these shares.
New York Stock Exchange symbol	PCU.
Over-Allotment	The selling stockholders have agreed to sell up to an aggregate of 1,573,387 additional shares of common stock if the underwriters exercise their over-allotment option. See "Underwriting."

Unless otherwise noted, the information in this prospectus supplement assumes the underwriters have not exercised their over-allotment option.

### Summary Combined Financial Information

The following tables present our summary combined financial information and other data for the years indicated. These tables should be read in conjunction with the Audited Combined Financial Statements and the notes thereto included elsewhere in this prospectus supplement and are qualified in their entirety by the information contained therein. Our Audited Combined Financial Statements and the financial information in the tables below reflect our April 1, 2005 acquisition of Minera México as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and results of operations for SPCC and Minera México on a combined basis. See "Financial and Other Information Financial Information."

	Year Ended December 31,				
Statement of Earnings Data	2000(1)	2001(1)	2002	2003	2004
	(dollars in thousands, except per share data)				
Net sales	\$ 1,823,161	\$ 1,560,028	\$ 1,388,421	\$ 1,576,641	\$ 3,096,697
Cost of sales (exclusive of depreciation, amortization and depletion)	1,287,107	1,232,764	961,201	992,383	1,334,330
Selling, general and administrative	80,605	70,174	69,351	63,597	71,778
Depreciation, amortization and depletion	160,729	165,901	157,608	177,058	192,586
Exploration	19,582	15,939	13,345	17,869	15,610
Operating income	275,138	75,250	186,916	325,734	1,482,393
Interest expense	162,279	171,242	128,747	117,009	107,904
Interest capitalized	(11,012)	(9,600)	(8,220)	(5,563)	(10,681)
Interest income	(10,590)	(23,194)	(4,097)	(5,198)	(8,348)
(Gain) loss on debt prepayments	(1,246)	2,159	12,400	5,844	16,500
Gain on disposal of properties					(53,542)
Other expense (income)	2,483	435	(7,202)	4,174	9,689
Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	133,224	(65,792)	65,288	209,468	1,420,871
Net earnings (loss)	\$ 20,760	\$ (109,914)	\$ 144,929	\$ 83,536	\$ 982,386
Earnings (loss) per share	\$ 0.14	\$ (0.75)	\$ 0.98	\$ 0.57	\$ 6.67
Weighted average shares outstanding basic (in thousands)	147,216	147,210	147,213	147,220	147,224
Weighted average shares outstanding diluted (in thousands)	147,216	147,212	147,217	147,225	147,224

	Year Ended December 31,				
Other Financial Information	2000(1)	2001(1)	2002	2003	2004
	(dollars in thousands, except per share data)				
EBITDA(2)	\$ 434,630	\$ 238,558	\$ 339,326	\$ 492,774	\$ 1,702,332
Capitalized mine stripping and leachable material	72,724	107,861	91,954	79,704	92,797
Capital expenditure excluding capitalized mine stripping cost and leachable materials	214,462	180,921	85,380	64,880	228,299
Cash dividends paid per share(3)	0.18	0.19	0.19	0.31	1.30

	Year Ended December 31,				
Balance Sheet Data	2000(1)	2001(1)	2002	2003	2004
	(dollars in thousands)				



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Year Ended December 31,

Cash, cash equivalents and marketable securities	172,895	\$	260,499	\$	175,071	\$	551,610	\$	755,974
Total assets	\$	4,454,694	4,480,582	4,419,030	4,491,028	5,319,193			
Total long-term debt, including current portion		1,690,475	1,714,334	1,621,231	1,671,231	1,330,288			
Total liabilities		2,452,944	2,633,264	2,452,538	2,385,885	2,494,314			
Total stockholders' equity		1,902,116	1,751,859	1,881,452	2,022,745	2,813,595			

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## Year Ended December 31,

Financial Ratios	Year Ended December 31,				
	2000(1)	2001(1)	2002	2003	2004
Gross margin(4)	20.6%	10.3%	19.4%	25.8%	50.7%
Operating income margin(5)	15.1	4.8	13.5	20.7	47.9
Net margin(6)	1.1	(7.0)	10.4	5.3	31.7
Net debt/total capitalization(7)	44.4	45.4	43.4	39.5	17.0
Total debt/EBITDA(2)	3.9x	7.2x	4.8x	3.4x	0.8x

- (1) Financial information as of and for the years ended December 31, 2000 and 2001 is unaudited.
- (2) EBITDA is net earnings; plus cumulative effect of change in accounting principle, minority interest, income taxes, interest expense, interest income and depreciation, amortization and depletion; minus interest capitalized. EBITDA is used as a measure of performance by our management and is not a measure of performance under generally accepted accounting principles, or GAAP. We present EBITDA because we believe it provides management and investors with useful information by which to measure our performance. EBITDA should not be construed as an alternative to (a) net income as an indicator of our operating performance or (b) cash flow from our operating activities as a measure of liquidity. EBITDA also does not represent funds available for dividends, reinvestment or other discretionary uses. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures presented by other companies.
- A reconciliation between EBITDA and net earnings for each of the periods presented in the table is presented beginning on page S-60.
- (3) On a historical basis, without giving effect to the acquisition of Minera México, SPCC's cash dividends paid per share were \$0.34, \$0.36, \$0.36, \$0.57 and \$2.39 for the years ended December 31, 2000, 2001, 2002, 2003 and 2004, respectively.
- (4) Represents net sales less cost of sales (including depreciation, amortization and depletion), divided by net sales as a percentage.
- (5) Represents operating income divided by sales as a percentage.
- (6) Represents net earnings divided by sales as a percentage.
- (7) Represents net debt divided by net debt plus stockholders' equity.

## Summary Operating Data

The following table sets out certain operating data underlying our combined financial and operating information for each of the years in the five-year period ended December 31, 2004.

	Year Ended December 31,				
Mining Production	2000	2001	2002	2003	2004
Material mined (thousands of tons)	360,871	385,666	357,635	356,600	386,364
Contained copper in concentrate (tons)	542,665	533,616	491,828	547,172	603,907
Electrowon copper metal (tons)	111,625	114,989	122,190	118,744	114,100
Total copper (tons)	654,290	648,605	614,018	665,916	718,007
Contained molybdenum in concentrate (tons)	14,090	13,869	11,747	12,521	14,373
Contained zinc in concentrate (tons)	167,798	149,252	135,442	128,760	133,778
	Year Ended December 31,				
Smelter/Refinery Production	2000	2001	2002	2003	2004
Copper metal (tons)	622,620	676,038	579,905	537,501	594,278
Zinc metal (tons)	105,879	107,005	92,012	101,069	102,556
Silver metal (ounces)	16,354,149	15,812,859	15,536,299	12,146,550	10,795,929
	Year Ended December 31,				
Net Metal Sales(1)	2000	2001	2002	2003	2004
Net copper sold (tons)	743,831	721,412	645,107	660,485	709,668
Net molybdenum sold (tons)	14,250	13,890	11,695	12,498	14,350
Net zinc sold (tons)	155,255	141,913	126,499	122,217	120,922
Net silver sold (ounces)	26,167,423	24,924,443	20,371,448	19,498,041	20,212,366
	Year Ended December 31,				
Average Realized Prices	2000	2001	2002	2003	2004
Copper price (US\$ per pound)	\$ 0.86	\$ 0.75	\$ 0.74	\$ 0.81	\$ 1.36
Molybdenum price (US\$ per pound)	2.28	2.08	3.42	5.32	20.55
Zinc price (US\$ per pound)	0.54	0.42	0.39	0.40	0.51
Silver price (US\$ per ounce)	4.91	4.25	4.52	4.87	6.35
	Year Ended December 31,				
Operating Cash Costs(2)	2000	2001	2002	2003	2004
Cash cost per pound of copper produced	\$ 0.63	\$ 0.52	\$ 0.43	\$ 0.44	\$ 0.18
Cash cost per pound of copper produced (without byproduct revenue)	0.99	0.81	0.74	0.74	0.85

(1) Includes finished metal (including blister, cathode and rod) sales and payable metal in concentrate sales to third parties, less payable metal in third-party concentrate purchases. "Payable metal" refers to the content of metal contained in concentrates that is actually valued and paid for.

(2) Operating cash costs per pound of copper produced is an overall benchmark we use and a common industry metric to measure performance. 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 cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is presented beginning on page S-60. We have

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defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus administrative charges, treatment and refining charges and third party copper purchases; less byproduct revenue, depreciation, amortization and depletion, workers' participation and inventory change. Operating cash costs also exclude the portion of our mine stripping costs that we capitalize. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Operating Cash Costs."

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## Summary Reserves Data

The table below details our copper and molybdenum reserves as estimated at December 31, 2004. Pursuant to SEC guidance, the reserves information in this prospectus supplement is calculated using average metals prices over the most recent three years, unless otherwise stated. We refer to these three-year average metals prices as "current average prices." Our current average prices for copper are calculated using prices quoted by COMEX, and our current average prices for molybdenum are calculated according to Platts *Metals Week*. Unless otherwise stated, reserves estimates in this prospectus supplement use US\$0.939 per pound for copper and US\$8.425 per pound for molybdenum, both current average prices as of December 31, 2004. The current average prices for copper and molybdenum were US\$0.751 and US\$3.81, respectively, as of December 31, 2003 and US\$0.760 and US\$2.88, respectively, as of December 31, 2002. For a further discussion of how we calculate our reserves, see "Business Reserves."

	<b>Cuajone Mine(1)</b>	<b>Toquepala Mine(1)</b>	<b>Cananea Mine(1)</b>	<b>La Caridad Mine(1)</b>	<b>Total Open-Pit Mines</b>	<b>Immsa(2)</b>
<b>Mineral Reserves</b>						
Metal prices:						
Copper (\$/lb.)	\$ 0.939	\$ 0.939	\$ 0.939	\$ 0.939	\$ <b>0.939</b>	\$ 0.939
Molybdenum (\$/lb.)	\$ 8.425	\$ 8.425	\$ 8.425	\$ 8.425	\$ <b>8.425</b>	\$ 8.425
Cut-off grade	0.356%	0.365%	0.287%	0.325%		
Sulfide ore reserves (thousands of tons)	1,395,244	1,382,678	2,524,785	555,747	<b>5,858,454</b>	32,601
Average grade:						
Copper	0.616%	0.665%	0.571%	0.427%	<b>0.590%</b>	0.53%
Molybdenum	0.020%	0.036%		0.025%	<b>0.027%</b>	
Leachable material (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	<b>4,510,564</b>	
Leachable material grade	0.424%	0.203%	0.278%	0.195%	<b>0.225%</b>	
Waste (thousands of tons)	2,956,952	3,755,389	3,392,097	268,532	<b>10,372,970</b>	
Total material (thousands of tons)	4,374,959	7,025,334	7,320,363	2,021,332	<b>20,741,988</b>	
Stripping ratio	2.14	4.08	1.90	2.64	<b>2.54</b>	
<b>Leachable material</b>						
Reserves in stock (thousands of tons)	25,137	790,462	553,599	435,635	<b>1,804,833</b>	
Average copper grade	0.478%	0.139%	0.279%	0.250%	<b>0.214%</b>	
In-pit reserves (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	<b>4,510,564</b>	
Average copper grade	0.424%	0.203%	0.278%	0.195%	<b>0.225%</b>	
Total leachable reserves (thousands of tons)	47,900	2,677,729	1,957,680	1,632,688	<b>6,315,997</b>	
Average copper grade	0.452%	0.184%	0.278%	0.210%	<b>0.222%</b>	
<b>Copper contained in ore reserves (thousands of tons)(3)</b>	<b>8,691</b>	<b>13,026</b>	<b>18,318</b>	<b>4,707</b>	<b>44,742</b>	<b>172.78</b>

(1) The Cuajone, Toquepala, Cananea and La Caridad concentrator recoveries calculated for these reserves were 83.8%, 90.3%, 81.0% and 78.4%, respectively, obtained by using recovery formulas according to the different milling capacities and geo-metallurgical zones.

(2) The Immsa Unit includes the Charcas, Santa Bárbara, San Martín, Santa Eulalia and Taxco mines. The information above does not include information for the Santa Eulalia mine as it was recently reopened.

(3) Copper contained in ore reserves for open-pit mines is (i) the product of sulfide ore reserves and the average copper grade plus (ii) the product of in-pit leachable reserves and the average copper grade. Copper contained in ore reserves for underground mines is the product of sulfide ore reserves and the average copper grade.

### Recent Developments

The following table highlights key combined financial and operating results for the three months ended March 31, 2004 and 2005. This table should be read in conjunction with our condensed combined interim financial statements for the three months ended March 31, 2004 and 2005 and notes thereto included elsewhere in this prospectus supplement and are qualified in their entirety by the information contained therein. Our condensed combined interim financial statements and the financial information and operating results in the table below reflect our April 1, 2005, acquisition of Minera México on a combined basis. See "Financial and Other Information Financial Information." For additional information relating to our financial condition and results of operation for the three months ended March 31, 2004 and 2005, see "Management's Discussion and Analysis of Financial Condition Recent Developments" and "Management's Discussion and Analysis of Financial Condition Liquidity and Capital Resources."

Statement of Earnings Data and Other Financial Information	Three Months Ended March 31,	
	2004	2005
	(dollars in thousands)	
Net sales	\$ 602,523	\$ 946,075
Cost of sales (exclusive of depreciation, amortization and depletion)	262,633	389,570
Selling, general and administrative	16,623	18,598
Depreciation, amortization and depletion	47,533	60,967
Exploration	3,663	5,347
Operating income	272,071	471,593
Interest expense	30,775	22,946
Interest capitalized	(1,337)	(2,269)
Interest income	(1,336)	(5,452)
Loss on derivative instruments		7,276
Loss on debt prepayments		4,020
Other income	(174)	(835)
Net earnings	167,474	298,361
EBITDA(1)	\$ 319,778	\$ 522,099

(1) EBITDA is net earnings; plus cumulative effect of change in accounting principle, minority interest, income taxes, interest expense, interest income and depreciation, amortization and depletion; minus interest capitalized. EBITDA is used as a measure of performance by our management and is not a measure of performance under generally accepted accounting principles, or GAAP. We present EBITDA because we believe it provides management and investors with useful information by which to measure our performance. EBITDA should not be construed as an alternative to (a) net income as an indicator of our operating performance or (b) cash flow from our operating activities as a measure of liquidity. EBITDA also does not represent funds available for dividends, reinvestment or other discretionary uses. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures presented by other companies.

A reconciliation between EBITDA and net earnings for each of the periods presented in the table is presented beginning on page S-60.

