



## **CORPORATE PRESENTATION 3Q14 RESULTS**

November 2014  
Lima

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# Agenda

1

## **Business and Operational Performance**

Mr. Víctor Gobitz - CEO

2

## **Financial Highlights**

Ms. Claudia Torres- CFO

3

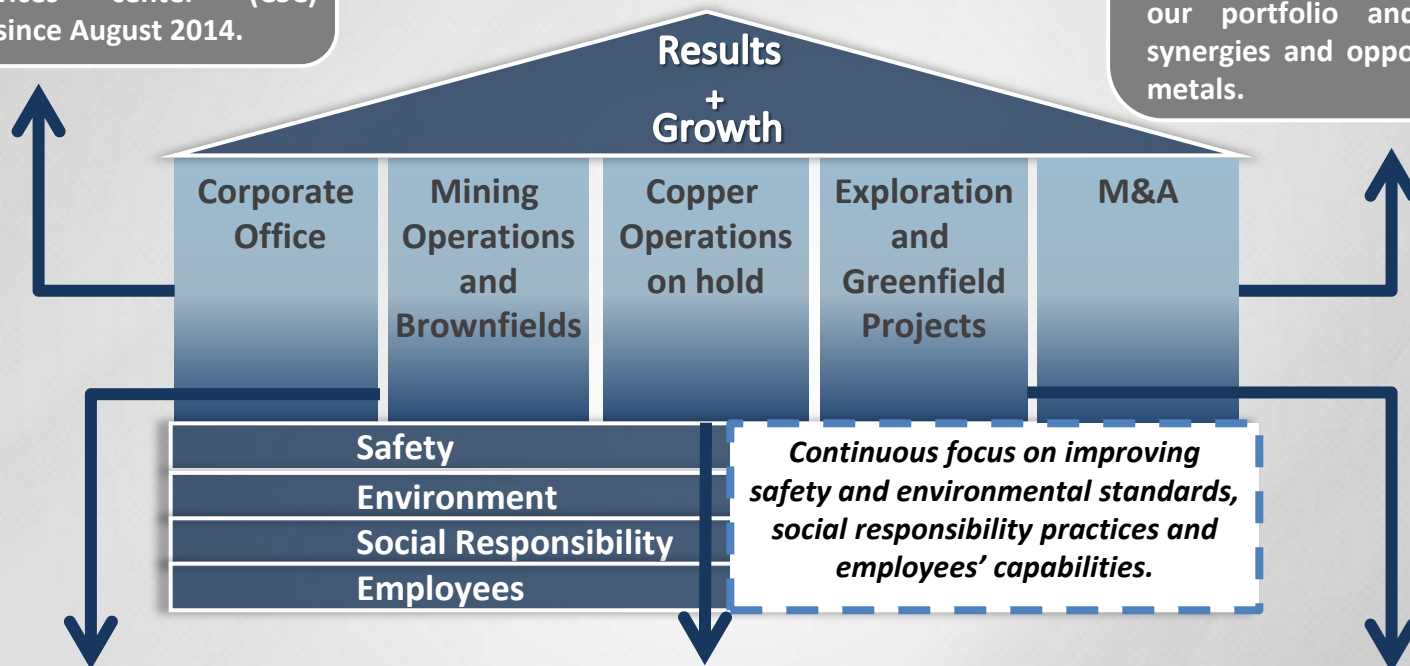
## **Closing Remarks**

Ms. Claudia Torres - CFO

# Milpo gives continuity to its 5-pillar strategy

- Consolidated role as a strategic services provider to the whole organization.
- Shared services center (CSC) implemented since August 2014.

- Recently approved acquisition of a participation in the Aripuana and Bongara zinc projects from Votorantim which is aligned with the strategy focused on strengthening our portfolio and searching for synergies and opportunities in base metals.



