SOUTHERN COPPER CORP/
Form 10-Q
August 03, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2010

or

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

For the transition period from to

Commission File Number: 1-14066

SOUTHERN COPPER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-3849074**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11811 North Tatum Blvd. Suite 2500 Phoenix, AZ	**85028**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(602) 494-5328**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

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

As of July 30, 2010 there were outstanding 850,000,000 shares of Southern Copper Corporation common stock, par value $0.01 per share.

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Southern Copper Corporation (SCC)

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Exhibit 101	Financial statements for the three and six months ended June 30, 2010 Formatted in XBRL: (i) the Condensed Consolidated Statement of Earnings, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.	Submitted electronically with this report

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
	(in thousands, except per share amounts)			
Net sales	$ 1,173,240	$ 824,509	$ 2,392,645	$ 1,446,507
Operating costs and expenses:				
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	522,298	419,476	1,021,496	794,931
Selling, general and administrative	21,964	18,101	43,682	36,893
Depreciation, amortization and depletion	78,490	78,715	159,743	156,936
Exploration	10,065	5,021	18,530	10,423
Total operating costs and expenses	632,817	521,313	1,243,451	999,183
Operating income	540,423	303,196	1,149,194	447,324
Interest expense	(45,050)	(25,310)	(68,838)	(49,276)
Capitalized interest		3,368		5,443
Gain on derivative instruments		6,785		4,181
Other income (expense)	(6,489)	(1,495)	(5,056)	1,868
Interest income	1,328	898	3,380	5,173
Income before income taxes	490,212	287,442	1,078,680	414,713
Income taxes	174,901	111,413	378,142	159,438
Net income	315,311	176,029	700,538	255,275
Less: Net income attributable to the non-controlling interest	1,924	1,061	3,907	1,615
Net income attributable to SCC	$ 313,387	$ 174,968	$ 696,631	$ 253,660
Per common share amounts:				
Net income attributable to SCC - basic and diluted	$ 0.37	$ 0.21	$ 0.82	$ 0.30
Dividends paid to SCC common shareholders	$ 0.45	$ 0.04	$ 0.88	$ 0.16

Weighted average common shares outstanding - basic and diluted	850,000	850,008	850,000	851,390

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

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Southern Copper Corporation

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

	June 30, 2010	December 31, 2009
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,144,623	$ 772,306
Short-term investments	50,144	22,948
Accounts receivable trade, less allowance for doubtful accounts (2010 - $4,509; 2009 - $4,614)	386,167	407,979
Accounts receivable other (including related parties 2010 - $7,577; 2009 - $4,598)	34,835	31,971
Inventories	446,670	456,122
Deferred income tax	23,080	19,672
Other current assets	36,534	67,131
Total current assets	3,122,053	1,778,129
Property, net	4,011,329	3,969,558
Leachable material, net	86,291	107,262
Intangible assets, net	113,133	113,840
Deferred income tax	52,863	52,670
Other assets	63,814	41,113
Total assets	$ 7,449,483	$ 6,062,572
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 10,000	$ 10,000
Accounts payable	222,809	283,344
Accrued income taxes	108,848	91,359
Due to related parties	3,157	359
Accrued workers participation	118,350	150,692
Accrued interest	58,978	39,795
Other accrued liabilities	27,528	26,876
Total current liabilities	549,670	602,425
Long-term debt	2,755,126	1,270,252
Deferred income taxes	126,958	143,508
Non-current taxes payable	29,954	26,201
Other liabilities and reserves	84,387	77,607
Asset retirement obligation	59,227	48,925
Total non-current liabilities	3,055,652	1,566,493
Commitments and Contingencies (Note M)		
STOCKHOLDERS EQUITY		
Common stock	8,846	8,846
Additional paid-in capital	1,024,291	1,013,326

Retained earnings		3,418,563		3,469,930
Accumulated other comprehensive loss		(13,061)		(13,061)
Treasury stock		(613,313)		(603,413)
Total SCC stockholders equity		3,825,326		3,875,628
Non-controlling interest		18,835		18,026
Total equity		3,844,161		3,893,654
Total liabilities and equity	$	7,449,483	$	6,062,572

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

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Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009	6 Months Ended June 30, 2010	6 Months Ended June 30, 2009
		(in thousands)		
OPERATING ACTIVITIES				
Net income	$ 315,311	$ 176,029	$ 700,538	$ 255,275
Adjustments to reconcile net earnings to net cash provided from operating activities:				
Depreciation, amortization and depletion	78,490	78,715	159,743	156,936
Loss (gain) on currency translation effect	(758)	14,779	7,606	13,385
Provision (benefit) for deferred income taxes	(20,365)	34,463	(14,512)	53,390
Gain on sale of short-term investment	67	(1,612)	(452)	(2,319)
Unrealized gain on derivative instruments		(23,639)		(48,718)
Cash provided from (used for) operating assets and liabilities:				
Accounts receivable	76,301	(92,192)	18,948	(199,528)
Inventories	22,405	(7,238)	9,452	(4,932)
Accounts payable and accrued liabilities	53,851	(100,703)	(52,755)	(351,165)
Other operating assets and liabilities	2,453	31,310	6,426	43,782
Net cash provided from (used for) operating activities	527,755	109,912	834,994	(83,894)
INVESTING ACTIVITIES				
Capital expenditures	(92,925)	(142,725)	(168,288)	(206,181)
Purchase of short-term investments	(37,780)		(37,780)	
Net proceeds from sale of short-term investments	7,649	18,703	11,036	30,805
Other	538	1,736	5,347	1,940
Net cash used for investing activities	(122,518)	(122,286)	(189,685)	(173,436)
FINANCING ACTIVITIES				
Debt incurred	1,489,674		1,489,674	
Debt repaid	(5,000)	(5,000)	(5,000)	(5,000)
Capitalized debt issuance cost	(8,155)		(8,155)	
Dividends paid to common stockholders	(382,500)	(38,251)	(747,998)	(137,806)
Distributions to non-controlling interest	(1,822)	(189)	(2,971)	(189)
Repurchase of common shares	(380)		(380)	(71,566)
Other	292	569	367	639
Net cash provided from (used for) financing activities	1,092,109	(42,871)	725,537	(213,922)
Effect of exchange rate changes on cash and cash equivalents	(4,687)	(490)	1,471	(9,948)
Increase (decrease) in cash and cash equivalents	1,492,659	(55,735)	1,372,317	(481,200)