## RISK FACTORS

*Before making a decision to invest in our common stock, you should read this entire prospectus supplement and the accompanying prospectus, including information incorporated by reference. You should also carefully consider each of the risk factors set forth below prior to deciding whether or not to purchase shares of our common stock.*

*The following risks, and other risks and uncertainties not currently known to us or those that we deem immaterial, may also materially and adversely affect our business, results of operations and financial condition. In such an event, the trading price of our common stock could decline and you may lose all or part of your investment.*

### Risks Relating to Our Business Generally

***Our financial performance is highly dependent on the price of copper and the other metals we produce.***

Our financial performance is significantly affected by the market prices of the metals that we produce, particularly the market prices of copper and molybdenum. Historically, prices of the metals we produce have been subject to wide fluctuations and are affected by numerous factors beyond our control, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates. In addition, the market prices of copper and certain other metals have on occasion been subject to rapid short-term changes.

In 2004, a 60% increase in copper prices on the London Metal Exchange, or LME, and the Commodities Exchange, Inc., or COMEX, and a 206% increase in molybdenum prices, in addition to an 18% increase in our molybdenum production volume and sales volume, contributed to an increase of approximately 95% in our total sales in 2004 as compared with 2003. While the price of copper dropped to a 15-year low of US\$0.61 per pound in 2001, it has since increased by approximately 133% to US\$1.49 per pound as of June 1, 2005. The price of molybdenum has also recently increased significantly and is currently at historically high levels. The average annual price of molybdenum over the five-year period ended December 31, 2004 was US\$6.73 per pound, with a price per pound as of June 1, 2005 of US\$40.50 per pound. Over the past two years, as a result of this increase in molybdenum prices, molybdenum has become a significant contributor to our sales.

We cannot predict whether metals prices will rise or fall in the future. A decline in metals prices and, in particular, copper or molybdenum prices, would have an adverse impact on our results of operations and financial condition, and we might, in very adverse market conditions, consider curtailing or modifying certain of our mining and processing operations.

***Changes in the level of demand for our products could adversely affect our product sales.***

Our revenue is dependent on the level of industrial and consumer demand for the concentrates and refined and semi-refined metal products we sell. Changes in technology, industrial processes and consumer habits may affect the level of that demand to the extent that such changes increase or decrease the need for our metal products. Such a change in demand could impact our results of operations and financial condition.

***Our actual reserves may not conform to our current estimates of our ore deposits.***

There is a degree of uncertainty attributable to the calculation of reserves. Until reserves are actually mined and processed, the quantity of ore and grades must be considered as estimates only. The proven and probable ore reserves data included in this prospectus supplement are estimates prepared by us based on evaluation methods generally used in the international mining industry. Independent engineers have not verified these reserves estimates. We may be required in the future to revise our reserves estimates based on our actual production. We cannot assure you that our actual reserves will conform to geological, metallurgical or other expectations or that the estimated volume and grade of

ore will be recovered. Lower market prices, increased production costs, reduced recovery rates, short-term operating factors, royalty taxes and other factors may render proven and probable reserves uneconomic to exploit and may result in revisions of reserves data from time to time. Reserves data are not indicative of future results of operations. See "Business Reserves."

***Our business requires substantial capital expenditures.***

Our business is capital intensive. Specifically, the exploration and exploitation of copper and other metal reserves, mining, smelting and refining costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase the amount of copper reserves that we exploit and the amount of copper and other metals we produce. We cannot assure you that we will be able to maintain our production levels or generate sufficient cash flow, or that we will have access to sufficient financing to continue our exploration, exploitation and refining activities at or above present levels.

***The expected benefits of our recent acquisition of Minera México, including expected synergies, may not be realized.***

On April 1, 2005, we completed our acquisition of Minera México from AMC, a subsidiary of Grupo México, our controlling stockholder. We are now in the process of integrating two companies that previously had been affiliated but operated independently. We acquired Minera México based on a number of factors, including trends we believe may favor consolidation in the copper mining industry, potential improvement in production and our relative cost position, geographic diversification of our operations and potential operating synergies. We also considered potential negative effects in evaluating the transaction, including lower than expected mineral production from Minera México, diversion of management's attention and the risk that potential operating synergies may not be realized. We cannot assure you that the benefits we expect from the acquisition will be achieved or that potential negative effects will not be realized and adversely affect us.

***Restrictive covenants in the agreements governing our indebtedness and the indebtedness of our Minera México subsidiary may restrict our ability to pursue our business strategies.***

Our financing instruments and those of our Minera México subsidiary include financial and other restrictive covenants that, among other things, limit our and Minera México's abilities to pay dividends, incur additional debt and sell assets. If either we or our Minera México subsidiary do not comply with these obligations, we could be in default under the applicable agreements which, if not addressed or waived, could require repayment of the indebtedness immediately. Minera México's new US\$600 million credit facility contains limitations on its incurrence of additional debt and liens and on its ability to dispose of assets. Our Minera México subsidiary is further limited by the terms of its outstanding bonds, which also restrict the Company's incurrence of debt and liens. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing."

***Our operations are subject to risks, some of which are not insurable.***

The business of mining, smelting and refining copper, zinc and other metals is subject to a number of risks and hazards, including industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment, environmental hazards and weather and other natural phenomena, such as earthquakes. Such occurrences could result in damage to, or destruction of, mining operations resulting in monetary losses and possible legal liability. In particular, surface and underground mining and related processing activities present inherent risks of injury to personnel and damage to equipment. We maintain insurance against many of these and other risks, which may not provide adequate coverage in certain circumstances. Insurance against certain risks, including certain liabilities for environmental pollution or hazards as a result of exploration and production, is not



generally available to us or other companies within the mining industry. We do not have, and do not intend to obtain, political risk insurance. These or other uninsured events may adversely affect our financial condition and results of operations.

***The loss of one of our large customers could have a negative impact on our results of operations.***

The loss of one or more of our significant customers could adversely affect our financial condition and results of operations. In 2002, 2003 and 2004, our largest customer accounted for approximately 6.9%, 6.7% and 10.7%, respectively, of our sales. Additionally, our five largest customers in each of 2002, 2003 and 2004 collectively accounted for approximately 25.8%, 26.5% and 33.7%, respectively, of our sales.

***Our selected combined financial information for 2000 and 2001 has been derived from financial statements that are unaudited.***

This prospectus supplement includes Audited Combined Financial Statements as of December 31, 2004, and for each of the years in the three-year period ended December 31, 2004. This prospectus supplement also includes certain combined financial information as of and for the years ended December 31, 2000 and 2001. The 2000 and 2001 combined financial information is unaudited and has been derived from audited stand-alone financial statements of SPCC and Minera México; however, the combined financial information for 2000 and 2001 has been prepared by our management on a basis which we believe is consistent with the basis on which the Audited Combined Financial Statements have been prepared.

Our selected historical financial information for 2000 and 2001, which is incorporated into the accompanying prospectus by reference to SPCC's annual report on Form 10-K for 2004, is derived from financial statements that were audited by Arthur Andersen LLP, independent certified public accountants. Subsequently, Arthur Andersen ceased to audit publicly-held companies.

***Deliveries under our copper sales agreements can be suspended or cancelled by our customers in certain cases.***

Under each of our copper sales agreements, we or our customers may suspend or cancel delivery of copper during a period of force majeure. Events of force majeure under these agreements include acts of nature, labor strikes, fires, floods, wars, transportation delays, government actions or other events that are beyond the control of the parties. Any suspension or cancellation by our customers of deliveries under our copper or other sales contracts that are not replaced by deliveries under new contracts or sales on the spot market would reduce our cash flow and could adversely affect our financial condition and results of operations.

***The copper mining industry is highly competitive.***

We face competition from other copper mining and producing companies around the world. Although we are currently among the lowest cost copper producers in our region, we cannot assure you that competition from lower cost producers will not adversely affect us in the future.

In addition, mines have limited lives and, as a result, we must periodically seek to replace and expand our reserves by acquiring new properties. Significant competition exists to acquire properties producing or capable of producing copper and other metals.

The mining industry has experienced significant consolidation in recent years, including consolidation among some of our main competitors, as a result of which an increased percentage of copper production is from companies that also produce other products and may, consequently, be more diversified than we are. We cannot assure you that the result of current or further consolidation in the industry will not adversely affect us.

Potential changes to international trade agreements, trade concessions or other political and economic arrangements may benefit copper producers operating in countries other than Peru and Mexico, where our mining operations are currently located. We cannot assure you that we will be able to compete on the basis of price or other factors with companies that in the future may benefit from favorable trading or other arrangements.

***Increases in energy costs, accounting policy changes and other matters may adversely affect our results of operations.***

We require substantial amounts of fuel oil, electricity and other resources for our operations. Energy costs constitute approximately 22.8% of our cost of sales. We rely upon third parties for our supply of the energy resources consumed in our operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, worldwide price levels and market conditions. For example, during the 1970s and 1980s, our ability to import fuel oil was restricted by Peruvian government policies that required us to purchase fuel oil domestically from a government-owned oil producer at prices substantially above those prevailing on the world market. In addition, in recent years the price of oil has risen dramatically due to a variety of factors. Disruptions in supply or increases in costs of energy resources could have a material adverse effect on our financial condition and results of operations.

We believe our results of operations will also be affected by accounting policy changes, including the March 17, 2005 Emerging Issues Task Force, or EITF, consensus ratified by the Financial Accounting Standards Board, or FASB, on March 30, 2005. The consensus states that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the cost of the inventory produced during the period that the stripping costs are incurred, as further discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Capitalized Mine Stripping Costs and Leachable Material." We are exploring a number of alternatives in adopting this consensus, which could involve restating the effect of this change in accounting principal for prior periods or taking a one-time charge in a current period.

A recent Mexican Supreme Court decision is also expected to affect our results by requiring increased workers' profit sharing payments by our Minera México subsidiary. In May 2005, the court rendered a decision that changed the method of computing the amount of statutory workers' profit-sharing required to be paid by certain Mexican companies, including Minera México. The court's ruling in effect prohibited applying net operating loss carryforwards in computing the income used as the base for determining the workers' profit sharing amounts, as further described under "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Other Liquidity Considerations." We expect this ruling will adversely affect our results of operations and liquidity position to the extent we pay higher workers' profit-sharing amounts.

Additionally, we expect our future results will be affected by a recently-enacted Peruvian mining royalty charge, as further described under "Business Mining Rights and Concessions Peru." While we are currently disputing several aspects of this new law, we cannot assure you that this new royalty charge will not adversely affect our results of operations and liquidity position in future periods.

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

In the last several years we have experienced a number of strikes or other labor disruptions that have had an adverse impact on our operations and operating results. See "Business Employees." For example, in Peru, on August 31, 2004, unionized workers at our mining units in Toquepala and Cuajone initiated work stoppages and sought additional wage increases based on high metals prices. The strike was resolved on September 13, 2004. In Mexico, on July 12, 2004, the workers of Mexicana de Cobre,

S.A. de C.V. ("Mexcobre") went on strike asking for the review of certain contractual clauses. Such a review was performed and the workers returned to work 18 days later. On October 15, 2004, the workers of Mexicana de Cananea, S.A. de C.V. ("Mexcananea") went on strike, followed by the Mexicana de Cobre workers. The strike lasted for 6 days at Mexicana de Cobre and 9 days at Mexicana de Cananea. In each case, our operations at the particular mine ceased until the strike was resolved. We cannot assure you that we will not experience strikes or other labor-related work stoppages that could have a material adverse effect on our financial condition and results of operations.

***Environmental, health and safety laws and other regulations may increase our costs of doing business, restrict our operations or result in operational delays.***

Our exploration, mining, milling, smelting and refining activities are subject to a number of Peruvian and Mexican laws and regulations, including environmental laws and regulations, as well as certain industry technical standards. Additional matters subject to regulation include, but are not limited to, concession fees, transportation, production, water use and discharge, power use and generation, use and storage of explosives, surface rights, housing and other facilities for workers, reclamation, taxation, labor standards, mine safety and occupational health.

Environmental regulations in Peru and Mexico have become increasingly stringent over the last decade and we have been required to dedicate more time and money to compliance and remediation activities. We anticipate additional laws and regulations will be enacted over time with respect to environmental matters and such laws may be influenced by certain new Peruvian environmental laws imposing closure and remediation obligations on the mining industry. Our Mexican operations are also subject to the environmental agreement entered into by Mexico, the United States and Canada in connection with the North American Free Trade Agreement. The development of more stringent environmental protection programs in Peru and Mexico and in relevant trade agreements could impose constraints and additional costs on our operations and require us to make significant capital expenditures in the future. We cannot assure you that future legislative, regulatory or trade developments will not have an adverse effect on our business, properties, results of operations, financial condition or prospects.

***Our metals exploration efforts are highly speculative in nature and may be unsuccessful.***

Metals exploration is highly speculative in nature, involves many risks and is frequently unsuccessful. Once mineralization is discovered, it may take a number of years from the initial phases of drilling before production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable ore reserves through drilling, to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. We cannot assure you that our exploration programs will result in the expansion or replacement of current production with new proven and probable ore reserves.

Development projects have no operating history upon which to base estimates of proven and probable ore reserves and estimates of future cash operating costs. Estimates are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of the mineral from the ore, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, actual cash operating costs and economic returns based upon development of proven and probable ore reserves may differ significantly from those originally estimated. Moreover, significant decreases in actual or expected prices may mean reserves, once found, will be uneconomical to produce.

***Our profits may be negatively affected by currency exchange rate fluctuations.***

Our assets, earnings and cash flows are influenced by various currencies due to the geographic diversity of our sales and the countries in which we operate. As some of our costs are incurred in currencies other than our functional currency, the U.S. dollar, fluctuations in currency exchange rates may have a significant impact on our financial results. These costs principally include electricity, labor, maintenance, operation contractors and fuel. For the year ended December 31, 2004, a substantial portion of our costs were denominated in a currency other than U.S. dollar. Operating costs are influenced by the currencies of the countries where our mines and processing plants are located and also by those currencies in which the costs of equipment and services are determined. The Peruvian nuevo sol, the Mexican peso and the U.S. dollar are the most important currencies influencing costs.

The U.S. dollar is our functional currency and our revenues are primarily denominated in U.S. dollars. However, portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Accordingly, when inflation in Peru or Mexico increases without a corresponding devaluation of the nuevo sol or peso, respectively, our financial position, results of operations and cash flows could be adversely affected. To manage the volatility related to the risk of currency rate fluctuations, we may enter into forward exchange contracts. We cannot assure you, however, that currency fluctuations will not have an impact on our financial condition and results of operations.