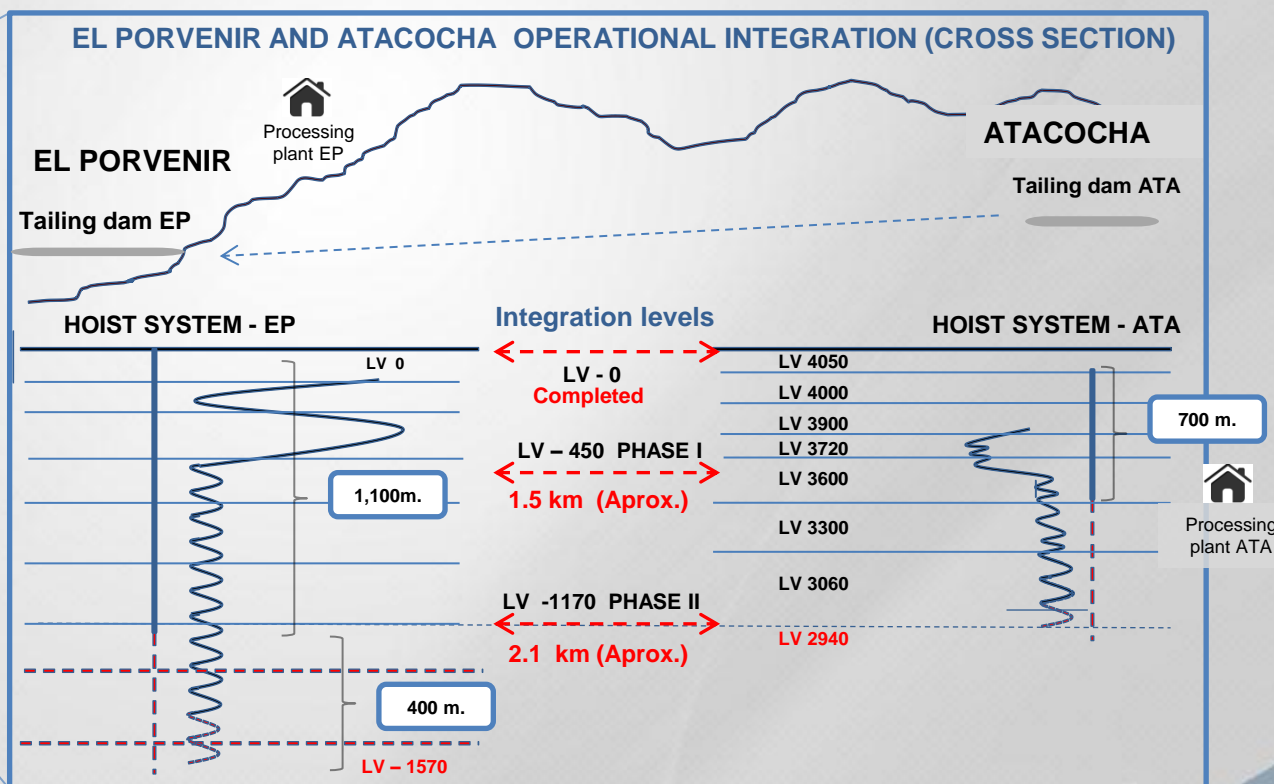
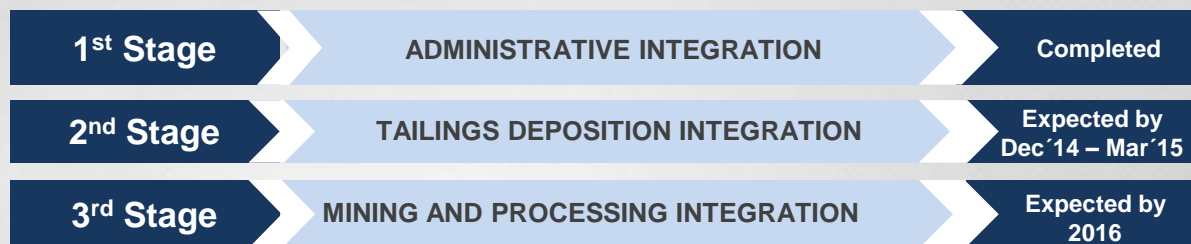
- **EP/AT:** Operating integration in process, including the integration of tailings deposition between Dec14 –Mar15.
- **CL:** Having finished the third mill installation, additional investments and permits are in process to increase treatment capacity to 18ktpd (Expected by 1Q2015).