Cash and cash equivalents, at beginning of period		651,964		291,275		772,306		716,740
Cash and cash equivalents, at end of period	$	2,144,623	$	235,540	$	2,144,623	$	235,540

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

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Southern Copper Corporation

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A. In the opinion of Southern Copper Corporation, (the Company , Southern Copper or SCC), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to state fairly the Company s financial position as of June 30, 2010 and the results of operations and the cash flow for the three and six months ended June 30, 2010 and 2009. Certain prior period amounts have been reclassified to conform to the current periods presentation. The condensed consolidated financial statements for the three and six months ended June 30, 2010 and 2009 have been subject to a review by Galaz, Yamazaki, Ruiz Urquiza S.C., a member firm of Deloitte Touche Tohmatsu, the Company s independent registered public accounting firm, whose report dated August 2, 2010 is presented on page 54. The results of operations for the three and six months ended June 30, 2010 and 2009 are not necessarily indicative of the results to be expected for the full year. The December 31, 2009 balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements at December 31, 2009 and notes included in the Company s 2009 annual report on Form 10-K.

B. Adoption of New Accounting Standards:

In the first six months of 2010 the Company adopted the following Accounting Standards Updates (ASU) to the FASB Accounting Standards Codification (the ASC) issued by the Financial Accounting Standard Board (FASB).

ASU No. 2010-09: In February 2010 the FASB issued ASU No. 2010-09 Amendments to Certain Recognition and Disclosure requirements an amendment of ASC topic 855 Subsequent events. This ASU requires a SEC filer to evaluate subsequent events through the date the financial statements are issued. In addition, public filers are no longer required to disclose the date through which the evaluation of subsequent events was carried out. The Company adopted this ASU on the date it was issued.

ASU No. 2010-06: In January 2010, the FASB issued the ASU No. 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, an update of ASC Subtopic 820-10 Fair Value Measurements and Disclosures - Overall.

This ASU includes the following new disclosure requirements:

1. Significant transfers in and out of Levels 1 and 2 fair value measurements and a description of the reasons for the transfers.

2. The reconciliation of activity in Level 3 fair value measurements should present separately information about purchases, sales, issuances and settlements on a gross basis rather than as one net number.

This ASU also clarifies existing disclosures as follows:

1. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities.

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2. Disclosures about inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements. These disclosures are required for fair value measurements that fall in either Level 2 or Level 3.

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Please see disclosures required in Note Q Financial instruments.

ASU 2010-02: In January 2010, the FASB issued ASU 2010-02 Accounting and Reporting for Decreases in Ownership of a Subsidiary a Scope Clarification, an update of Subtopic 810-10 Consolidation-Overall to address implementation issues related to the changes in ownership provisions in Subtopic 810-10, which establishes the accounting and reporting guidance for non-controlling interests and changes in ownership interests of a subsidiary.

This ASU provides amendments that clarify the scope of the decrease in ownership provisions of Subtopic 810-10 and related guidance that applies to the following:

1. A subsidiary or group of assets that is a business or nonprofit activity.

2. A subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture.

3. An exchange of a group of assets that constitutes a business or nonprofit activity for a non-controlling interest in an entity (including an equity method investee or joint venture).

The amendments also clarify that the decrease in ownership guidance does not apply to sales of in substance real estate and conveyances of oil and gas mineral rights.

The amendments in this ASU are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009 and should be applied retrospectively to the first period that an entity adopted Statement 160. The Company has adopted this ASU and will apply it to future decreases in ownership of subsidiaries.

C. Short-term Investments:

Short-term investments were as follows:

	At	
Investments	**June 30, 2010**	**December 31, 2009**
Trading securities (in millions)	$ 37.8	$
Weighted average interest rate	0.23%	
Available for sale (in millions)	12.3	22.9
Weighted average interest rate	1.25%	0.63%
Total	$ 50.1	$ 22.9

Trading securities: consist of $37.8 million Petroleos Mexicanos or Pemex bonds with original maturity on December 3, 2012, which the Company has the intention to sell in the near term.

Available for sale investments consist of securities issued by public companies. Each security is independent of the others and as of June 30, 2009 includes corporate bonds and asset and mortgage backed obligations. As of June 30, 2010 and December 31, 2009, gross unrealized gains and losses on available for sale securities were not material.

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Related to these investments the Company earned interest which was recorded as interest income in the condensed consolidated statement of earnings. Also the Company redeemed some of these securities and obtained gains (losses) due to changes in fair value, which were recorded as other income (expense) in the condensed consolidated statement of earnings.