Further, in the past there has been a strong correlation between copper prices and the exchange rate of the U.S. dollar. A strengthening of the U.S. dollar may therefore be accompanied by lower copper prices, which would negatively affect our financial condition and results of operations.

***We may be adversely affected by challenges relating to slope stability.***

Our open-pit mines get deeper as we mine them, presenting certain geotechnical challenges including the possibility of slope failure. If we are required to decrease pit slope angles or provide additional road access to prevent such a failure, our stated reserves could be negatively affected. Further, hydrological conditions relating to pit slopes, removal of material displaced by slope failures and increased stripping requirements could also negatively affect our stated reserves. We have taken actions in order to maintain slope stability, but we cannot assure you that we will not have to take additional action in the future or that our actions taken to date will be sufficient. Unexpected failure or additional requirements to prevent slope failure may negatively affect our results of operations and financial condition, as well as have the effect of diminishing our stated ore reserves.

***We are controlled by Grupo México, which exercises significant influence over our affairs and policies and whose interests may be different from yours.***

Grupo México, S.A. de C.V. owns approximately 75.1% of our capital stock. In addition, certain of our officers and directors are also officers of Grupo México. We cannot assure you that the interests of Grupo México will not conflict with yours.

Grupo México has the ability to determine the outcome of substantially all matters submitted for a vote to our stockholders and thus exercises control over our business policies and affairs, including the following:

the composition of our board of directors and, as a result, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;

determinations with respect to mergers and other business combinations, including those that may result in a change of control;

whether dividends are paid or other distributions are made and the amount of any dividends or other distributions;

sales and dispositions of our assets; and

the amount of debt financing that we incur.

In addition, we have in the past engaged in, and expect to continue to engage in, transactions with Grupo México and its other affiliates that may present conflicts of interest. For additional information regarding the share ownership of, and our relationships with, Grupo México and its affiliates, see "Principal and Selling Stockholders" and "Related Party Transactions."

***The price of our common stock may fluctuate significantly, which may result in losses for investors.***

The market price of our common stock has been and may continue to be volatile. For example, during the 52-week period ended December 31, 2004, the closing sales prices of our common stock as reported on the New York Stock Exchange ranged from a low of US\$26.10 to a high of US\$55.80. Our stock price can fluctuate as a result of a variety of factors beyond our control, including:

actual or anticipated fluctuations in copper or other metals prices;

actual or anticipated fluctuations in quarterly and annual results;

mergers and strategic alliances in the mining industry;

market conditions in the industry;

changes in government regulations;

fluctuations in our quarterly revenues and earnings and those of our publicly held competitors;

shortfalls in our operating results from levels forecast by securities analysts;

announcements concerning us or our competitors; and

the general state of the securities market.

The market price of our stock may continue to fluctuate in response to these and other factors. We cannot assure you that the price of our common stock will not be volatile in the future or that our stockholders will not suffer losses.

***Future sales of common stock by some of our existing Peruvian institutional stockholders could cause our stock price to decline.***

Approximately 2% of our outstanding common stock is held by Peruvian pension funds. These pension funds are subject to regulation by the *Superintendencia de Banca y Seguros* (Banking and Insurance Commission, or SBS) in Peru and are limited as to the percentage of their investment portfolios that is classified as *inversiones en el exterior* (foreign investments), which are defined generally as investments in companies having more than 50% of their assets located outside of Peru. Prior to our acquisition of Minera México on April 1, 2005, substantially all of SPCC's assets were located in Peru. Thus, SPCC was treated as a domestic investment for purposes of these pension fund regulations. However, following the acquisition of Minera México, approximately 51% of our assets are located in Peru. The SBS has informed us that our status as a domestic investment will be reviewed by it on a quarterly basis and that, should the percentage of our consolidated assets located in Peru decrease to below 50%, we could be reclassified as a foreign investment. In the event of such reclassification, the Peruvian pension funds that currently own our common stock may have to sell all or a portion of these shares, which could cause the market price of our common stock to decline. The perception among investors that these sales may occur could produce the same effect.

***We may be restricted from paying cash dividends on our common stock in the future.***

We have distributed a significant amount of our net income as dividends since 1996 and we anticipate paying significant amounts of dividends for the immediately foreseeable future, although we cannot assure you that this dividend practice will be maintained. Our dividend

practice is subject to change at the discretion of our board of directors at any time. The determination of the amount of

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dividends to pay, if any, is subject to a number of factors, including our results of operations, financial condition, cash requirements, tax considerations, future prospects and other factors that our board of directors may deem relevant. Our ability to pay dividends is also subject to legal and contractual restrictions. In addition, we may become subject to limits on our ability to distribute dividends imposed by the governments of Peru, Mexico or other countries where we have significant operations. For example, from 1985 through 1990 we were subject to controls on repatriation of funds that limited the ability of our stockholders to receive dividends outside of Peru.

In addition, we cannot assure you that the agreements governing our current and future indebtedness will permit us to pay dividends on our common stock. A substantial amount of our revenue is attributable to our recently-acquired Minera México subsidiary that has its own contractual and other restrictions on the amount of dividends it can pay to us. Further, substantially all of the credit agreements of our subsidiaries contain financial covenants or other limitations, which may restrict the payment of dividends, distributions or the transfer of assets. We cannot assure you that the current or future dividend restrictions of Minera México or any of its subsidiaries will not limit our ability to pay dividends in the future.

#### **Risks Associated with Doing Business in Peru and Mexico**

##### ***There is uncertainty as to the termination and renewal of our mining concessions.***

Under the laws of Peru and Mexico, mineral resources belong to the state and government concessions are required in both countries to explore for or exploit mineral reserves. In Peru, our mineral rights derive from concessions from the Peruvian Ministry of Energy and Mines for our exploration, exploitation, extraction and/or production operations. In June 2004, the Peruvian Congress enacted legislation imposing a royalty tax to be paid by mining companies in favor of the regional governments and communities where mining resources are located. Under the new law, we are subject to a 1% to 3% tax, based on sales, applicable to the value of the concentrates produced in our Toquepala and Cuajone mines. See "Business Mining Rights and Concessions Peru." In Mexico, our mineral rights derive from concessions granted, on a discretionary basis, by the *Secretaría de Economía* (Ministry of Economy), formerly known as *Secretaría de Comercio y Fomento Industrial*, pursuant to the *Ley Minera* (the Mining Law) and regulations thereunder.

Mining concessions in both Peru and Mexico may be terminated if the obligations of the concessionaire are not satisfied. In Peru, we are obligated to pay certain fees for our mining concession. In Mexico, we are obligated, among other things, to explore or exploit the relevant concession, to pay any relevant fees, to comply with all environmental and safety standards, to provide information to the Ministry of Economy and to allow inspections by the Ministry of Economy. Any termination or unfavorable modification of the terms of one or more of our concessions, or failure to obtain renewals of such concessions subject to renewal or extensions, could have a material adverse effect on our financial condition and prospects.

##### ***Peruvian economic and political conditions may have an adverse impact on our business.***

A significant part of our operations are conducted in Peru. Accordingly, our business, financial condition or results of operations could be affected by changes in economic or other policies of the Peruvian government or other political, regulatory or economic developments in Peru. During the past several decades, Peru has had a history of political instability that has included military coups and a succession of regimes with differing policies and programs. Past governments have frequently intervened in the nation's economy and social structure. Among other actions, past governments have imposed controls on prices, exchange rates and local and foreign investment as well as limitations on imports, have restricted the ability of companies to dismiss employees, have expropriated private sector assets (including mining companies) and have prohibited the remittance of profits to foreign investors.

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From 1985 through 1990, during the Alan García administration, government policies restricted our ability, among other things, to repatriate funds and import products from abroad. In addition, currency exchange rates were strictly controlled and all exports sales were required to be deposited in Peru's *Banco Central de Reserva*, where they were exchanged from U.S. dollars to the Peruvian currency at less-than-favorable rates of exchange. These policies generally had an adverse effect on our results of operations. Controls on repatriation of funds limited the ability of our stockholders to receive dividends outside of Peru but did not limit the ability of our stockholders to receive distributions of earnings in Peru.

In July 1990, Alberto Fujimori was elected president, and his administration implemented a broad-based reform of Peru's political system, economy and social conditions aimed at stabilizing the economy, restructuring the national government by reducing bureaucracy, privatizing state-owned companies, promoting private investment, developing and strengthening free markets and enacting programs for the strengthening of basic services related to education, health, housing and infrastructure. After taking office for his third term in July 2000 under extreme protest, President Fujimori was forced to call for general elections due to the outbreak of corruption scandals, and later resigned in favor of a transitory government headed by the president of Congress, Valentín Paniagua.

Mr. Paniagua took office in November 2000 and in July 2001 handed over the presidency to Alejandro Toledo, the winner of the elections decided in the second round held on June 3, 2001, ending two years of political turmoil. Since his election, President Toledo has retained, for the most part, the economic policies of the previous government, focusing on promoting private investment, eliminating tax exemptions, reducing underemployment and unemployment and privatizing state-owned companies in various sectors including energy, mining and public services. President Toledo also implemented fiscal austerity programs, among other proposals, in order to stimulate the economy. Despite Peru's moderate economic growth, the Toledo administration has at times faced public unrest spurred by the high rates of unemployment, underemployment and poverty. President Toledo has been forced to restructure his cabinet on several occasions to quell public unrest and to maintain his political alliances.

Given that the Toledo administration continues to face a fragmented Congress and continuing public unrest, we cannot assure you that the government will continue its current economic policies or that Peru's recent economic growth will be sustained. In addition, presidential elections are expected to be held in Peru in the second quarter of 2006, which may mean a change in Peru's economic policies. Because we have significant operations in Peru, future Peruvian governmental actions could have an adverse effect on market conditions, prices and returns on our securities, and on our business, results of operations, financial condition, ability to obtain financing and prospects.

There is a risk of terrorism in Peru relating to *Sendero Luminoso* and the *Movimiento Revolucionario Tupac Amaru*, which were particularly active in the 1980s and early 1990s. We cannot guarantee that acts by these or other terrorist organizations will not adversely affect our operations in the future.

### ***Mexican economic and political conditions may have an adverse impact on our business.***

A significant part of our operations are based in Mexico. In the past, Mexico has experienced both prolonged periods of weak economic conditions and dramatic deterioration in economic conditions, characterized by exchange rate instability and significant devaluation of the peso, increased inflation, high domestic interest rates, a substantial outflow of capital, negative economic growth, reduced consumer purchasing power and high unemployment. An economic crisis occurred in 1995 in the context of a series of internal disruptions and political events including a large current account deficit, civil unrest in the southern state of Chiapas, the assassination of two prominent political figures, a substantial outflow of capital and a significant devaluation of the peso. We cannot assure you that such



conditions will not recur, that other unforeseen negative political or social conditions will not arise or that such conditions will not have a material adverse effect on our financial condition and results of operations.

On July 2, 2000, Vicente Fox of the *Partido Acción Nacional* (the National Action Party), or PAN, was elected president. Although his election ended more than 70 years of presidential rule by the *Partido Revolucionario Institucional* (the Institutional Revolutionary Party), or PRI, neither the PAN nor the PRI succeeded in securing a majority in the Mexican congress. In elections in 2003 and 2004, the PAN lost additional seats in the Mexican congress and state governorships. The lack of a majority party in the legislature and the lack of alignment between the legislature and the executive branch have resulted in legislative gridlock, which is expected to continue at least until the Mexican presidential elections in 2006. Such legislative gridlock has impeded the progress of structural reforms in Mexico, which may have a material adverse effect on the Mexican economy and cause disruptions to our operations. Furthermore, economic plans of the Mexican government in the past have not, in certain respects, fully achieved their objectives, and we cannot assure you that any reforms that are undertaken will achieve their stated goals. Because we have significant operations in Mexico, we cannot provide any assurance that current legislative gridlock and/or future political developments in Mexico, including the 2006 presidential and congressional elections, will not have a material adverse effect on market conditions, prices and returns on our securities, our ability to obtain financing, and our results of operations and financial condition.

***Peruvian inflation, reduced economic growth and fluctuations in the nuevo sol exchange rate may adversely affect our financial condition and results of operations.***

Over the past several decades, Peru has experienced periods of high inflation, slow or negative economic growth and substantial currency devaluation. The inflation rate in Peru, as measured by the *Indice de Precios al Consumidor* and published by the *Instituto Nacional de Estadística e Informática*, the National Institute of Statistics, has fallen from a high of 7,649.7% in 1990 to 3.5% in 2004. The Peruvian currency has been devalued numerous times during the last 20 years. The devaluation rate has decreased from a high of 4,019.3% in 1990 to a negative of 5.2% in 2004. Our revenues are primarily denominated in U.S. dollars and our operating expenses are partly denominated in U.S. dollars. If inflation in Peru were to increase without a corresponding devaluation of the nuevo sol relative to the U.S. dollar, our financial position and results of operations, and the market price of our common stock, could be affected. Although the Peruvian government's stabilization plan has significantly reduced inflation and the Peruvian economy has experienced moderate growth in recent years, we cannot assure you that inflation will not increase from its current level or that such growth will continue in the future at similar rates or at all.

Among the economic circumstances that could lead to a devaluation of the nuevo sol is the decline of Peruvian foreign reserves to inadequate levels. Peru's foreign reserves at March 31, 2005 were US\$13.4 billion as compared to US\$10.2 billion at December 31, 2003. We cannot assure you that Peru will be able to maintain adequate foreign reserves to meet its foreign currency denominated obligations or that Peru will not devalue its currency should its foreign reserves decline.

***Mexican inflation, restrictive exchange control policies and fluctuations in the peso exchange rate may adversely affect our financial condition and results of operations.***

Although all of our Mexican operations' sales of metals are priced and invoiced in U.S. dollars, a substantial portion of our Mexican operations' cost of sales are denominated in pesos. Accordingly, when inflation in Mexico increases without a corresponding devaluation of the peso, as it did in 2000, 2001 and 2002, the net income generated by our Mexican operations is adversely affected.

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The annual inflation rate in Mexico was 5.7% in 2002, 4.0% in 2003 and 5.2% in 2004. The Mexican government has publicly announced that it does not expect inflation to exceed 4.0% in 2005. At the same time, the peso has been subject in the past to significant devaluation, which may not have been proportionate to the inflation rate and may not be proportionate to the inflation rate in the future. The value of the peso declined by 12.5% in 2002, 8.4% in 2003 and 0.6% in 2004.