- **Chapi:** Final stage of the feasibility study regarding the possible restart of its operations. Also, studies for the Chapi Sulphides project have initiated.
- **Ivan:** Definition in progress.

- Scoping studies finished for Pukaqaqa and Magistral. The pre feasibility studies for both projects will be completed between Dec'14 and Jun'15.
- Definition in progress for Hilarion.
- All the greenfield projects will be executed by stages (Cerro Lindo's Model).

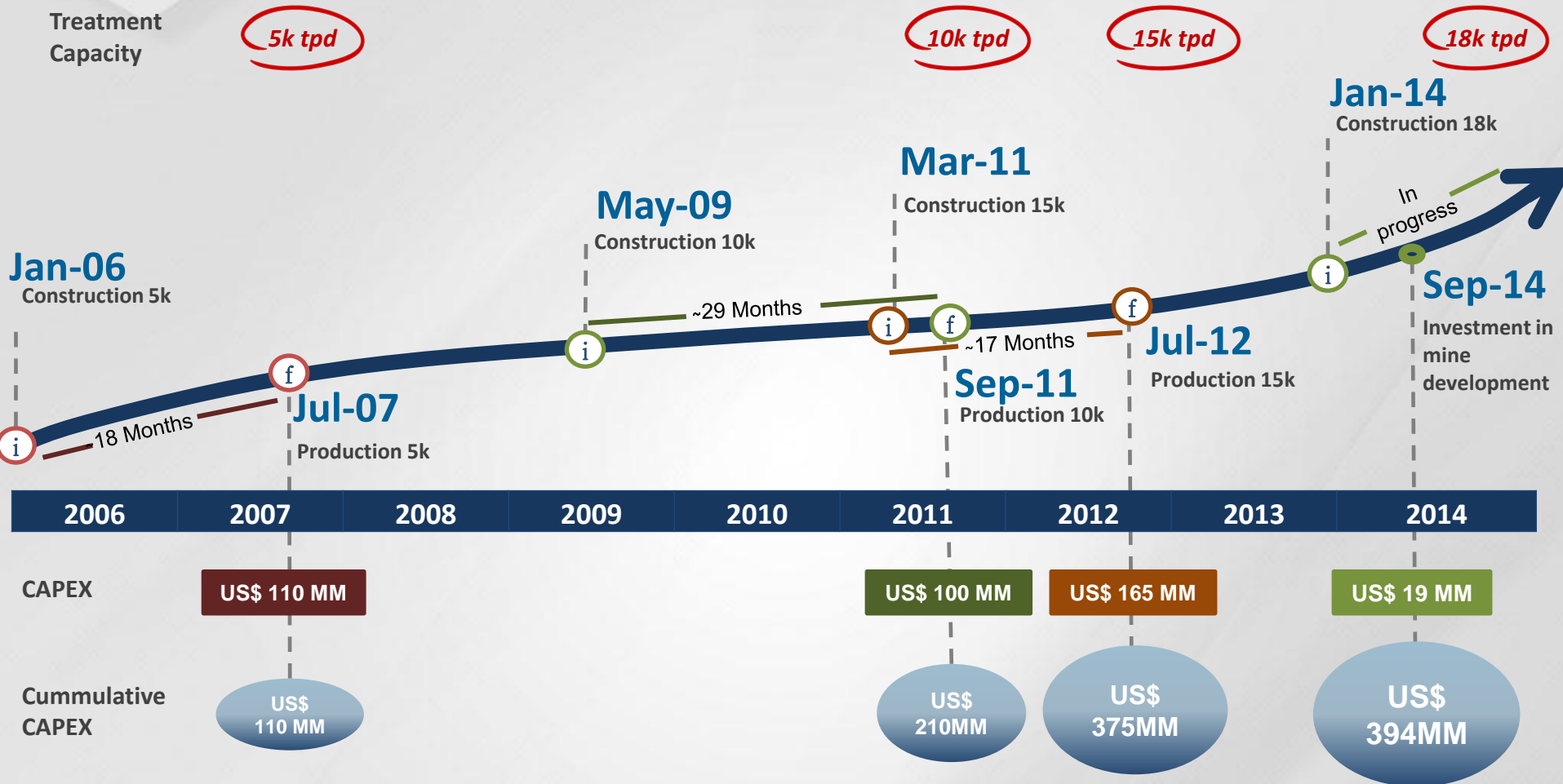
# Pasco Mining Complex: El Porvenir & Atacocha operating integration in progress