The following table summarizes the activity of these investments (in millions):

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Interest earned	$ (*)	$ 0.2	$ 0.1	$ 0.6
Investment redeemed	7.7	18.7	11.2	30.8
Gain in fair value	(*)	1.6	0.5	2.3

(*) Less than $0.1 million

D. Inventories:

Inventories were as follows:

(in millions)	June 30, 2010	December 31, 2009
Metals at lower of average cost or market:		
Finished goods	$ 48.8	$ 55.5
Work-in-process	159.1	150.8
Supplies at average cost	238.8	249.8
Total inventories	$ 446.7	$ 456.1

E. Income taxes:

The income tax provision and the effective income tax rate for the first six months of 2010 and 2009 were as follows:

(in millions)	2010	2009
Income tax provision	$ 378.1	$ 159.4
Effective income tax rate	35.1%	38.4%

These provisions include income taxes for Peru, Mexico and the United States. The decrease in the effective tax rate for the first six months of 2010 is largely due to the proportionately higher incremental U.S. income tax provided on dividend distributions made by our Mexican subsidiary to the U.S. parent in the first six months of 2009. Because the pretax earnings in the first six months of 2009 were significantly lower than the 2010 pretax earnings, the effect of this incremental tax had a larger than normal impact on the effective rate. For the full year 2009 the final effective tax rate was 33.5%. This dividend distribution is taxable in the U.S. at the difference between the 35.0% U.S. statutory rate and the foreign tax credit rate of 28.0%.

As of March 27, 2009, Grupo Mexico, S.A.B. de C.V. (Grupo Mexico), through its wholly-owned subsidiary, Americas Mining Corporation (AMC), became the beneficial owner of 80% of SCC s common stock. As a result of this new level of ownership, beginning March 27, 2009 SCC no longer files a separate U.S. federal income tax return and its operating results are included in the AMC consolidated U.S. federal income tax return. In addition to now holding an 80% interest in SCC, AMC also owns 100% of ASARCO LLC (Asarco) and its subsidiaries. It is expected that current and deferred taxes will be allocated to members of the AMC group as if each were a separate taxpayer. The Company has initiated discussions with AMC to put in

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place a tax sharing agreement in order to establish this allocation as well as other procedures and policies necessary for an equitable management of U.S. federal income tax matters. SCC provides current and deferred income taxes as if it were a separate filer.

Accounting for Uncertainty in Income Taxes:

There were no material changes in the unrecognized tax benefits in the six months ended June 30, 2010.

F. Provisionally Priced Sales:

At June 30, 2010, the Company has recorded provisionally priced sales of copper at average forward prices per pound, and molybdenum at the June 30, 2010 market price per pound. These sales are subject to final pricing based on the average monthly LME or COMEX copper prices and Dealer Oxide molybdenum prices in the future month of settlement.

Following are the provisionally priced copper and molybdenum sales outstanding at June 30, 2010:

Copper (million lbs.)	**Priced at**		**Month of Settlement**
2.2	$	2.95	July 2010

Molybdenum (million lbs.)	**Priced at**		**Month of Settlement**
3.6	$	14.75	July 2010
3.5		14.75	August 2010
2.8		14.75	September 2010
0.6		14.75	October 2010
10.5	$	14.75	

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

G. Derivative Instruments

The Company occasionally uses derivative instruments to manage its exposure to market risk from changes in commodity prices and interest rate and exchange rate risk exposures. The Company does not enter into derivative contracts unless it anticipates a future activity that is likely to occur that will result in exposing the Company to market risk. The Company did not hold any derivative contracts in the first six months of 2010.

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

Because more than 85% of the Company s sales collections in Mexico are in U.S. dollars and many of its costs are in Mexican pesos, in 2009, the Company entered into zero-cost derivative contracts with the purpose of protecting, within a range, against an appreciation of the Mexican peso to the U.S. dollar.

Related to the exchange rate derivative contracts, the Company recorded gains of $6.8 million and $4.2 million in the second quarter and in the first six months of 2009, respectively. These gains were recorded as gain on derivative instruments in the condensed consolidated statements of earnings. During the first six months of 2010 and at June 30, 2010 the Company did not hold any exchange rate derivative contracts.

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H. Asset Retirement Obligation:

The Company maintains an estimated asset retirement obligation for its mining properties in Peru, as required by the Peruvian Mine Closure Law. In accordance with the requirements of this law, the Company s closure plans have been approved by the Peruvian Ministry of Energy and Mines (MINEM). The closure cost recognized for this liability consists of the cost as outlined in its closure plans, which includes the dismantling of the Toquepala and Cuajone concentrators, the smelter and refinery in Ilo, and the shops and auxiliary facilities at the three units.

The following table summarizes the asset retirement obligation activity for the first six months ended June 30, 2010 and 2009 (in millions):

	2010	2009
Balance as of January 1	$ 48.9	$ 18.0
Changes in estimates	7.9	
Additions		
Accretion expense	2.4	0.2
Balance as of June 30,	$ 59.2	$ 18.2

I. Related Party Transactions:

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

	As of June 30, 2010	December 31, 2009
Accounts receivable:		
Grupo Mexico, S.A.B de C.V. and affiliates	$ 0.8	$ 1.5
Ferrocarril Mexicano, S.A. de C.V.		1.4
Asarco LLC	5.1	
Breaker, S.A. de C.V		0.1
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	1.7	1.6
	$ 7.6	$ 4.6
Accounts payable:		
Grupo Mexico S.A.B. de C.V. and affiliates	$ 2.9	$
Higher Technology S.A.C.		0.4
Ferrocarril Mexicano S.A. de C.V.	0.2	
	$ 3.1	$ 0.4

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

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The following table summarizes the purchase activity with related parties in the six months ended June 30, 2010 and 2009 (in millions):