While the Mexican government does not currently restrict the ability of Mexican companies or individuals to convert pesos into dollars or other currencies, in the future, the Mexican government could impose a restrictive exchange control policy, as it has done in the past. We cannot assure you that the Mexican government will maintain its current policies with regard to the peso or that the peso's value will not fluctuate significantly in the future. The imposition of such exchange control policies could impair Minera México's ability to obtain imported goods and to meet its U.S. dollar-denominated obligations and could have an adverse effect on our business and financial condition.

***Developments in other emerging market countries and in the United States may adversely affect the market value of our company.***

The market value of securities of companies with significant operations in Peru and Mexico is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Peru or Mexico, as the case may be, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of the securities of issuers that have significant operations in Peru or Mexico.

In addition, in recent years economic conditions in Mexico have increasingly become correlated to U.S. economic conditions. Therefore, adverse economic conditions in the United States could have a significant adverse effect on Mexican economic conditions. We cannot assure you that our market value would not be adversely affected by events in the United States or elsewhere, especially in emerging market countries.

## EXCHANGE RATES

## Exchange Rates in Peru

Since March 1991, there have been no exchange controls in Peru and all foreign exchange transactions are based on free market exchange rates. During the previous two decades, however, the Peruvian currency had experienced a significant number of large devaluations. Therefore, Peru has adopted and operated under various exchange rate control practices and exchange rate determination policies. These policies have ranged from strict control over exchange rates to market-determination of rates. Investors are allowed to purchase foreign currency at free market exchange rates through any member of the Peruvian banking system.

The following table shows, for the periods and dates indicated, the period-end, average, high and low exchange rates for U.S. dollars, as published by the *Banco Central de Reserva del Peru* (Central Reserve Bank of Peru, or BCRP) expressed in nuevos soles per U.S. dollar. The Federal Reserve Bank of New York does not report a noon buying rate for nuevos soles. The information in this table reflects Peruvian nuevos soles at historical values rather than in constant Peruvian nuevos soles. The high and low exchange rates provided in the table are the highest and lowest of the twelve month-end exchange rates for each year based on the BCRP exchange rate. The average rate is in each case the average of month-end exchange rates during such period.

Year Ended December 31,	BCRP Rate(1)			
	Period End	Average	High	Low
2000	3.527	3.495	3.529	3.445
2001	3.446	3.510	3.628	3.435
2002	3.515	3.500	3.646	3.434
2003	3.464	3.477	3.496	3.462
2004	3.283	3.413	3.502	3.282
2005 (through May 31)	3.255	3.261	3.289	3.254

(1)

Source: *Banco Central de Reserva del Peru*

The exchange rate for U.S. dollars as of June 1, 2005 was 3.255 nominal nuevos soles per U.S. dollar.

## Exchange Rates in Mexico

On December 21, 1994, Banco de México implemented a floating foreign exchange rate regime under which the peso is allowed to float freely against the U.S. dollar and other foreign currencies. Banco de México has indicated it will intervene directly in the foreign exchange market only to reduce what it deems to be excessive short-term volatility. Since mid-2003, Banco de México has been conducting auctions of U.S. dollars in an attempt to reduce the levels of its foreign reserves. Banco de México conducts open market operations on a regular basis to determine the size of Mexico's monetary base. Changes in Mexico's monetary base have an impact on the exchange rate. Banco de México may increase or decrease the reserve of funds that financial institutions are required to maintain. If the reserve requirement is increased, financial institutions will be required to allocate more funds to their reserves, which will reduce the amount of funds available for operations. This causes the amount of available funds in the market to decrease and the cost, or interest rate, to obtain funds to increase. The opposite happens if reserve requirements are lowered. This mechanism, known as "corto" or "largo," as the case may be, or more formally "the daily settlement balance target," represents a device used by Banco de México to adjust the level of interest and foreign exchange rates.

We cannot assure you, however, that Banco de México will maintain its current policies with respect to the peso or that the peso will not depreciate significantly in the future. Moreover, we cannot

assure you that the Mexican government will not impose exchange controls or otherwise restrict foreign exchange, including the exchange of pesos into U.S. dollars, in the future.

Banco de México has provided for risk management and hedging mechanisms against fluctuations in the peso to dollar exchange rate. Banco de México allows Mexican banks and brokerage houses to participate in futures markets for the peso. In April 1995, the Chicago Mercantile Exchange introduced peso futures contracts and options on peso futures contracts and started trading these options and futures. On December 18, 1998, trading started at the Mexican Derivatives Exchange, including peso futures contracts.

In the event of shortages of foreign currency, we cannot assure you that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations would continue to be available without substantial additional cost.

The following table sets forth, for the periods indicated, the period-end, average, high and low noon buying rate in New York City for cable transfers in pesos published by the Federal Reserve Bank of New York, expressed in pesos per U.S. dollar. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

Year Ended December 31,	FRBNY Rate(1)			
	Period End	Average	High	Low
2000	9.618	9.458	10.087	9.183
2001	9.156	9.335	9.972	8.946
2002	10.425	9.663	10.425	9.001
2003	11.242	10.795	11.406	10.113
2004	11.154	11.290	11.635	10.805
2005 (through May 31)	10.913	11.128	11.411	10.885

(1)

Source: *Federal Reserve Bank of New York*

On June 1, 2005 the noon buying rate was 10.845 pesos per U.S. dollar.

## CAPITALIZATION

The following table sets forth our combined cash, cash equivalents and marketable securities and our combined capitalization as of March 31, 2005. This table should be read in conjunction with our Audited Combined Financial Statements, the unaudited condensed combined interim financial statements for the three months ended March 31, 2004 and 2005 and the notes thereto included elsewhere in this prospectus supplement and is qualified in its entirety by the information contained therein. Our Audited Combined Financial Statements and the financial information in the table below reflect our April 1, 2005 acquisition of Minera México as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and results of operations for SPCC and Minera México on a combined basis. See "Financial and Other Information Financial Information."

Our capitalization will not change as a result of the offering because we are not issuing or selling shares in the offering and we will not receive any proceeds from the sale of the shares by the selling stockholders.

	<b>As of March 31, 2005(1)</b>
	<b>(dollars in thousands)</b>
Cash, cash equivalents and marketable securities(2)	\$ 809,334
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Short-term debt:	
Minera México US\$600 million credit facility	\$ 28,235
Peruvian bond program	30,000
Mitsui credit agreement	10,000
	<hr/>
Total short-term debt	68,235
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Long-term indebtedness:	
Minera México US\$600 million credit facility	451,765
8.25% Yankee bonds Series A due 2008	316,245
9.25% Yankee bonds Series B due 2028	125,000
SPCC US\$200 million credit facility	170,000
Mitsui credit agreement	80,000
	<hr/>
Total long-term debt	1,143,010
<hr/>	
Minority interest	11,929
Stockholders' equity	3,011,956
	<hr/>
Total capitalization	\$ 4,235,130
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(1) Financial information as of and for the three months ended March 31, 2005 is unaudited.

(2) Cash, cash equivalents and marketable securities are not part of the calculation of our total capitalization.

The following is a summary of significant transactions affecting our capitalization during the period from April 1, 2005 through May 13, 2005:

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In April 2005, we made an additional US\$30 million drawdown from our US\$200 million credit facility in order to prepay the remaining US\$30 million outstanding under our Peruvian bond program. On April 12, 2005, we declared a dividend of US\$2.38 per share, totaling US\$350 million. This dividend was paid on May 13, 2005 to our stockholders of record as of April 29, 2005.

As a result of the above mentioned events during the period from April 1, 2005 through May 13, 2005, our retained earnings has been reduced by US\$352.3 million as a result of the US\$350 million dividend and US\$2.3 million in debt prepayment penalties.

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**PRICE RANGE OF COMMON STOCK AND DIVIDEND INFORMATION**

Our common stock is traded on the New York Stock Exchange and the Lima Stock Exchange under the symbol "PCU." The following table sets forth, for the periods shown, the high and low per share sales prices for our common stock as reported on the New York Stock Exchange and the per share dividends paid during those periods. Dividends paid prior to April 1, 2005 are in respect of earnings of SPCC prior to its acquisition of Minera México. Therefore, the amounts of dividends paid set forth below differ from the amounts of dividends reflected in our Audited Combined Financial Statements or in the combined summary or selected financial information included in this prospectus supplement.

Period	High	Low	Dividend Per Share Paid
<b>Year ended December 31, 2003</b>			
First Quarter	\$ 16.17	\$ 14.60	\$ 0.09
Second Quarter	16.20	14.42	0.11
Third Quarter	22.88	15.52	0.14
Fourth Quarter	48.85	22.03	0.26
<b>Year ended December 31, 2004</b>			
First Quarter	\$ 50.50	\$ 36.16	\$ 0.27
Second Quarter	41.85	26.53	0.54
Third Quarter	51.66	36.16	0.76
Fourth Quarter	54.10	42.15	0.82
<b>Year ending December 31, 2005</b>			
First Quarter	\$ 64.20	\$ 43.17	\$ 1.25
Second Quarter (through May 31, 2005)	59.20	44.29	2.38

On June 3, 2005, the last reported sale price for our common stock on the New York Stock Exchange was US\$49.25 per share. As of January 31, 2005, there were approximately 2,831 holders of record of our common stock.

On January 31, 2005, a special dividend of US\$1.25 per share, totaling US\$100 million, was declared and was paid on March 1, 2005. On April 12, 2005, a dividend of US\$2.38 per share, totaling US\$350 million, was declared, and was paid on May 13, 2005, to our stockholders of record as of April 29, 2005.

Set forth below is a chart that shows the amounts of quarterly dividends paid by us since 1996. Dividends paid prior to April 1, 2005 are the actual amounts paid with respect to SPCC prior to its acquisition of Minera México. Therefore, the amounts of dividends paid set forth below differ from the amounts of dividends reflected in our Audited Combined Financial Statements or in the combined summary or selected financial information included in this prospectus supplement.

Period	Total Dividend Amount Paid
(dollars in millions)	
<b>Year ended December 31, 1996</b>	
First Quarter	\$ 52.00
Second Quarter	24.00
Third Quarter	22.40
Fourth Quarter	19.20
<b>Year ended December 31, 1997</b>	
First Quarter	\$ 24.00
Second Quarter	28.00
Third Quarter	29.60
Fourth Quarter	19.20





**Year ended December 31, 1998**

First Quarter	\$	16.00
Second Quarter		6.40
Third Quarter		8.80
Fourth Quarter		9.60

**Year ended December 31, 1999**

First Quarter	\$	2.40
Second Quarter		2.00
Third Quarter		1.76
Fourth Quarter		6.00

**Year ending December 31, 2000**

First Quarter	\$	4.80
Second Quarter		4.00
Third Quarter		4.48
Fourth Quarter		13.92

**Year ended December 31, 2001**

First Quarter	\$	11.44
Second Quarter		7.84
Third Quarter		3.73
Fourth Quarter		5.78

**Year ended December 31, 2002**

First Quarter	\$	5.90
Second Quarter		3.20
Third Quarter		12.48
Fourth Quarter		7.12

**Year ended December 31, 2003**

First Quarter	\$	7.36
Second Quarter		9.12
Third Quarter		10.82
Fourth Quarter		18.04

**Year ended December 31, 2004**

First Quarter	\$	21.60
Second Quarter		43.36
Third Quarter		60.40
Fourth Quarter		65.96

**Year ended December 31, 2005**

First Quarter	\$	100.00
Second Quarter		350.00

We have distributed a significant amount of our net income as dividends since 1996. We anticipate paying significant amounts of dividends for the immediately foreseeable future, although we cannot assure you that this will be the case. The payment of dividends is subject to change at the discretion of our board of directors at any time. The determination of the amount of dividends to pay, if any, is subject to a number of factors, including our results of operations, financial condition, cash requirements, capital investment projects, tax considerations, future prospects and other factors that our board of directors may deem relevant. Our ability to pay dividends is also subject to legal and contractual restrictions. See "Risk Factors Risks Relating to Our Business Generally We may be restricted from paying cash dividends on our common stock in the future."

## SELECTED COMBINED FINANCIAL INFORMATION

The following tables present our selected combined financial information and other data for the years indicated. These tables should be read in conjunction with the Audited Combined Financial Statements and the notes thereto included elsewhere in this prospectus supplement and are qualified in their entirety by the information contained therein. Our Audited Combined Financial Statements and the financial information in the tables below reflect our acquisition of Minera México, completed April 1, 2005, as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and results of operations for SPCC and Minera México on a combined basis. See "Financial and Other information Financial Information." For information regarding our results of operations for the three months ended March 31, 2004 and 2005, see "Summary Recent Developments" above.

	Year Ended December 31,				
	2000(1)	2001(1)	2002	2003	2004
(dollars in thousands, except for per share data)					
<b>Combined Statement of Earnings</b>					
Net sales	\$ 1,823,161	\$ 1,560,028	\$ 1,388,421	\$ 1,576,641	\$ 3,096,697
<b>Operating cost and expenses:</b>					
Cost of sales (exclusive of depreciation, amortization and depletion)	1,287,107	1,232,764	961,201	992,383	1,334,330
Selling, general and administrative	80,605	70,174	69,351	63,597	71,778
Depreciation, amortization and depletion	160,729	165,901	157,608	177,058	192,586
Exploration	19,582	15,939	13,345	17,869	15,610
Total operating costs and expenses	1,548,023	1,484,778	1,201,505	1,250,907	1,614,304
Operating income	275,138	75,250	186,916	325,734	1,482,393
Interest expense	162,279	171,242	128,747	117,009	107,904
Interest capitalized	(11,012)	(9,600)	(8,220)	(5,563)	(10,681)
Interest income	(10,590)	(23,194)	(4,097)	(5,198)	(8,348)
(Gain) loss on debt prepayments	(1,246)	2,159	12,400	5,844	16,500
Gain on disposal of properties					(53,542)
Other expense (income)	2,483	435	(7,202)	4,174	9,689
Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	133,224	(65,792)	65,288	209,468	1,420,871
Income taxes	106,627	46,942	88,496	(120,129)	(433,758)
Minority interest	5,837	(2,819)	(8,855)	(4,262)	(4,727)
Cumulative effect of change in accounting principle, net of income tax				(1,541)	
Net earnings (loss)	\$ 20,760	\$ (109,914)	\$ 144,929	\$ 83,536	\$ 982,386
<b>Per common share amounts:(2)</b>					
Earnings before cumulative effect of change in accounting principle	\$ 0.14	\$ (0.75)	\$ 0.98	\$ 0.57	\$ 6.67
Net earnings basic and diluted	0.14	(0.75)	0.98	0.57	6.67
Dividends paid	0.18	0.19	0.19	0.31	1.30
Weighted average shares outstanding basic (in thousands)	147,216	147,210	147,213	147,220	147,224

(1)

Financial information as of and for the years ended December 31, 2000 and 2001 is unaudited.