Currently both mining units are separated only by 2km approximately



# Growth Strategy for Cerro Lindo will be applied to Greenfield Projects

## TIMELINE



*This strategy was successful to Milpo allowing:*

- Project start-up earlier than expected.
- Minor deviations in terms of budget and schedule.
- Reduced payback period for each expansion.
- Incremental EBITDA margin along time.

*Same model to be executed for the Greenfield Projects.*



# Greenfield projects



## MAGISTRAL PROJECT (Cu – Mo)

### Mining method

- Located in Ancash
- 250Mt @ 0.55%Cu, 0.045%Mo (cut off 0.3%Cu)
- 94,666m. DDH (1969 – 2013)

- Open Pit

## PUKAQAQA PROJECT (Cu - Au)

### Mining method

- Located in Huancavelica
- 130Mt @ 0.62%Cu, 0.10g/t Au (cut off 0.4%Cu)
- 148,132m. DDH (1997-2012)

- Open pit

## HILARION PROJECT (Zn, Pb, Ag)

### Mining method

- Located in Ancash
- 60Mt @ 4.38%Zn, 0.66%Pb, 0.98optAg (cut off 3%Zn)
- 251,947m. DDH (2005-2013)

- Underground

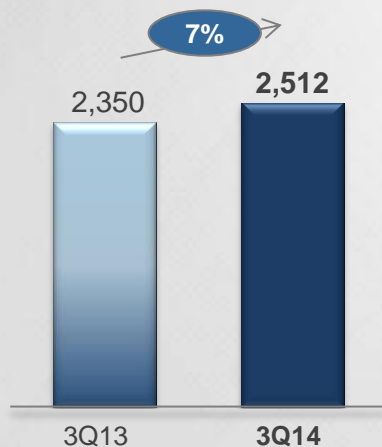
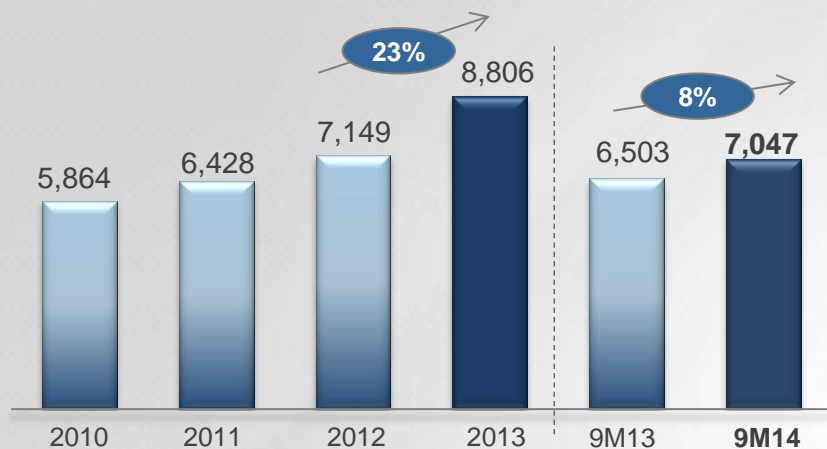
## Current focus

*Reduce risks associated with their development by executing a growth strategy by phases as made in Cerro Lindo, with the objective to:*