	As of June 30, 2010	As of June 30, 2009
Grupo Mexico and affiliates:		
Grupo Mexico Servicios, S.A de C.V	$ 6.9	$ 3.4
Ferrocarril Mexicano, S.A de C.V.	1.6	1.9
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	8.8	8.3
Other Larrea family companies:		
Mexico Compañia de Productos Automotrices, S.A. de C.V.	1.1	0.1
Mexico Transportes Aereos, S.A. de C.V.	1.0	0.9
Companies with relationships to SCC executive officers families:		
Higher Technology S.A.C.	1.5	2.1
Servicios y Fabricaciones Mecanicas S.A.C.	0.2	0.2
Sempertrans France Belting Technology	0.4	0.4
PIGOBA, S.A. de C.V.	0.1	0.1
Breaker, S.A. de C.V.	0.3	0.8
Consorcio Tricobre	1.4	
Total purchased	$ 23.3	$ 18.2

Grupo Mexico, the Company s ultimate parent and the majority indirect stockholder of the Company, and its affiliates provide various services to the Company. These services are primarily related to accounting, legal, tax, financial, treasury, human resources, price risk assessment and hedging, purchasing, procurement and logistics, sales and administrative and other support services. The Company pays Grupo Mexico Servicios, S.A de C.V., a subsidiary of Grupo Mexico, for these services. The Company expects to continue to pay for these services in the future. In addition, in the second quarter of 2010 the Company made a donation of $0.9 million to Fundacion Grupo Mexico, an organization dedicated to promoting social and economic development of the communities close to our Mexican operations.

The Company s Mexican operations paid fees for freight services provided by Ferrocarril Mexicano, S.A de C.V and for construction services provided by Mexico Constructora Industrial, S.A. de C.V. and its affiliates; both companies are subsidiaries of Grupo Mexico.

The Company s Peruvian operations paid fees for engineering and consulting services provided by Consorcio Tricobre, a Peruvian company in which Servicios de Ingenieria Consultec, S.A. de C. V., an indirect subsidiary of Grupo Mexico, has a 42.7% participation.

The Larrea family controls a majority of the capital stock of Grupo Mexico, and has extensive interests in other businesses, including oil drilling services, construction, aviation, and real estate. The Company engages in certain transactions in the ordinary course of business with other entities controlled by the Larrea family relating to mining and refining services, the lease of office space, sale of vehicles and air transportation and construction services. In connection with this, the Company paid fees for maintenance services and sale of vehicles provided by Mexico Compañia de Productos Automotrices, S.A. de C.V., a company controlled by the Larrea family.

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Additionally, in 2007, the Company s Mexican subsidiaries provided guaranties for two loans obtained by Mexico Transportes Aereos, S.A. de C.V. (MexTransport), a company controlled by the Larrea family, from Bank of Nova Scotia in Mexico. These loans require semi-annual repayments. Conditions and balance as of June 30, 2010 are as follows:

	Loan 1	Loan 2		Total
Loans (in millions)	$2.3	$8.5	$	10.8
Maturity	August 2010	August 2013		
Interest rate	Libor+ 0.65%	Libor+ 0.15%		
Remaining balance at June 30, 2010 (in millions)	$0.3	$4.5	$	4.8

MexTransport provides aviation services to the Company s Mexican operations. The guaranty provided to MexTransport is backed up by the transport services provided by MexTransport to the Company s Mexican subsidiaries. If MexTransport defaults on the loan, SCC s subsidiaries would have to satisfy the guaranty and repay to the bank the remaining balances, plus interest. The Company paid fees to MexTransport for aviation services.

The Company purchased industrial materials from Higher Technology S.A.C in which Mr. Carlos Gonzalez has a proprietary interest. Also the Company paid fees for maintenance services provided by Servicios y Fabricaciones Mecanicas S.A.C., a company in which Mr. Carlos Gonzalez has a proprietary interest. Mr. Carlos Gonzalez is the son of SCC s Chief Executive Officer.

The Company purchased industrial material from Sempertrans France Belting Technology, in which Mr. Alejandro Gonzalez is employed as a sales representative. Also, the Company purchased industrial material from PIGOBA, S.A. de C.V., a company in which Mr. Alejandro Gonzalez has a proprietary interest. Mr. Alejandro Gonzalez is the son of SCC s Chief Executive Officer.

The Company purchased industrial material and services from Breaker, S.A. de C.V., a company in which Mr. Jorge Gonzalez, son-in-law of SCC s Chief Executive Officer, has a proprietary interest.

In the second quarter of 2010 the Company recovered from Asarco, a subsidiary of Grupo Mexico, $7.7 million related to a previously written-off net accounts receivable position. This recovery was recorded in the condensed consolidated statement of earnings as follows: $5.0 million in cost of sales, $1.6 million in other income and $1.1 million as interest income. Also, in the same period the Company sold $5.1 million of copper anodes and sulfuric acid to Asarco.

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

J. Financing:

New SCC Notes:

On April 16, 2010 the Company issued $1.5 billion in fixed-rate unsecured notes with a discount of $10.3 million, which is being amortized over the term of the related debt. Net proceeds will be used for general corporate purposes, including the financing of the Company s capital expenditure program.

The $1.5 billion fixed-rate senior unsecured notes were issued in two tranches, $400 million due in 2020 at an annual interest rate of 5.375% and $1.1 billion due in 2040 at an annual interest rate of 6.75%. The Company has registered these notes under the Securities Act of 1933, as amended.

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Interest on the notes will be paid semi-annually in arrears. The notes will constitute our general unsecured obligations and the series of notes will rank pari passu with each other and will rank pari passu in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness.

Also, related to these notes the Company has deferred $8.2 million of costs associated with the issuance of this facility, which is included in Other assets non-current in the condensed consolidated balance sheet and is being amortized as interest expense over the life of the loans.