(2)

For purposes of these combined financial statements, the issuance of 67,207,640 shares related to the acquisition of Minera México have been reflected as if they had been outstanding as of January 1, 2000.

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## Combined Balance Sheet

	Year Ended December 31,				
	2000(1)	2001(1)	2002	2003	2004
	(dollars in thousands)				
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 172,895	\$ 260,499	\$ 175,071	\$ 351,610	\$ 710,707
Cash retained in collateral accounts			88,048		
Marketable securities					45,267
Accounts receivable:					
Trade	178,120	164,530	117,125	169,279	425,790
Affiliates	8,202		7,221	6,968	15,664
Other	105,211	42,133	69,169	20,163	32,770
Inventories	412,509	357,844	324,453	306,913	352,377
Prepaid taxes and other assets	37,771	34,906	16,355	51,159	52,966
<b>Total current assets</b>	<b>914,708</b>	<b>859,912</b>	<b>797,442</b>	<b>906,092</b>	<b>1,635,541</b>
Property, net	3,295,486	2,977,851	3,136,837	3,040,700	3,068,486
Capitalized mine stripping costs, net	170,572	182,070	255,449	291,490	318,116
Leachable material, net		46,677	77,504	100,014	134,621
Intangible assets, net	19,881	381,180	129,059	126,049	123,496
Other assets, net	54,047	32,892	22,739	26,683	38,933
<b>Total assets</b>	<b>\$ 4,454,694</b>	<b>\$ 4,480,582</b>	<b>\$ 4,419,030</b>	<b>\$ 4,491,028</b>	<b>\$ 5,319,193</b>
<b>Liabilities</b>					
Current liabilities:					
Current portion of long-term debt	\$ 250,667	\$ 1,441,213	\$	\$ 115,307	\$ 152,314
Trade accounts payable	93,599	129,289	198,891	99,735	142,362
Income taxes	9,973	36,104	54,841	58,704	293,295
Other current liabilities	296,567	272,409	232,225	208,824	373,947
<b>Total current liabilities</b>	<b>650,806</b>	<b>1,879,015</b>	<b>485,957</b>	<b>482,570</b>	<b>961,918</b>
Due to affiliates Grupo México		56,216	52,468	52,468	
Long-term debt	1,439,808	273,121	1,621,231	1,555,924	1,177,974
Deferred income taxes	334,154	383,800	246,020	185,866	243,600
Other liabilities	28,176	41,112	46,862	103,790	105,179
Asset retirement obligation				5,267	5,643
<b>Total non-current liabilities</b>	<b>1,802,138</b>	<b>754,249</b>	<b>1,966,581</b>	<b>1,903,315</b>	<b>1,532,396</b>
Minority interest	99,634	95,459	85,040	82,398	11,284
<b>Stockholders' equity</b>	<b>1,902,116</b>	<b>1,751,859</b>	<b>1,881,452</b>	<b>2,022,745</b>	<b>2,813,595</b>
<b>Total liabilities, minority interest and stockholders' equity</b>	<b>\$ 4,454,694</b>	<b>\$ 4,480,582</b>	<b>\$ 4,419,030</b>	<b>\$ 4,491,028</b>	<b>\$ 5,319,193</b>

(1)

Financial information as of and for the years ended December 31, 2000 and 2001 is unaudited.

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## Other Financial Information

	Year Ended December 31,				
	2000(1)	2001(1)	2002	2003	2004
	(dollars in thousands, except per share data)				
EBITDA(2)	\$ 434,630	\$ 238,558	\$ 339,326	\$ 492,774	\$ 1,702,332
Capitalized mine stripping cost and leachable material	72,724	107,861	91,954	79,704	92,797
Capital expenditure excluding capitalized mine stripping cost and leachable material	214,462	180,921	85,380	64,880	228,299
Cash dividends paid per share(3)	\$ 0.18	\$ 0.19	\$ 0.19	\$ 0.31	\$ 1.30

## Financial Ratios

	Year Ended December 31,					
	2000(1)	2001(1)	2002	2003	2004	
Gross margin(4)		20.6%	10.3%	19.4%	25.8%	50.7%
Operating income margin(5)		15.1	4.8	13.5	20.7	47.9
Net margin(6)		1.1	(7.0)	10.4	5.3	31.7
Net debt/total capitalization(7)		44.4	45.4	43.4	39.5	17.0
Total debt/EBITDA(2)		3.9x	7.2x	4.8x	3.4x	0.8x

(1) Financial information as of and for the years ended December 31, 2000 and 2001 is unaudited.

(2) EBITDA is net earnings; plus cumulative effect of change in accounting principle, minority interest, income taxes, interest expense, interest income and depreciation, amortization and depletion; minus interest capitalized. EBITDA is used as a measure of performance by our management and is not a measure of performance under generally accepted accounting principles, or GAAP. We present EBITDA because we believe it provides management and investors with useful information by which to measure our performance. EBITDA should not be construed as an alternative to (a) net income as an indicator of our operating performance or (b) cash flow from our operating activities as a measure of liquidity. EBITDA also does not represent funds available for dividends, reinvestment or other discretionary uses. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures presented by other companies.

A reconciliation between EBITDA and net earnings for each of the periods presented in the table is presented beginning on page S-60.

(3) On a historical basis, without giving effect to the acquisition of Minera México, SPCC's cash dividends paid per share were \$0.34, \$0.36, \$0.36, \$0.57 and \$2.39 for the years ended December 31, 2000, 2001, 2002, 2003 and 2004, respectively.

(4) Represents net sales less cost of sales (including depreciation, amortization and depletion), divided by net sales as a percentage.

(5) Represents operating income divided by sales as a percentage.

(6) Represents net earnings divided by sales as a percentage.

(7) Represents net debt divided by net debt plus stockholders' equity.



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**Selected Operating Data**

The following table sets out certain operating data for each of the years in the five-year period ended December 31, 2004.

Mining Production	Year Ended December 31,				
	2000	2001	2002	2003	2004
Material mined (thousands of tons)	360,871	385,666	357,635	356,600	386,364
Contained copper in concentrate (tons)	542,665	533,616	491,828	547,172	603,907
Electrowon copper metal (tons)	111,625	114,989	122,190	118,744	114,100
Total copper (tons)	654,290	648,605	614,018	665,916	718,007
Contained molybdenum in concentrate (tons)	14,090	13,869	11,747	12,521	14,373
Contained zinc in concentrate (tons)	167,798	149,252	135,442	128,760	133,778
Smelter/Refinery Production	Year Ended December 31,				
	2000	2001	2002	2003	2004
Copper metal (tons)	622,620	676,038	579,905	537,501	594,278
Zinc metal (tons)	105,879	107,005	92,012	101,069	102,556
Silver metal (ounces)	16,354,149	15,812,859	15,536,299	12,146,550	10,795,929
Net Metal Sales(1)	Year Ended December 31,				
	2000	2001	2002	2003	2004
Net copper sold (tons)	743,831	721,412	645,107	660,485	709,668
Net molybdenum sold (tons)	14,250	13,890	11,695	12,498	14,350
Net zinc sold (tons)	155,255	141,913	126,499	122,217	120,922
Net silver sold (ounces)	26,167,423	24,924,443	20,371,448	19,498,041	20,212,366

(1) Includes finished metal (including blister, cathode and rod) sales and payable metal in concentrate sales to third parties, less payable metal in third-party concentrate purchases. "Payable metal" refers to the content of metal contained in concentrates that is actually valued and paid for.

Average Realized Prices	Year Ended December 31,				
	2000	2001	2002	2003	2004
Copper price (US\$ per pound)	\$ 0.86	\$ 0.75	\$ 0.74	\$ 0.81	\$ 1.36
Molybdenum price (US\$ per pound)	2.28	2.08	3.42	5.32	20.55
Zinc price (US\$ per pound)	0.54	0.42	0.39	0.40	0.51
Silver price (US\$ per ounce)	4.91	4.25	4.52	4.87	6.35
Operating Cash Costs(1)	Year Ended December 31,				
	2000	2001	2002	2003	2004
Cash cost per pound of copper produced (US\$ per pound)	\$ 0.63	\$ 0.52	\$ 0.43	\$ 0.44	\$ 0.18
Cash cost per pound of copper produced (without byproduct revenue) (US\$ per pound)	0.99	0.81	0.74	0.74	0.85



(1)

Operating cash costs per pound of copper produced is an overall benchmark we use and a common industry metric to measure performance. 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 cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is presented beginning on page S-60. We have defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus administrative charges, treatment and refining charges, third party copper purchases; less byproducts revenue, depreciation, amortization and depletion, workers' participation and inventory change. Operating cash costs also exclude the portion of our mine stripping costs that we capitalize. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Operating Cash Costs."

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## Selected Reserves Data

The table below details our copper and molybdenum reserves as estimated at December 31, 2004. Pursuant to SEC guidance, the reserves information in this prospectus supplement is calculated using average metals prices over the most recent three years, unless otherwise stated. We refer to these three-year average metals prices as "current average prices." Our current average prices for copper are calculated using prices quoted by COMEX, and our current average prices for molybdenum are calculated according to Platts *Metals Week*. Unless otherwise stated, reserves estimates in this prospectus supplement use US\$0.939 per pound for copper and US\$8.425 per pound for molybdenum, both current average prices as of December 31, 2004. The current average prices for copper and molybdenum were US\$0.751 and US\$3.81, respectively, as of December 31, 2003 and US\$0.760 and US\$2.88, respectively, as of December 31, 2002. For a further discussion of how we calculate our reserves, see "Business Reserves."

	<u>Cuajone Mine(1)</u>	<u>Toquepala Mine(1)</u>	<u>Cananea Mine(1)</u>	<u>La Caridad Mine(1)</u>	<u>Total Open-Pit Mines</u>	<u>Immsa(2)</u>
<b>Mineral Reserves</b>						
Metal prices:						
Copper (\$/lb.)	\$ 0.939	\$ 0.939	\$ 0.939	\$ 0.939	\$ <b>0.939</b>	\$ 0.939
Molybdenum (\$/lb.)	\$ 8.425	\$ 8.425	\$ 8.425	\$ 8.425	\$ <b>8.425</b>	\$ 8.425
Cut-off grade	0.356%	0.365%	0.287%	0.325%		
Sulfide ore reserves (thousands of tons)	1,395,244	1,382,678	2,524,785	555,747	<b>5,858,454</b>	32,601
Average grade:						
Copper	0.616%	0.665%	0.571%	0.427%	<b>0.590%</b>	0.53%
Molybdenum	0.020%	0.036%		0.025%	<b>0.027%</b>	
Leachable material (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	<b>4,510,564</b>	
Leachable material grade	0.424%	0.203%	0.278%	0.195%	<b>0.225%</b>	
Waste (thousands of tons)	2,956,952	3,755,389	3,392,097	268,532	<b>10,372,970</b>	
Total material (thousands of tons)	4,374,959	7,025,334	7,320,363	2,021,332	<b>20,741,988</b>	
Stripping ratio	2.14	4.08	1.90	2.64	<b>2.54</b>	
<b>Leachable material</b>						
Reserves in stock (thousands of tons)	25,137	790,462	553,599	435,635	<b>1,804,833</b>	
Average copper grade	0.478%	0.139%	0.279%	0.250%	<b>0.214%</b>	
In-pit reserves (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	<b>4,510,564</b>	
Average copper grade	0.424%	0.203%	0.278%	0.195%	<b>0.225%</b>	
Total leachable reserves (thousands of tons)	47,900	2,677,729	1,957,680	1,632,688	<b>6,315,997</b>	
Average copper grade	0.452%	0.184%	0.278%	0.210%	<b>0.222%</b>	
<b>Copper contained in ore reserves (thousands of tons)(3)</b>	<b>8,691</b>	<b>13,026</b>	<b>18,318</b>	<b>4,707</b>	<b>44,742</b>	<b>172.78</b>

(1) The Cuajone, Toquepala, Cananea and La Caridad concentrator recoveries calculated for these reserves were 83.8%, 90.3%, 81.0% and 78.4%, respectively, obtained by using recovery formulas according to the different milling capacities and geo-metallurgical zones.

(2) The Immsa Unit includes the Charcas, Santa Bárbara, San Martín, Santa Eulalia and Taxco mines. The information above does not include information for the Santa Eulalia mine as it was recently reopened.

(3) Copper contained in ore reserves for open-pit mines is (i) the product of sulfide ore reserves and the average copper grade plus (ii) the product of in-pit leachable reserves and the average copper grade. Copper contained in ore reserves for underground mines is the product of sulfide ore reserves and the

average copper grade.

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

*This Management's Discussion and Analysis of Financial Condition and Results of Operations relates to and should be read together with our Audited Combined Financial Statements as of and for each of the years in the three-year period ended December 31, 2004. The information below under the heading "Recent Developments" should be read together with our unaudited condensed combined financial statements for the three months ended March 31, 2004 and 2005. Our financial statements in this prospectus supplement reflect the accounts of Southern Peru Copper Corporation as well as those of Minera México. Effective April 1, 2005, Southern Peru Copper Corporation acquired substantially all of the outstanding common stock of Minera México. The acquisition was accounted for in a manner similar to a pooling of interests as it involved the reorganization of entities under common control. Under such accounting, the financial statements of SPCC and Minera México are combined on a historical cost basis for all the periods presented since they were under the indirect common control of Grupo México during all of these periods. Therefore, unless otherwise noted, the discussion below of our financial condition and results of operations is for us, including our Minera México subsidiary, on a combined basis for all periods. Our combined financial results may not be indicative of the results of operations that actually would have been achieved had the acquisition of Minera México taken place at the beginning of the periods presented and do not purport to be indicative of our future results.*

*This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in the forward-looking statements as a result of a number of factors. See "Forward-Looking Statements."*

**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. The sales prices for our products are largely determined by market forces outside of our control. Our management, therefore, focuses on production enhancement and cost control 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.

We discuss below several matters that our management believes 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) metals prices, (iii) our recent acquisition of Minera México and (iv) the effects of inflation and other local currency issues.

***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 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 administrative charges, treatment and refining charges and third party copper purchases; less byproducts revenue, depreciation, amortization and depletion, workers' participation and other inventory change. 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. We account for this byproduct revenue 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

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valued, in large part, by the investment community's view of the copper market and our ability to produce copper at a reasonable cost. The recent surge in the price of molybdenum, however, has had a significant effect on our traditional calculation of cash cost and its comparability between periods. Accordingly, we present cash costs below with and without crediting the byproduct 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. Workers' participation provisions are determined on the basis of pre-tax earnings and are also excluded. Additionally excluded from operating cash costs are inventory charges, items of a non-recurring nature, and the portion of our mine stripping costs that we capitalize.