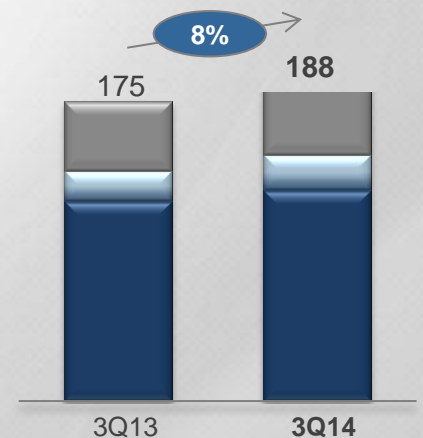
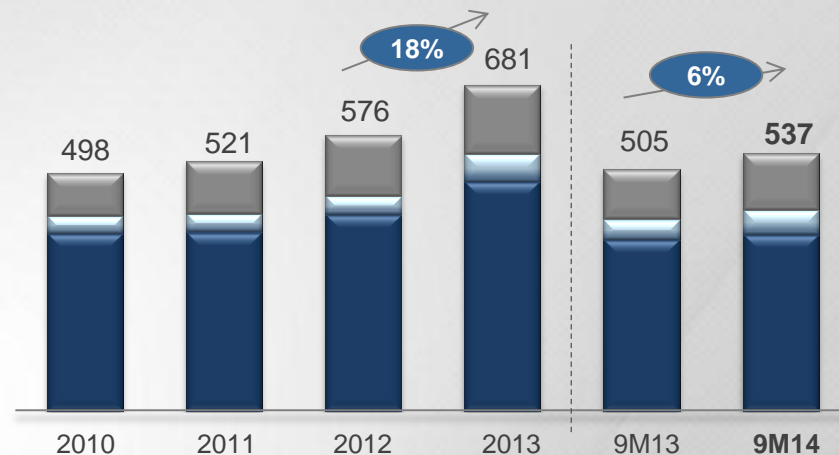
- Reduce Capex and construction timing and deviatons
- Accelerate Payback

# Higher production levels continue to support robust operational performance

## Ore Treated (thousand of tonnes)



## Concentrates production (thousand of tonnes)



■ Zinc ■ Lead ■ Copper

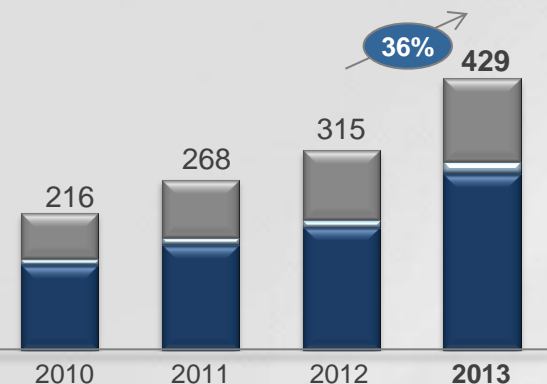


# Operational performance by mining unit

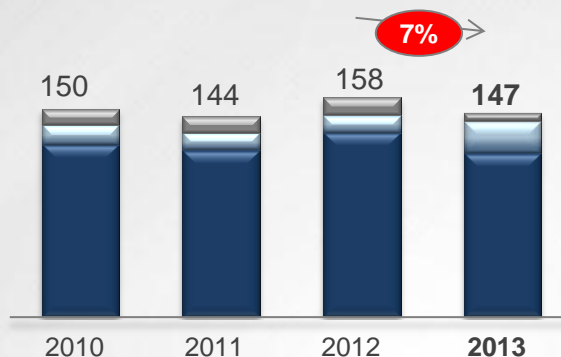
## Concentrates production

(thousand of tonnes)

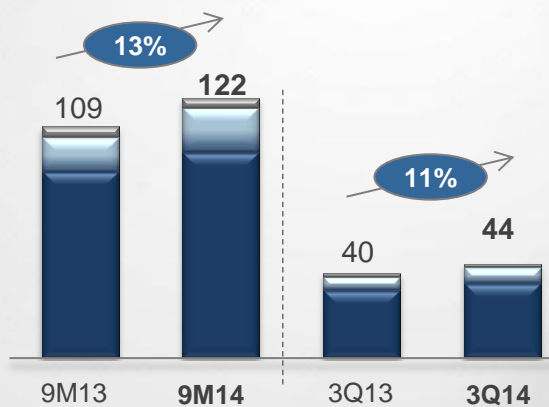
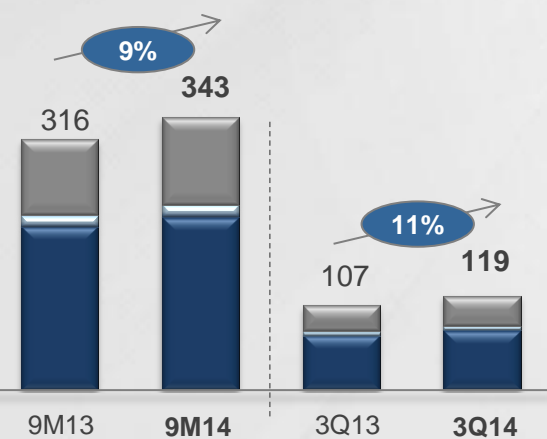
### CERRO LINDO