In connection with the transaction, on April 16, 2010 the Company entered into a base indenture with Wells Fargo Bank, National Association, as trustee, as well as a first supplemental indenture and a second supplemental indenture which provide for the issuance, and set forth the terms of, the two tranches of notes described above. The indentures contain covenants that limit the Company s ability to, among other things, incur certain liens securing indebtedness, engage in certain sale and leaseback transactions, and enter into certain consolidations, mergers, conveyances, transfers or leases of all or substantially all the Company s assets. If we experience a Change of Control Triggering Event (as defined in the indentures governing the notes), we must offer to repurchase the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any. A Change of Control Trigger Event includes a Rating Decline. Rating Decline means if on, or within 90 days after, the earlier of the date of public notice of the occurrence of a Change of Control or of the intention of the Company to effect a Change of Control (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by any of the rating agencies), the rating of the notes of the applicable series by at least one of the rating agencies shall be decreased by one or more gradations (including gradations within categories as well as between rating categories).

The Company may issue additional debt from time to time pursuant to the base indenture.

Changes in Credit Risk Rating:

In connection with the issuance of the new notes, on April 1, 2010 Moody s investor service upgraded to Baa2 from Baa3 the Company s senior unsecured ratings and the rating on our Yankee bonds. Also on April 5, 2010 Fitch and Standard & Poor s (S&P) ratings services assigned ratings of BBB and BBB- , respectively, to the new notes issued. At the same time, these credit rating agencies confirmed their long-term corporate credit rating on SCC (Baa2 , BBB and BBB- for Moody s, Fitch and S&P, respectively).

K. Benefit Plans:

SCC Defined Benefit Pension Plans

The components of the net periodic benefit costs for the six months ended June 30, 2010 and 2009 are as follows (in millions):

	2010	2009
Interest cost	$ 0.3	$ 0.4
Expected return on plan assets	(0.3)	(0.3)
Amortization of net loss (gain)	*	*
Net periodic benefit costs	$	$ 0.1

(*) amount is lower than $0.1 million

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SCC Post-retirement Health Care Plan

The components of the net periodic benefit costs for the post-retirement health care plan for the six months ended June 30, 2010 and 2009 are individually, and in total, less than $0.1 million.

Minera Mexico Pension Plans

The components of the net periodic benefit costs for the six months ended June 30, 2010 and 2009 are as follows (in millions):

	2010	2009
Interest cost	$ 0.8	$ 0.8
Service cost	1.0	1.0
Expected return on plan assets	(1.4)	(1.2)
Amortization of transition assets, net	(*)	(*)
Amortization of net actuarial loss	(0.5)	(0.2)
Amortization of prior services cost	0.1	(*)
Net periodic benefit cost	$	$ 0.4

(*) amount is lower than $0.1 million

Minera Mexico Post-retirement Health Care Plan

The components of the net periodic cost for the six months ended June 30, 2010 and 2009 are as follows (in millions):

	2010	2009
Interest cost	$ 2.1	$ 1.9
Service cost	0.2	0.2
Amortization of net loss (gain)	(*)	0.7
Amortization of transition obligation	(0.7)	0.3
Net periodic benefit cost	$ 1.6	$ 3.1

(*) amount is lower than $0.1 million

L. Comprehensive Income (in millions):

	Three months ended June 30,				Six months ended June 30,			
		2010		2009		2010		2009
Net income	$	315.3	$	176.0	$	700.5	$	255.3
Other comprehensive income (loss) net of tax:								
Decrease in liability for employee benefit obligation				(1.2)				
Comprehensive income		315.3		174.8		700.5		255.3
Comprehensive income attributable to the non-controlling interest		1.9		1.1		3.9		1.6
Comprehensive income attributable to SCC	$	313.4	$	173.7	$	696.6	$	253.7

M. Commitments and Contingencies

Environmental matters:

The Company has instituted extensive environmental conservation programs at its mining facilities in Peru and Mexico. The Company s environmental programs include,

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among other features, water recovery systems to conserve water and minimize impact on nearby streams, reforestation programs to stabilize the surface of the tailings dams and the implementation of scrubbing technology in the mines to reduce dust emissions.

Environmental capital expenditures in the six months ended June 30, 2010 and 2009 were as follows (in millions):

	2010	2009
Peruvian operations	$ 2.4	$ 0.6
Mexican operations	5.5	14.8
	$ 7.9	$ 15.4

Peruvian operations

The Company s operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through MINEM conducts annual audits of the Company s Peruvian mining and metallurgical operations. Through these environmental audits, matters related to environmental commitments, compliance with legal requirements, atmospheric emissions, and effluent monitoring are reviewed. The Company believes that it is in material compliance with applicable Peruvian environmental laws and regulations.

In 2003 the Peruvian congress published a new law announcing future closure and remediation obligations for the mining industry. In accordance with the requirements of this law the Company s closure plans have been approved by MINEM. As part of the closure plans, the Company is providing guarantees to ensure that sufficient funds will be available for the asset retirement obligation. See Note H, Asset retirement obligation , for further discussion of this matter.

Mexican operations

The Company s operations are subject to applicable Mexican federal, state and municipal environmental laws, to Mexican official standards, and to regulations for the protection of the environment, including regulations relating to water supply, water quality, air quality, noise levels and hazardous and solid waste.

The principal legislation applicable to the Company s Mexican operations is the Federal General Law of Ecological Balance and Environmental Protection, which is enforced by the Federal Bureau of Environmental Protection (PROFEPA). PROFEPA monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and official standards. PROFEPA may initiate administrative proceedings against companies that violate environmental laws, which in the most extreme cases may result in the temporary or permanent closing of non-complying facilities, the revocation of operating licenses and/or other sanctions or fines. Also, according to the federal criminal code, PROFEPA must inform corresponding authorities regarding environmental non-compliance.

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

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On March 16, 2010, the Company announced to the Mexican Federal Environmental authorities the closure of the copper smelter plant at San Luis Potosi. While there is a general obligation to clean-up the site, we are currently unable to reasonably estimate the cost of such remediation.