Our operating cash costs per pound, as defined, are presented in the table below for the three years ended December 31, 2004. We present cash costs with and without the inclusion of byproduct revenues below, as the recent increases in the price of molybdenum have significantly affected our calculation of cash costs.

	2002	2003	2004
	(dollars per pound)		
Operating cash cost per pound of copper produced	\$ 0.429	\$ 0.435	\$ 0.182
Operating cash cost per pound of copper produced (without byproduct revenue)	\$ 0.743	\$ 0.743	\$ 0.852

A reconciliation of our operating cash costs per pound to our GAAP cost of sales is presented beginning on page S-60 under the subheading " Non-GAAP Information Reconciliation."

The reduction in the cash costs per pound of copper produced (including byproduct revenue) in 2004 is to a large extent attributable to the increase in the molybdenum sales price. The credit to the above costs for molybdenum sales amounted to US\$0.061 per pound, US\$0.102 per pound and US\$0.412 per pound, in 2002, 2003 and 2004, respectively. The cash cost without byproduct revenue increased in 2004 compared with 2003 as a result of cost increases, including the cost of power, maintenance expenses and the cost of replacement parts. We believe our operating cash costs will increase as a result of the EITF consensus which we describe below under " Critical Accounting Policies and Estimates Capitalized Mine Stripping Costs and Leachable Material."

### *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 metals prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged and giving no effects to potential hedging programs or changes in past production, metal price sensitivity factors would indicate the estimated change in operating income resulting from metal price changes in 2004 as provided in the table below.

	Copper	Molybdenum	Zinc
Change in metal prices (per pound)	\$ 0.01	\$ 1.00	\$ 0.01
Change in operating income (in millions)	\$ 15.6	\$ 31.6	\$ 2.7

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For a further discussion regarding the important role metals prices have on our profitability and financial performance, see "Industry Metals Prices" and "Risk Factors Risks Relating to Our Business Generally Our financial performance is highly dependent on the price of copper and the other metals we produce."

### *Minera México Acquisition*

On April 1, 2005, we acquired Minera México from Americas Mining Corporation, or AMC, a subsidiary of Grupo México, our controlling stockholder. Minera México is the largest mining company in Mexico and the eleventh largest copper producer in the world on a stand-alone basis. On April 1, 2005, we exchanged 67,207,640 newly-issued shares of our common stock for the outstanding shares of Minera México's direct majority stockholder, and Minera México became our 99%-owned subsidiary. As a part of this transaction, on March 1, 2005, we paid a special transaction dividend in the aggregate amount of US\$100 million to all of our stockholders. Upon completion of the merger, Grupo México increased its indirect beneficial ownership of our capital stock from approximately 54.2% to approximately 75.1%.

We are now in the process of integrating two companies that had previously been affiliated but operated independently. With this acquisition, we have increased our total copper reserves by 107%, or 23,199 million tons, based on year-end 2004 reserves, and have increased our annual copper production by 81%, equivalent to 320,000 tons of copper, based on 2004 production.

For a discussion of certain risks relating to our Minera México acquisition, see "Risk Factors Risks Relating to Our Business Generally The expected benefits of our recent acquisition of Minera México, including expected synergies, may not be realized."

### *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, respectively, 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 onto 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. Recent inflation and devaluation rates are provided in the table below.

	Year Ended December 31,		
	2002	2003	2004
<b>Peru</b>			
Peruvian inflation (deflation) rate	1.5%	2.5%	3.5%
Nuevo sol/dollar (change in exchange rate year to year)	2.0	(1.5)	(5.2)
<b>Mexico</b>			
Mexican inflation (deflation) rate	5.7%	4.0%	5.2%
Peso/dollar (change in exchange rate year to year)	12.5	8.4	0.6

We describe certain exchange rate risks associated with our Company in "Risk Factors Risks Associated with Doing Business in Peru and Mexico Peruvian inflation, reduced economic growth and fluctuations in the nuevo sol exchange rate may adversely affect our financial condition and results of operations" and "Risk Factors Risks Associated with Doing Business in Peru and Mexico Mexican inflation, restrictive exchange control policies and fluctuations in the peso exchange rate may adversely affect our financial condition and results of operations."

## Critical Accounting Policies and Estimates

Our discussion and analysis of our combined financial condition and results of operations, as well as quantitative and qualitative disclosures about market risks, are based upon our combined financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these combined 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: carrying value of the ore reserves that are the basis for future cash flows estimates and units-of-production depreciation and amortization calculations; capitalized mine stripping costs and leachable material; and asset retirement obligations. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

### *Ore Reserves*

For purposes of our long-term planning, our management uses metal price assumptions of US\$0.90 per pound for copper and US\$4.50 per pound for molybdenum. These prices are intended to approximate average prices over the long term. Ore reserves based on these prices are the basis for our internal planning, including the preparation of the mine plans for our mines. Our management uses these price assumptions as it believes these prices reflect the full price cycle of the metals market.

However, pursuant to SEC guidance, the reserves information in this prospectus supplement is calculated using average metals prices over the most recent three years, except as otherwise stated. We refer to these three-year average metals prices as "current average prices." Our current average prices for copper are calculated using prices quoted by COMEX, and our current average prices for molybdenum are calculated according to Platts *Metals Week*. Unless otherwise stated, reserves estimates in this prospectus supplement use US\$0.939 per pound for copper and US\$8.425 per pound for molybdenum, both current average prices as of December 31, 2004. The current average prices for copper and molybdenum were US\$0.751 and US\$3.81, respectively, as of December 31, 2003 and US\$0.760 and US\$2.88, respectively, as of December 31, 2002.

In this prospectus supplement certain financial information is based on reserve estimates based on certain metals price assumptions. These items include the amount of mine stripping that is capitalized, units of production amortization of capitalized mine stripping and amortization of intangible assets. For SPCC, commencing in 2003, we have used reserve estimates based on current average metals prices as of the most recent year then ended to determine these items. For periods prior to 2003 for SPCC, we have used reserves estimates based on metals prices intended to approximate average prices over the long term. In calculating such items for periods ended on or prior to December 31, 2004 for Minera México, we have used reserves estimates based on these longer term price assumptions. For periods ended after December 31, 2004, such items for Minera México have been calculated using reserves estimates based on current average prices.

In calculating these items for the three-month periods ended March 31, 2004 and 2005 for SPCC, we have used reserve estimates based on current average prices as of the most recent year then ended. In calculating these items for the three-month period ended March 31, 2004 for Minera México, we have used reserves estimates based on the above mentioned longer term price assumptions. In calculating these items for the three-month period ended March 31, 2005 for Minera México, we have used reserves estimates based on current average prices as of the year ended December 31, 2004.

For further information regarding our reserves, see "Business Reserves" and "Risk Factors Risks Relating to our Business Generally Our actual reserves may not conform to our current estimates of our ore deposits."

*Capitalized Mine Stripping Costs and Leachable Material*

In carrying out our mining operations, we are required to remove waste material to access mineral deposits. Because the concentration of mineral deposits is not evenly distributed throughout the ore body, there are periods during the life of the mine in which we mine more waste as compared to ore produced, and periods during which we mine less waste as compared to ore produced. These mining costs are commonly referred to as "stripping" costs.

For each of our existing mines in the production stage, our mine engineers have calculated a life-of-mine stripping ratio that represents our estimate of the total amount of waste to be removed at each mine divided by the estimated total proven and probable reserves at such mine. The mine stripping ratios are used to determine the amount of mine production costs to be charged against earnings. In periods when the actual ratio of waste to mineral ore extracted exceeds the life-of-mine stripping ratios, we capitalize production costs associated with mining operations in proportion to the excess waste mined. Such capitalized costs are included in net capitalized mine stripping, and are amortized to operations using the units of production method. This charge to operations for the amortization of deferred stripping costs could differ materially between reporting periods to the extent that there were material changes in the value of proven and probable reserves. Copper resources contained in piles of leachable materials that have been extracted from the mines are not included in the determination of units of production amortization. Conversely, in periods when the actual ratio of waste to mineral ore mined is less than the life-of-mine stripping ratio, we reduce the net capitalized mine stripping asset proportionally with a charge to amortization expense. During periods we are stripping at the higher rates, increased mining costs associated with the higher tonnages are incurred. Costs of this nature are necessary in a mining operation to ensure the availability of mineable ore in future periods. The deferred stripping accounting method is generally accepted in the mining industry where mining operations have diverse grades and waste-to-mineral ore ratios; however, industry practice does vary.

At the March 17, 2005 meeting of the Emerging Issues Task Force, or EITF, the EITF reached a consensus that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. The EITF noted that the consensus does not address the accounting for stripping costs incurred during the pre-production phase of a mine. The consensus with respect to this issue was ratified by the FASB on March 30, 2005, and will be effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. We are reviewing this consensus and expect to adopt a new accounting policy. Adoption of the EITF consensus will significantly change the accounting for capitalized stripping costs incurred during the production phase. At December 31, 2004, we had on our balance sheet US\$452.7 million of costs associated with capitalized mine stripping and leachable material, net, which may be impacted by this consensus. We anticipate that a significant portion of this asset may be written off and equity and net income would be reduced accordingly. In addition, future operating income could be negatively impacted to the extent that costs previously capitalized are expensed. We are exploring a number of alternatives in adopting this consensus, which could involve restating the effect of this change in accounting principle for prior periods or taking a one-time charge in a current period.

If we were to have expensed all production stripping costs associated with our mining operations as incurred, net operating costs would have increased by US\$91.9 million, US\$79.7 million and US\$92.7 million for the years ended December 31, 2002, 2003 and 2004, respectively.

We further discuss capitalized mine stripping costs and leachable material in Notes 2 and 5 to our Audited Combined Financial Statements included herein.



**Asset Retirement Obligation**

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Accounting for reclamation and remediation obligations requires management to make estimates unique to each mining operation of the future costs we will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. These estimates are based on inflation assumptions using the U.S. Consumer Price Index and using our risk-free credit rate (which is based on our credit status). Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by us. Any such increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

**Revenue Recognition**

For certain of our sales of copper and molybdenum products, customers are given the option to select a monthly average LME or COMEX price (as is the case for sales of copper products) or the molybdenum oxide proprietary market price estimate of Platts *Metals Week* (as is the case for sales of molybdenum products), generally ranging between one and three months subsequent to shipment. In such cases, revenue is recorded at a provisional price at the time of shipment. The provisionally priced copper sales are adjusted to reflect forward copper prices based on LME or COMEX prices at the end of each month until a final adjustment is made to the price of the shipments upon settlement with customers pursuant to the terms of the contract. In the case of molybdenum sales, for which there are no published forward prices, the provisionally priced sales are adjusted to reflect the market prices at the end of each month until a final adjustment is made to the price of the shipments upon settlement with customers pursuant to the terms of the contract.

The following are the provisionally priced copper and molybdenum sales outstanding at December 31, 2002, 2003 and 2004:

Provisionally Priced Sales	Year Ended December 31,		
	2002	2003	2004
<b>Copper</b>			
Millions of pounds	43.8	51.1	179.7
Priced at (per pound)	\$ 0.73	\$ 1.08	\$ 1.46
<b>Molybdenum</b>			
Millions of pounds	0.5	3.7	6.3
Priced at (per pound)	\$ 3.20	\$ 7.60	\$ 32.38

Provisional sales adjustments included in accounts receivable and net sales were as follows at December 31, 2002, 2003 and 2004:

Provisional Sales Adjustments	Year Ended December 31,		
	2002	2003	2004
	(dollars in millions)		
Copper	\$ 3.8	\$ 8.4	\$ 15.9
Molybdenum	(0.8)	6.9	69.2
<b>Total</b>	<b>\$ 3.0</b>	<b>\$ 15.3</b>	<b>\$ 85.1</b>

**Results of Operations**

The following table highlights key combined financial and operating results for each of the years in the three-year period ended December 31, 2004.

Statement of Earnings Data	Year Ended December 31,		
	2002	2003	2004
	(dollars in thousands)		
Net sales	\$ 1,388,421	\$ 1,576,641	\$ 3,096,697
Cost of sales (exclusive of depreciation, amortization and depletion)	961,201	992,383	1,334,330
Selling, general and administrative	69,351	63,597	71,778
Depreciation, amortization and depletion	157,608	177,058	192,586
Exploration	13,345	17,869	15,610
Operating income	186,916	325,734	1,482,393
Interest expense	128,747	117,009	107,904
Interest capitalized	(8,220)	(5,563)	(10,681)
Interest income	(4,097)	(5,198)	(8,348)
Loss on debt prepayments	12,400	5,844	16,500
Gain on disposal of properties			(53,542)
Other (income) expense	(7,202)	4,174	9,689
Income taxes	88,496	(120,129)	(433,758)
Minority interest	(8,855)	(4,262)	(4,727)
Net earnings	\$ 144,929	\$ 83,536	\$ 982,386

The table below outlines the average prices (rounded to the nearest cent) at which we sold our metals for each of the years ended December 31, 2002, 2003 and 2004.

**Average Metals Prices Realized**

	Year Ended December 31,			% Change 2002 to 2003	% Change 2003 to 2004
	2002	2003	2004		
Copper (pounds)	\$ 0.74	\$ 0.81	\$ 1.36	9.5%	67.9%
Molybdenum (pounds)	3.42	5.32	20.55	55.6	286.3
Zinc (pounds)	0.39	0.41	0.51	5.1	24.4
Silver (ounces)	4.52	4.87	6.35	7.7	30.4
Gold (ounces)	308.67	360.28	388.57	16.7	7.8

*Year Ended December 31, 2004 Compared to Year Ended December 31, 2003*

**Net sales**

	Year Ended December 31,			% Change
	2003	2004	Change	
	(dollars in thousands)			
Net sales	\$ 1,576,641	\$ 3,096,697	\$ 1,520,056	96.4%

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Net sales increased in 2004 compared with 2003 principally due to significant increases in metals prices, particularly those of copper and molybdenum, for which our average sales prices rose 67.9% and 286.3%, respectively. In addition to increased metals prices, increased mine production was also an important factor in increasing our net sales in 2004. Copper production for 2004 increased 7.8% to 718,007 tons, compared with 665,916 tons in 2003.

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The table below presents information regarding the volume of our copper sales for each of the years ended December 31, 2003 and 2004.

Copper sales	Year Ended December 31,	
	2003	2004
	(thousands of tons)	
Refined	383.8	358.6
Blister	40.9	42.6
Concentrates	37.2	48.9
SX/EW	127.2	108.5
Rod	71.4	151.1
<b>Total</b>	<b>660.5</b>	<b>709.7</b>

The table below presents information regarding the volume of our sales of byproducts for each of the years ended December 31, 2003 and 2004.

Byproduct sales	Year Ended December 31,	
	2003	2004
Molybdenum contained in concentrate (tons)	12,498	14,350
Zinc-refined and concentrate (tons)	122,217	120,922
Silver ingots (ounces)	19,498,041	20,212,366
Gold ingots (ounces)	41,892	42,793

All four of our open-pit copper mines recorded increased output in 2004 compared with 2003. The Cananea mine recorded the most significant increase of 20.7%, equivalent to 29,003 additional tons of copper, primarily due to a 29.3% increase in mill throughput. The Toquepala mine registered the second highest production percentage increase of 6.8%, contributing an additional 12,849 tons of copper. The increase in production at the Toquepala mine is primarily attributable to a higher ore grade of 0.817% in 2004 compared with 0.749% in 2003. The Cuajone and La Caridad mines also delivered higher production output and contributed an additional 9,861 and 3,454 tons, respectively, in 2004 compared with 2003. Cuajone's additional output was primarily as a result of higher ore grades, while La Caridad's higher output was as a result of increased production despite marginally lower ore grades.

Copper made up 68.1% of net sales in 2004 compared with 74.7% in 2003. Sales of byproducts in 2004 totaled US\$987.8 million compared with US\$398.9 million in 2003, an increase of 147.6%. The increase is principally attributable to significantly increased sales of molybdenum, resulting from the 286.3% increase in our average sales price for molybdenum in 2004 compared with 2003. The table below provides the sales of our byproducts as a percentage of our total net sales.

Byproduct Sales as a Percentage of Total Net Sales	Year Ended December 31,	
	2003	2004
Molybdenum	9.1%	20.9%
Zinc	6.4	4.1
Silver	6.0	4.1
Gold and other metals	3.8	2.8
<b>Total</b>	<b>25.3%</b>	<b>31.9%</b>

*Cost of sales (exclusive of depreciation, amortization and depletion)*

	Year Ended December 31,			% Change
	2003	2004	Change	
Cost of sales (exclusive of depreciation, amortization and depletion)	\$ 992,383	\$ 1,334,330	\$ 341,947	34.5%

(dollars in thousands)

Cost of sales (exclusive of depreciation, amortization and depletion) increased in 2004 from 2003 levels principally due to increased production in 2004. As discussed above, copper mine production for 2004 increased 7.4% with all four of our open-pit copper mines registering increased output in 2004 compared to 2003. Cost of sales (exclusive of depreciation, amortization and depletion) also increased as a result of increases in the prices of certain inputs, including power, maintenance expenses and certain replacement parts. Cost of sales (exclusive of depreciation, amortization and depletion) additionally increased in 2004 as a result of an increase in the volume and cost of the copper concentrate we purchased from third parties in 2004. We purchase concentrate from third parties in order to produce additional copper rods for which we receive premium pricing, as well as to meet our commitments to customers. The cost of this purchased copper, acquired at prevailing market prices, was US\$76.8 million in 2004, compared to US\$20.0 million in 2003. The increase in the cost of purchased copper resulted primarily from the increased volume purchased.

Other factors contributing to the increased costs in 2004 included a provision of US\$17.6 million for the recently enacted mining royalty tax in Peru. This tax will be calculated as 1% to 3% of sales of concentrates produced by our Toquepala and Cuajone mines. In 2004 the sales of concentrates produced by these two mines was US\$83.9 million. See "Business Mining Rights and Concessions Peru."

We expect that cost of sales will increase in the future as a result of the recently issued Emerging Issues Task Force, or EITF, consensus, which we describe above under "Critical Accounting Policies and Estimates Capitalized Mine Stripping Costs and Leachable Material."

*Selling, general and administrative*

	Year Ended December 31,			% Change
	2003	2004	Change	
Selling, general and administrative	\$ 63,597	\$ 71,778	\$ 8,181	12.9%

(dollars in thousands)

Selling, general and administrative increased in 2004 from 2003 principally as a result of US\$13.8 million in management fees paid to Grupo México. The increase in management fees payable to Grupo México is largely attributable to the transfer of some corporate staff from Minera México to Grupo México. Such management fees, which were not payable in 2003, were partially offset by a payroll reduction of US\$2.7 million and a reduction in lease expenses of US\$2.6 million. Management fees include corporate, legal, accounting, finance, and commercial and similar costs.

*Depreciation, amortization and depletion*

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Depreciation, amortization and depletion	\$ 177,058	\$ 192,586	\$ 15,528	8.8%
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Depreciation, amortization and depletion expense increased principally as a result of the increase in the amortization of capitalized mine stripping costs and leachable materials of US\$10.6 million. The increase was also as a result of an increase in maintenance capital expenditures. In addition, the depreciation expense increased US\$6.2 million as a result of a larger amount of capital expenditures incurred in 2004. Our total capital expenditures in 2004 were US\$228.3 million compared with US\$64.9 million in 2003. Our average depreciation rate was approximately 3% for 2004. We expect amortization will decrease in the future as a result of the aforementioned EITF consensus.

*Exploration*

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Exploration	\$ 17,869	\$ 15,610	\$ (2,259)	(12.6)%
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Exploration expense decreased principally as a result of an acquisition in 2003 of exploration properties in Chile for US\$3.7 million. Excluding acquisition costs, exploration expense increased as a result of exploration and drilling in Mexico.

*Interest expense*

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Interest expense	\$ 117,009	\$ 107,904	\$ (9,105)	(7.8)%
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Interest expense decreased in 2004 compared with 2003 principally as a result of a reduction in the amount of our debt outstanding. In addition, in the last quarter in 2004, we refinanced a portion of our debt outstanding at a reduced interest rate in connection with our new US\$600 million credit facility.

*Interest capitalized*

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Interest capitalized	\$ 5,563	\$ 10,681	\$ 5,118	92.0%
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Interest capitalized increased in 2004 from 2003 principally as a result of an increase in our capital expenditures from US\$64.9 million in 2003 to US\$228.3 million in 2004. This increase was partially offset by a decrease of our interest expense as described above.



*Interest income*

	Year Ended December 31,			% Change
	2003	2004	Change	
	(dollars in thousands)			
Interest income	\$ 5,198	\$ 8,348	\$ 3,150	60.6%

Despite decreases in prevailing interest rates, our interest income increased in 2004 compared with 2003, principally due to increased levels of cash invested, principally in short-term securities.

*Loss on debt prepayments*

	Year Ended December 31,			% Change
	2003	2004	Change	
	(dollars in thousands)			
Loss on debt prepayments	\$ (5,844)	\$ (16,500)	\$ (10,656)	(182.3)%

Loss on debt prepayments increased in 2004 compared with 2003 as a result of our increased financing activity. In 2004 we incurred US\$10 million of prepayment fees, US\$2.8 million of additional interest surcharges and the cancellation of debt issuance of US\$3.7 million. In 2003 we incurred debt refinancing expenses of US\$5.8 million, including prepayment fees and amortization of debt issuance costs.

*Gain on disposal of properties*

	Year Ended December 31,			% Change
	2003	2004	Change	
	(dollars in thousands)			
Gain on disposal of properties		\$ 53,542	\$ 53,542	

Gain on disposal of properties increased due to the sale of non-core assets in 2004 by Minera México.

*Other expense*

	Year Ended December 31,			% Change
	2003	2004	Change	
	(dollars in thousands)			
Other expense	\$ 4,174	\$ 9,689	\$ 5,515	132.1%

Other expense increased principally due to fees paid to third parties in connection with merger-related costs.

*Income taxes*

	Year Ended December 31,	% Change
	(dollars in thousands)	



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	Year Ended December 31, 2004		Change	
	2003			
		(dollars in thousands)		
Income taxes	\$ 120,129	\$ 433,758	\$ 313,629	261.1%

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Income taxes, which includes both current and deferred taxes, increased in 2004 as compared with 2003 primarily due to a US\$1,211.4 million increase in pre-tax income. Such increase was partially offset by the effect of the changes in our permanent differences from 2004 to 2003. Our effective tax rates were 30.4% and 57.3% in 2004 and 2003 based on pre-tax income of US\$1,420.9 million and US\$209.5 million, respectively. See Note 7 to our Audited Combined Financial Statements.

### *Minority interest*

	Year Ended December 31,		Change	% Change
	2003	2004		
	(dollars in thousands)			
Minority interest	\$ 4,262	\$ 4,727	\$ 465	10.9%

Minority interest increased in 2004 compared with 2003 due to improved after-tax earnings. This increase was partially offset by the elimination of certain minority interests upon the purchase of such interests by Minera México in 2004.

### *Net earnings*

	Year Ended December 31,		Change	% Change
	2003	2004		
	(dollars in thousands)			
Net earnings	\$ 83,536	\$ 982,386	\$ 898,850	1,076.0%

Net earnings increased in 2004 compared with 2003 as a result of increased net sales, which were partially offset by increased cost of sales, selling general and administrative expense, depreciation, amortization and depletion and taxes on income.

### *Year Ended December 31, 2003 Compared to Year Ended December 31, 2002*

#### *Net sales*

	Year Ended December 31,		Change	% Change
	2002	2003		
	(dollars in thousands)			
Net sales	\$ 1,388,421	\$ 1,576,641	\$ 188,220	13.6%

Net sales increased in 2003 compared with 2002 principally due to increases in metals prices, particularly those of copper and molybdenum, for which our average sales prices rose 9.5% and 55.6%, respectively.

In addition to increased metals prices, increased mine production was also a factor in increasing our net sales in 2003. Copper production for 2003 increased 8.5% to 665,916 tons, compared with

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614,018 tons in 2002. The table below presents information regarding the volume of our copper sales for each of the years ended December 31, 2002 and 2003.

Copper Sales	Year Ended December 31,	
	2002	2003
	(thousands of tons)	
Refined	390.3	383.8
Blister	29.2	40.9
Concentrates	(0.5)	37.2
SX/EW	119.9	127.2
Rod	106.2	71.4
<b>Total</b>	<b>645.1</b>	<b>660.5</b>

The table below presents information regarding the volume of our sales of byproducts for each of the years ended December 31, 2002 and 2003.

Byproduct sales	Year Ended December 31,	
	2002	2003
Molybdenum concentrate (tons)	11,695	12,498
Zinc refined and concentrate (tons)	126,499	122,217
Silver ingots (ounces)	20,371,448	19,498,041
Gold ingots (ounces)	42,760	41,892

Two of our four open-pit copper mines recorded increased output in 2003 compared with 2002. The Toquepala mine recorded the most significant increase of 6.7%, equivalent to 11,851 additional tons of copper, due to an expansion Toquepala's milling capacity from 45,000 tons per day to 60,000 tons per day. The Cananea mine registered the second highest production increase of 5.1%, contributing an additional 6,939 tons of copper, primarily due to a 6.7% increase in mill throughput.

Copper made up 74.7% of net sales in 2003, compared with 75.2% in 2002. Sales of byproducts in 2003 totaled US\$399.6 million compared with US\$343.9 million in 2002, an increase of 16.2%. The increase is principally attributable to significantly increased sales of molybdenum resulting from the 55.6% increase in our average sales price for molybdenum in 2003 compared with 2002. The table below provides the sales of our byproducts as a percentage of our total net sales.

Byproduct Sales as a Percentage of Total Net Sales	Year Ended December 31,	
	2002	2003
Molybdenum	6.1%	9.1%
Zinc	6.7	6.4
Silver	6.6	6.0
Gold and other metals	5.4	3.8
<b>Total</b>	<b>24.8%</b>	<b>25.3%</b>

*Cost of sales (exclusive of depreciation, amortization and depletion)*

Year Ended  
December 31,

	<u>Year Ended</u>			
	<u>December 31,</u>			
	<u>2002</u>	<u>2003</u>	<u>Change</u>	<u>%</u>
	<u>(dollars in thousands)</u>			
Cost of sales (exclusive of depreciation, amortization and depletion)	\$ 961,201	\$ 992,383	\$ 31,182	3.2%

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Cost of sales (exclusive of depreciation, amortization and depletion) increased in 2003 from 2002 levels principally as a result of higher fuel and power costs. Our increased fuel and power costs in 2003 were significantly offset by a decrease in costs relating to a decrease in the copper we purchased from third parties from US\$59.6 million in 2002 to US\$20.0 million in 2003. Our Mexican operations showed a decrease in the cost of sales equivalent to US\$24.7 million due to lower production output and lower purchases of concentrate from third parties.

### *Selling, general and administrative*

Year Ended December 31,			
2002	2003	Change	%
(dollars in thousands)			

Selling, general and administrative	\$	69,351	\$	63,597	\$	(5,754)	(8.3)%
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Selling, general and administrative decreased in 2003 from 2002 primarily as a result of the positive impact of the devaluation of the Mexican peso on salaries and certain expenses paid in Mexican pesos and expressed in U.S. dollars at our Minera México subsidiary.

### *Depreciation, amortization and depletion*

Year Ended December 31,			
2002	2003	Change	%
(dollars in thousands)			

Depreciation, amortization and depletion	\$	157,608	\$	177,058	\$	19,450	12.3%
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Depreciation, amortization and depletion expense increased principally as a result of the increase in amortization of capitalized mine stripping costs and leachable materials of approximately US\$13.5 million. In addition, an increase in depreciation of approximately US\$4.0 million resulted from capitalized projects. Lastly, depreciation expense also increased US\$1.0 million as a result of amortization of mine and development studies conducted in prior years.

### *Exploration*

Year Ended December 31,			
2002	2003	Change	%
(dollars in thousands)			

Exploration	\$	13,345	\$	17,869	\$	4,524	33.9%
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Exploration expense increased in 2003 compared with 2002 principally as a result of our purchase of exploration properties in Chile for US\$3.7 million and US\$0.8 million for other mining projects. Exploration expense relating to our exploration properties in Peru and Mexico was mostly unchanged.

### *Interest expense*

Year Ended December 31,			
2002	2003	Change	%
(dollars in thousands)			

Interest expense	\$	128,747	\$	117,009	\$	(11,738)	(9.1)%
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Interest expense decreased in 2003 compared with 2002 primarily as a result of lower U.S. market interest rates and a decrease in average outstanding indebtedness.

*Interest capitalized*

Year Ended December 31,			
2002	2003	Change	% Change

(dollars in thousands)

Capitalized interest	\$ 8,220	\$ 5,563	\$ (2,657)	(32.3)%
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Capitalized interest decreased in 2003 from 2002 as a result of lower capital expenditures due to completion of the Toquepala concentrator expansion in 2002.