Litigation matters:

Peruvian operations

Garcia Ataucuri and Others against SCC s Peruvian Branch (SCC s Peruvian Branch , Branch, or Peruvian Branch):

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

The labor share litigation is based on claims of former employees for ownership of labor shares issued during the 1970s until 1979 under a former Peruvian mandated profit sharing system. In 1971, the Peruvian government enacted legislation providing that mining workers would have a 10% participation in the pre-tax profits of their employing enterprises. This participation was distributed 40% in cash and 60% in an equity interest of the enterprise. In 1978 the equity portion, which was originally delivered to the mining industry organization, was set at 5.5% of pre-tax profits and was delivered in the form of labor shares to individual workers. The cash portion was set at 4.0% of pre-tax earnings and continued to be delivered to individual employees. In 1992 the workers participation was set at 8%, with 100% payable in cash and the equity participation was eliminated from the law.

In 1995, the labor shares were exchanged for common stock of the Company and approximately 80.8% of the issued labor shares were exchanged. The remaining net 0.71% is included on the consolidated balance sheet under the caption Non-controlling interest.

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

1) The Garcia Ataucuri litigation seeks the delivery of 38,763,806.80 labor shares (acciones laborales), now investment shares (acciones de inversion) (or nuevos soles (S/.) 3,876,380,679.56), plus dividends on such shares. After lengthy proceedings before the civil courts in Peru on September 19, 2001, on appeal from the Branch, the Peruvian Supreme Court annulled the proceedings noting that the civil courts lacked jurisdiction and that the matter had to be decided by a labor court.

In October 2007, in a separate proceeding initiated by the plaintiffs, the Peruvian Constitutional Court nullified the September 19, 2001 Peruvian Supreme Court decision and ordered the Supreme Court to decide again on the merits of the case accepting or denying the Branch s 2000 appeal.

In May 2009, the Supreme Court rejected the 2000 appeal of the Branch affirming the adverse decision of the appellate civil court and lower civil court. While the Supreme Court has ordered SCC s Peruvian Branch to deliver the labor shares and dividends, it has clearly stated that SCC s Peruvian Branch may prove, by all legal means, its assertion that the labor shares and dividends were distributed to the former employees in accordance with the profit sharing law then in effect, an assertion which SCC s Peruvian Branch continues to make.

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On June 9, 2009 SCC s Peruvian Branch filed an extraordinary appeal before a civil court in Peru seeking the nullity of the 2009 Supreme Court decision and other protective measures. The civil court has now rendered a favorable decision suspending the enforcement of the Supreme Court decision, for the reasons indicated above and other reasons. In view of this, and the recent civil court decision, SCC´s Peruvian Branch continues to analyze the manner in which the Supreme Court decision may be enforced and what financial impact, if any, said decision may have.

2) The May 10, 2006 Cornejo Flores and others vs. SCC s Peruvian Branch litigation, seeks the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases made by the Branch in 1980 for the amount of the workers participation of S/.17,246,009,907.20, equivalent to 172,460,099.72 labor shares, and dividends. On May 23, 2006, the Branch answered this new complaint denying the validity of the claim. As of June 30, 2010 the case remains open with no new developments.

3) The June 27, 2008 Alejandro Zapata Mamani and others vs. SCC s Peruvian Branch litigation seeks the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases and dividends. The Branch answered this new complaint, denying the validity of the claim. As of June 30, 2010 the case remains open with no new developments.

4) The January 2009 Arenas Rodriguez and others represented by Mr. Cornejo Flores- vs. SCC s Peruvian Branch litigation seeks the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases and dividends. The Branch answered this new complaint, denying the validity of the claim. As of June 30, 2010 the case remains open with no new developments.

5) The June 2010 Macedo Condori vs. SCC s Peruvian Branch litigation seeks the delivery of 8,012 labor shares plus dividends in the amount of S/.496,744 (as of May 2010)and interest. The Branch answered this new complaint, denying the validity of the claim. As of June 30, 2010 the case remains open with no new developments.

The Company asserts that the labor shares were distributed to the former employees in accordance with the profit sharing law then in effect. The Company has not made a provision for these lawsuits because it believes that it has meritorious defenses to the claims asserted in the complaints. Additionally, the amount of this contingency cannot be reasonably estimated by management at this time.

Exploraciones de Concesiones Metalicas S.A.C.:

In August 2009 a lawsuit was filed against SCC s Branch by the former stockholders of Exploraciones de Concesiones Metalicas S.A.C. (Excomet). The plaintiffs allege that the acquisition of their shares in Excomet by the Branch is null and void because the $2 million purchase price paid by the Branch for the shares of Excomet was not fairly negotiated by the plaintiffs and the Branch. In 2005, the Branch acquired the shares of Excomet after lengthy negotiations with the plaintiffs, and after the plaintiffs, which were all of the stockholders of Excomet, approved the transaction in a general stockholders meeting. Excomet was at the time owner of a mining concession which forms part of the Tia Maria project.

The Company asserts that the lawsuit is without merit and is vigorously defending against this lawsuit.

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Mexican operations

Ejido Pilares de Nacozari:

In 2008, the Ejidal Commissariat of the Ejido Pilares de Nacozari , initiated a protective action (Amparo) against the second expropriation decree (by means of which 2,322 hectares were expropriated for public use), ignoring the judicial settlement reached with the Company on this matter. The judicial settlement was ratified in January 2006. On May 7, 2010, on appeal by the Company, this new Ejido case was dismissed by a federal tribunal. This ruling fully terminates this litigation.