*Interest income*

Year Ended December 31,			
2002	2003	Change	% Change

(dollars in thousands)

Interest income	\$ 4,097	\$ 5,198	\$ 1,101	26.9%
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Interest income increased in 2003 compared with 2002, principally due to increased levels of cash invested, principally in short-term securities.

*Loss on debt prepayments*

Year Ended December 31,			
2002	2003	Change	% Change

(dollars in thousands)

Loss on debt prepayments	\$ 12,400	\$ 5,844	\$ (6,556)	(52.8)%
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Loss on debt prepayments increased as a result of costs incurred in connection with Minera México's debt restructuring in 2003.

*Other (income) expense*

Year Ended December 31,			
2002	2003	Change	% Change

(dollars in thousands)

Other (income) expense	\$ (7,202)	\$ 4,174	\$ 11,376	158%
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Other income for 2002 principally resulted from a recovery in a legal proceeding and income related to management services provided to an affiliated company. Other expense for the year 2003 was mainly derived from by the disposal of certain fixed assets.

*Income taxes*

Year Ended December 31,			
2002	2003	Change	% Change

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Year Ended December 31,

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(dollars in thousands)

Income taxes	\$	(88,496)	\$	120,129	\$	208,625	235.7%
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Income taxes, which includes both current and deferred taxes, increased in 2003 compared with 2002 primarily due to US\$144.2 million higher pre-tax income. In addition, income taxes were impacted by a significant tax benefit to our Minera México subsidiary in 2002. The increase in income taxes from 2002 to 2003 was partially offset by the effect of the change in our permanent difference from 2003 to 2002. Our effective tax rates were 57.3% and (135.3)% in 2003 and 2002, respectively, based on pre-tax income of US\$209.5 million and US\$65.2 million, respectively. The factors that most significantly impact our effective tax rates are various permanent items and the changes in our valuation allowance, as more fully described in Note 7 to our Audited Combined Financial Statements.

### *Minority interest*

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Minority interest	\$ 8,855	\$ 4,262	\$ (4,593)	(51.9)%

Minority interest decreased in 2003 compared with 2002 principally due to a decrease in net earnings before minority interest in 2003 of Minera México.

### *Net earnings*

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Net earnings	\$ 144,929	\$ 83,536	\$ (61,393)	(42.4)%

Net earnings decreased in 2003 compared with 2002 as a result of the above mentioned factors.

### **Recent Developments**

The following information relates to our financial condition and results of operation for the three months ended March 31, 2004 and 2005.

#### *Results of Operations for Three Months Ended March 31, 2005 and 2004*

The following table highlights key combined financial and operating results for the three months ended March 31, 2004 and 2005.

Statement of Earnings Data	Three Months Ended March 31,	
	2004	2005
	(dollars in thousands)	
Net sales	\$ 602,523	\$ 946,075
Cost of sales (exclusive of depreciation, amortization and depletion)	262,633	389,570
Selling, general and administrative	16,623	18,598
Depreciation, amortization and depletion	47,533	60,967
Exploration	3,663	5,347
Operating income	272,071	471,593
Interest expense	30,775	22,946
Interest capitalized	(1,337)	(2,269)
Interest income	(1,336)	(5,452)
Loss on derivative instruments		7,276



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	<b>Three Months Ended March 31,</b>	
Loss on debt prepayments	4,020	
Other income, net	(174)	(835)
Income taxes	72,858	146,121
Minority interest	3,811	1,425
	<u>          </u>	<u>          </u>
Net earnings	\$ 167,474	\$ 298,361
	<u>          </u>	<u>          </u>

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The table below outlines the average prices (rounded to the nearest cent) at which we sold our metals during each of the three-month periods ended March 31, 2004 and 2005.

### Average Metals Prices Realized

	Three Months Ended March 31,		%
	2004	2005	
Copper (pounds)	\$ 1.31	\$ 1.56	19.1%
Molybdenum (pounds)	9.92	31.88	221.4
Zinc (pounds)	0.52	0.61	17.3
Silver (ounces)	6.42	7.10	10.6
Gold (ounces)	397.27	426.41	7.3

*Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004*

### Net sales

	Three Months Ended March 31,		Change	%
	2004	2005		
(dollars in thousands)				

Net sales	\$ 602,523	\$ 946,075	\$ 343,552	57.0%
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Net sales in the first three months of 2005 increased US\$343.6 million to US\$946.1 million from the comparable period in 2004. The increase in net sales was mainly the result of higher copper and molybdenum prices in 2005. Also contributing to the net sales increase in the first three months of 2005 was an inventory build-up in the first three months of 2004, which had the effect of diminishing net sales for the 2004 period.

The table below presents information regarding the volume of our copper sales for each of the three-month periods ended March 31, 2004 and 2005.

Copper sales	Three Months Ended March 31,	
	2004	2005
(tons)		
Refined	83,896	89,707
Blister	3,486	2,593
Concentrates	16,062	
SX/EW	28,014	28,856
Rod	27,913	42,278
<b>Total</b>	159,371	163,434

The table below presents information regarding the volume of our sales of byproducts for each of the three-month periods ended March 31, 2004 and 2005.

Byproduct sales	Three Months Ended March 31,	

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	Three Months Ended March 31,	
	2004	2005
Molybdenum contained in concentrate (tons)	3,148	3,958
Zinc-refined and concentrate (tons)	29,597	35,908
Silver ingots (ounces)	4,977,513	5,018,184
Gold ingots (ounces)	8,616	12,282

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Copper mine production decreased 10.1% or 40.3 million pounds in the first quarter of 2005 as compared to the same period in 2004. The decrease of 40.3 million pounds included decreases of 7.4 million pounds at the Toquepala mine, 20.0 million pounds at the Cuajone mine, 14.1 million pounds at the Cananea mine and an increase of 3.4 million pounds at the La Caridad mine. SX/EW production declined by 2.2 million pounds. The decreases in Toquepala and Cananea production were a result of lower volumes of material milled and lower ore grade. The decrease in Cuajone production was a result of lower ore grade in 2005. The increase in La Caridad production was a result of a higher volume of material milled as well as higher copper recovery. The primary reason for the decrease in SX/EW production was lower grade of pregnant leaching solution at the Toquepala unit.

Copper made up 59.4% of net sales in the first quarter of 2005 compared with 75.3% for the same period in 2004. Sales of byproducts in the first quarter of 2005 were US\$384.1 million. This figure compared with US\$148.6 million in the same period in 2004, an increase of 158.5%. The increase in byproduct sales mainly resulted from higher molybdenum sales due to higher prices. Molybdenum prices during the first quarter of 2005 increased by 221.4% as compared to the same period of 2004. The table below provides the sales of our byproducts as a percentage of our total net sales.

Byproduct Sales as a Percentage of Total Net Sales	Three Months Ended March 31,	
	2004	2005
Molybdenum	11.3%	29.3%
Zinc	5.4	4.7
Silver	5.3	3.7
Gold and other metals	2.7	2.9
<b>Total</b>	<b>24.7%</b>	<b>40.6%</b>

### *Cost of sales (exclusive of depreciation, amortization and depletion)*

	Three Months Ended March 31,		Change	% Change
	2004	2005		
Cost of sales (exclusive of depreciation, amortization and depletion)	\$ 262,633	\$ 389,570	\$ 126,937	48.3%

(dollars in thousands)

Cost of sales (exclusive of depreciation, amortization and depletion) increased by US\$126.9 million in the first three months of 2005 compared to the same period of 2004 due to higher volume of sales as well as higher power and fuel costs. Sales of copper increased by 9.0 million pounds, principally from sales of copper purchased from third parties, which added US\$27.1 million of costs during the quarter. In addition, fuel and power costs were approximately US\$14.0 million higher in the first quarter of 2005 from the same period in 2004. Workers' participations increased by US\$20.7 million in the first quarter of 2005 compared to the same period in 2004 due to a change in the method of computing the amount of statutory workers' profit sharing required to be paid by Mexican companies, as discussed under "Liquidity and Capital Resources Liquidity Other Liquidity Considerations." Cost of sales also increased in the first quarter of 2005 as a result of increased sales out of inventory in the amount of US\$27.2 million, an increase of US\$10.6 million in maintenance expenses and operating materials and a provision of US\$6.9 million for the recently enacted mining royalty tax in Peru.

*Selling, general and administrative*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Selling, general and administrative	\$ 16,623	\$ 18,598	\$ 1,975	11.9%
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Selling, general and administrative increased in the first three months of 2005 as compared to the first quarter of 2004 mainly as a result of US\$2.4 million of higher professional fees paid that included legal and consulting fees relating to our acquisition of Minera México. These fees were partially offset by a payroll reduction of US\$0.5 million in the Mexican operations.

*Depreciation, amortization and depletion*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Depreciation, amortization and Depletion	\$ 47,533	\$ 60,967	\$ 13,434	28.3%
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Depreciation, amortization and depletion increased during the first quarter of 2005 due to higher amortization of capitalized mine stripping cost and leachable materials of US\$3.4 million. In addition, depreciation expense increased by US\$10.3 million, primarily due to a US\$9.8 million reduction in depreciation in 2004 relating to negative goodwill on the purchase of Mexicana de Cobre in 1988. Such remaining negative goodwill was fully amortized in 2004. The other US\$5.0 million of the increase related to Peruvian operations depreciation.

*Exploration*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Exploration	\$ 3,663	\$ 5,347	\$ 1,684	46.0%
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Exploration expenses increased as a result of exploration projects in our operations in Peru and Chile (US\$1.4 million) and Mexico (US\$0.8 million). The higher exploration expenses were partially offset by a US\$ 0.6 million reduction in drilling activities at Los Chancas in Peru.

*Interest expense*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Interest expense	\$ 30,775	\$ 22,946	\$ (7,829)	(25.4)%
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Interest expense decreased by 25% in the first three months of 2005 when compared to the same period in 2004 as a result of a reduction in the amount of debt outstanding and lower interest rates on debt outstanding at Minera México.



*Interest capitalized*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Interest capitalized	\$ 1,337	\$ 2,269	\$ 932	69.7%
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Interest capitalized increased in the first three months of 2005 as compared to the same period of 2004 as a result of an increase in our capital expenditures from US\$53.0 million in the first quarter of 2004 to US\$73.5 million in the first quarter of 2005.

*Interest income*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Interest income	\$ 1,336	\$ 5,452	\$ 4,116	308.1%
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Interest income increased by US\$4.1 million in the first three months of 2005 compared to the same period in 2004 due to significantly higher cash levels invested in short-term securities.

*Loss on derivative instruments*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Loss on derivative instruments	\$	\$ 7,276	\$ 7,276	100.0%
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Loss on derivative instruments increased due to copper swap contracts signed in 2005 to protect a portion of the copper production from possible price reductions. We recorded a US\$1.0 million loss related to the completion of a copper swap contract in the first quarter. In addition, we recorded a loss of US\$6.2 million related to the loss in fair value (mark to market) of copper swaps held as of March 31, 2005.

*Loss on debt prepayments*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Loss on debt prepayments	\$	\$ 4,020	\$ 4,020	100.0%
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Loss on debt prepayments includes a 1% or US\$1.7 million prepayment penalty due to the prepayment of debt of our Peruvian operations and a US\$2.2 million loss due to the write-off of unamortized debt issuance costs in connection with the prepayment.

*Other income, net*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Other income, net	\$ 174	\$ 835	\$ 661	379.9%
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Other income, net increased in the first quarter of 2005 compared with the first quarter of 2004 mainly due to the receipt by Minera México of income from sales of scrap and non-operating materials to the third parties.

*Income taxes*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Income taxes	\$ 72,858	\$ 146,121	\$ 73,263	100.6%
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Income taxes, which include both current and deferred taxes, increased by US\$73.3 million in the first quarter of 2005 principally due to higher earnings before taxes of US\$201.8 million as well as a higher effective tax rate for 2005. Earnings before taxes increased by US\$201.8 million in 2005 due to the variances discussed above. The effective income tax rate was 32.7% during the first quarter of 2005. This compares with 29.8% for the same period in 2004. The variance in the effective tax rate results from various permanent items in both Peru and Mexico.

*Minority interest*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Minority interest	\$ 3,811	\$ 1,425	\$ (2,386)	(62.6)%
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Minority interest decreased in the first quarter of 2005 as compared with the first quarter of 2004 primarily due to the elimination of certain minority interests by Minera México in the fourth quarter of 2004.

*Net earnings*

Three Months Ended March 31,			
2004	2005	Change	% Change
(dollars in thousands)			

Net earnings	\$ 167,474	\$ 298,361	\$ 130,887	78.2%
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Net earnings increased in the first three months of 2005 when compared to the same period of 2004 as a result of the variances discussed above.

*Operating Cash Costs*



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Our operating cash costs per pound, as defined above, are presented in the table below for each of the three-month periods ended March 31, 2004 and 2005. Cash cost computations are presented with

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and without the inclusion of byproduct revenues below, because recent increases in the price of molybdenum have significantly affected our cash costs.

	<b>Three Months Ended March 31,</b>	
	<b>2004</b>	<b>2005</b>
	(dollars per pound)	
Operating cash cost per pound of copper produced	\$ 0.347	\$ (0.161)
Operating cash cost per pound of copper produced (without byproduct revenue)	\$ 0.765	\$ 0.956

A reconciliation of our operating cash costs per pound to our GAAP cost of sales is presented beginning on page S-60 under the subheading " Non-GAAP Information Reconciliation." We discuss our cost of sales (exclusive of depreciation, amortization and depletion) above.

The decrease in cash costs per pound of copper produced (including byproduct revenue) in the first quarter of 2005 compared to the comparable period in 2004 is largely attributable to a 221.4% increase in molybdenum sales price. On a per pound basis, molybdenum credits to the cost of copper amounted to US\$0.757 per pound in the first quarter of 2005 and US\$0.178 per pound for the same period in 2004. The cash cost without byproduct revenue increased in the first quarter of 2005 primarily due to higher production costs (US\$0.105 per pound) largely as a result of increased fuel and power costs, as well as increased maintenance expense and operating materials. Cash cost without byproduct revenue also increased due to the Peruvian mining royalty tax (US\$0.019 per pound) and the inclusion in the 2005 cash cost calculation of the higher unit cost of purchased copper (US\$0.067 per pound).

***Inflation and Devaluation of the Peruvian Nuevo Sol and the Mexican Peso***

The inflation and devaluation rates of the Peruvian nuevo sol and the Mexican peso for the three months ended March 31, 2004 and 2005 are provided in the table below.

	<b>Three Months Ended March 31,</b>	
	<b>2004</b>	<b>2005</b>
<b>Peru</b>		