Pasta de Conchos Accident:

On February 19, 2010 three widows of miners, who perished in the 2006 Pasta the Conchos accident, filed a complaint for damages in the United States District Court for the District of Arizona against defendants Grupo México, Americas Mining Corporation and Southern Copper Corporation. Plaintiffs allege that defendants purported failure to maintain a safe working environment at the mine amounted to a violation of several laws and treaties. The Company considers that the court does not have subject-matter jurisdiction over the plaintiffs claims and will defend itself vigorously. On June 25, 2010 the Company filed a motion to dismiss the plaintiffs complaint. This motion is pending.

Labor matters:

In recent years the Company has experienced a number of strikes or other labor disruptions that have had an adverse impact on its operations and operating results.

Peruvian Operations

Approximately 60.4% of the Company s Peruvian labor force was unionized at June 30, 2010, represented by eight separate unions. Three of these unions, one at each major production area, represent the majority of the Company s workers. The collective bargaining agreements for these unions expired in February 2010. The Company is in negotiations with these unions to establish new agreements. Additionally, there are five smaller unions, representing the balance of workers. Collective bargaining agreements for this group are in force through November 2012.

During 2009 there were no strikes at the Company s Peruvian operations. In 2008, strikes in support of a mining federation strike occurred at the Company s operating areas, during which operations were near to normal.

Mexican operations

Approximately 75% of the Mexican labor force was unionized at June 30, 2010, represented by two separate unions. Under Mexican law, the terms of employment for unionized workers is set forth in collective bargaining agreements. Mexican companies negotiate the salary provisions of collective bargaining agreements with the labor unions annually and negotiate other benefits every two years. The Company conducts negotiations separately at each mining complex and each processing plant.

On March 20, 2009 the Company notified the Mexican federal labor court of the termination of all the individual labor contracts of the Cananea workers, including the collective bargaining agreement with the union. This decision was based upon a finding by the Mexican mining authorities that confirmed that the Cananea mine was in a force majeure situation since it was unable to operate due to severe damages caused by striking workers. On April 14, 2009, the Mexican federal labor court issued a resolution approving the termination of Cananea s labor relationships with individual

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and unionized employees, as well as the termination of its collective bargaining agreement with its employees and with the National Mining and Metal Workers Union. This ruling was challenged before federal tribunals. Most of the individual challenges by unionized workers have been resolved by a federal judge who dismissed their complaints.

On February 11, 2010, a Mexican federal district court confirmed that the damages caused to the Cananea mine by the neglect and sabotage of striking workers since the commencement of labor stoppages and strikes in July 2007 resulted in force majeure providing legal basis for the termination of individual and unionized employees by the Company s subsidiary, Mexicana de Cananea, S.A. de C.V. A workers appeal was dismissed on April 21, 2010 by the Mexican Supreme Court. Local and federal authorities in Mexico regained access to, and control of, the Cananea mine. On June 6, 2010 the Company commenced the necessary evaluations to assess the magnitude of the significant damages to the plant, machinery and equipment caused by the strike that commenced in July 2007. The Company has already started the rehabilitation and reconstruction of the Cananea mine, with a team of approximately 3,000 individuals, composed of Company workers and contractors personnel. The estimated cost of repairing the damages to the property is $114 million. Losses arising from damages to the fixed assets, net of estimated insurance recoveries, are not material.

Additionally, the San Martin and Taxco mines have been on strike since July 2007. On December 10, 2009 a federal tribunal confirmed the legality of the San Martin strike. In the case of the Taxco mine, following the workers refusal to allow exploration of new reserves, the Company commenced litigation seeking to terminate the labor relationship with workers of the Taxco mine (including the related collective bargaining agreement). We expect that the federal labor court will issue a ruling on this case in the near future.

In 2009, more than 40% of the workers of the San Martin mine and 50% of the workers of the Taxco mine voluntarily requested severance payments and terminated their labor relationship with the Company.

Other legal matters:

Class actions:

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

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

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

Other commitments:

Regional development contribution:

In 2006, the Company s Peruvian Branch signed a contract with the Peruvian government committing the Company to make annual contributions for five years to support the regional development of Peru based on prior year s net earnings. This was in response to an appeal by the president of Peru to the mining industry. The contributions are being used for social benefit programs.

These contributions were deposited with a separate entity, Copper Assistance Civil Association (Asociación Civil Ayuda del Cobre) which will make disbursements for approved investments in accordance with the agreement. Future contributions could increase or decrease depending on copper prices. The commitment of the Branch is for a total of 1.25% of its annual earnings, after Peruvian income tax. If the average annual LME copper price is below $1.79 per pound the contribution will cease.

The Company made provisions for this contribution in the first six months of 2010 and 2009, as follows (in millions):

	2010	2009
Regional development contribution	$ 5.8	$ 2.1

These provisions are included in Other income (expense) in the condensed consolidated statement of earnings.

Royalty charge

In June 2004, the Peruvian Congress enacted legislation imposing a royalty charge to be paid by mining companies. Under this law, the Company is subject to a 1% to 3% royalty, based on sales, applicable to the value of the concentrates produced at the Toquepala and Cuajone mines. The Company made provisions for this charge in the first six months of 2010 and 2009, as follows (in millions):

	2010	2009
Royalty charge	$ 27.6	$ 13.6

These provisions are included in Cost of sales (exclusive of depreciation, amortization and depletion) in the condensed consolidated statement of earnings.

Power purchase agreement

In 1997, SCC sold its Ilo power plant to an independent power company, Enersur S.A. (Enersur). In connection with the sale, a power purchase agreement was also completed under which SCC agreed to purchase all of its power needs for its Peruvian operations from Enersur for twenty years, commencing in 1997. In 2003 the agreement was amended, releasing Enersur from its obligation to construct additional capacity to meet the Company s increased electricity requirements and changing the power tariff as called for in the original agreement.

The Company has recently signed a Memorandum of Understanding (MOU) with Enersur regarding its power supply agreement. The MOU contains new economic terms that the

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Company believes better reflect current economic conditions in the power industry and in Peru. The Company expects to obtain savings in its future power costs. The new economic conditions agreed to in the MOU have been applied by Enersur to its invoices to the Company since May 2009. Additionally, the MOU includes an option for providing power for the Tia Maria project.

Tax contingency matters:

Tax contingencies are provided for under ASC 740-10-50-15 Uncertain tax position (see Note E, Income taxes).

N. Segment and Related Information:

Company management views Southern Copper as having three operating segments and manages on the basis of these segments. The segments identified by the Company are: the Peruvian operations, the Mexican open pit operations and the Mexican underground mining operations segment identified as the IMMSA unit.

Financial information is regularly prepared for each of the three segments and the results of the Company s operations are regularly reported to the Chief Operating Officer on the segment basis. The Chief Operating Officer of the Company focuses on operating income and on total assets as measures of performance to evaluate different segments and to make decisions to allocate resources to the reported segments. These are common measures in the mining industry.

Financial information relating to Southern Copper s segments is as follows:

	Three Months Ended June 30, 2010 (in millions)				
	Mexican Open Pit	**Mexican IMMSA Unit**	**Peruvian Operations**	**Corporate, other and eliminations**	**Consolidated**
Net sales outside of segments	$ 338.9	$ 85.9	$ 738.2	$ 10.2	$ 1,173.2
Intersegment sales	7.9	35.8		(43.7)	
Cost of sales (exclusive of depreciation, amortization and depletion)	177.2	78.8	303.0	(36.7)	522.3
Selling, general and administrative	7.8	3.4	9.4	1.4	22.0
Depreciation, amortization and depletion	39.4	5.4	32.6	1.1	78.5
Exploration	1.1	3.5	5.4		10.0
Operating income	$ 121.3	$ 30.6	$ 387.8	$ 0.7	540.4
Less:					
Interest, net					(43.7)
Other income (expense)					(6.5)
Income taxes					(174.9)

Non-controlling interest										(1.9)
Net income attributable to SCC									$	313.4
Capital expenditure	$	10.7	$	4.3	$	77.3	$	0.7	$	93.0
Property, net	$	1,567.4	$	274.5	$	2,108.2	$	61.2	$	4,011.3
Total assets	$	2,295.8	$	626.6	$	2,912.3	$	1,614.8	$	7,449.5

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	Three Months Ended June 30, 2009 (in millions)				
	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 249.0	$ 87.4	$ 475.3	$ 12.8	$ 824.5
Intersegment sales	13.4	33.5		(46.9)	
Cost of sales (exclusive of depreciation, amortization and depletion)	153.6	77.0	217.3	(28.4)	419.5
Selling, general and administrative	6.6	2.9	7.5	1.1	18.1
Depreciation, amortization and depletion	41.8	5.8	30.9	0.2	78.7
Exploration	0.1	1.1	3.8		5.0
Operating income	$ 60.3	$ 34.1	$ 215.8	$ (7.0)	303.2
Less:					
Interest, net					(21.0)
Loss on derivative instruments					6.8
Other income (expense)					(1.5)
Income taxes					(111.4)
Non-controlling interest					(1.1)
Net income attributable to SCC					$ 175.0
Capital expenditure	$ 16.5	$ 9.8	$ 114.1	$ 2.2	$ 142.6
Property, net	$ 1,636.8	$ 275.0	$ 1,922.9	$ 41.6	$ 3,876.3
Total assets	$ 2,662.0	$ 634.9	$ 2,457.3	$ (312.4)	$ 5,441.8

	Six Months Ended June 30, 2010 (in millions)				
	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 717.3	$ 177.1	$ 1,460.0	$ 38.2	$ 2,392.6
Intersegment sales	29.1	87.5		(116.6)	
Cost of sales (exclusive of depreciation, amortization and depletion)	343.3	170.1	586.4	(78.3)	1,021.5
Selling, general and administrative	15.2	6.6	19.9	2.0	43.7
Depreciation, amortization and depletion	81.0	11.3	65.5	1.9	159.7
Exploration	2.3	7.1	9.1		18.5
Operating income	$ 304.6	$ 69.5	$ 779.1	$ (4.0)	1,149.2
Less:					
Interest, net					(65.5)
Other income (expense)					(5.1)
Income taxes					(378.1)
Non-controlling interest					(3.9)
Net income attributable to SCC					$ 696.6
Capital expenditure	$ 22.9	$ 10.2	$ 134.5	$ 0.7	$ 168.3
Property, net	$ 1,567.4	$ 274.5	$ 2,108.2	$ 61.2	$ 4,011.3
Total assets	$ 2,295.8	$ 626.6	$ 2,912.3	$ 1,614.8	$ 7,449.5

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	Six Months Ended June 30, 2009 (in millions)				
	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 421.3	$ 177.7	$ 822.1	$ 25.4	$ 1,446.5
Intersegment sales	14.2	60.7		(74.9)	
Cost of sales (exclusive of depreciation, amortization and depletion)	252.2	176.4	416.4	(50.0)	795.0
Selling, general and administrative	14.1	6.2	14.4	2.2	36.9
Depreciation, amortization and depletion	83.1	11.9	61.1	0.8	156.9
Exploration	0.8	2.3	7.3		10.4
Operating income	$ 85.3	$ 41.6	$ 322.9	$ (2.5)	447.3
Less:					
Interest, net					(38.7)
Gain on derivative instruments					4.2
Other income (expense)					1.9
Income taxes					(159.4)
Non-controlling interest					(1.6)
Net income attributable to SCC					