### EL PORVENIR

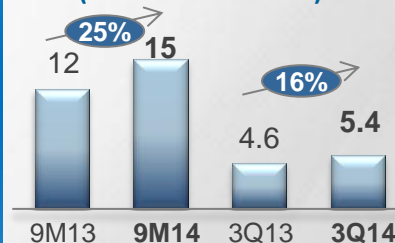


### ATACOCHA



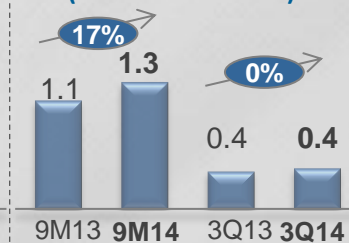
### Lead

(thousand of tonnes)



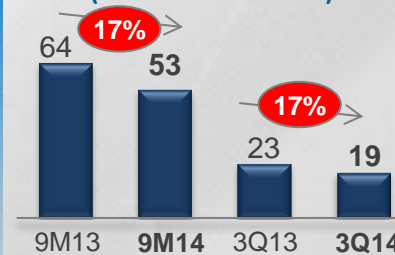
### Silver

(millions of ounces)



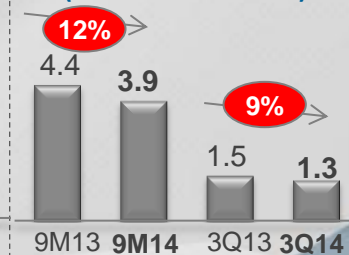
### Zinc

(thousand of tonnes)



### Copper

(thousand of tonnes)



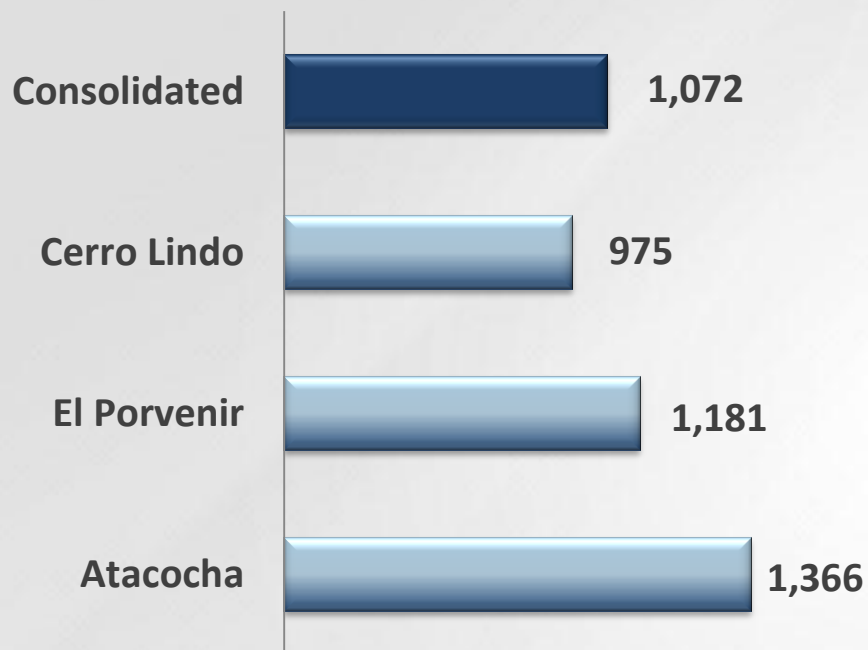
■ Zinc ■ Lead ■ Copper

■ Zinc ■ Lead ■ Copper

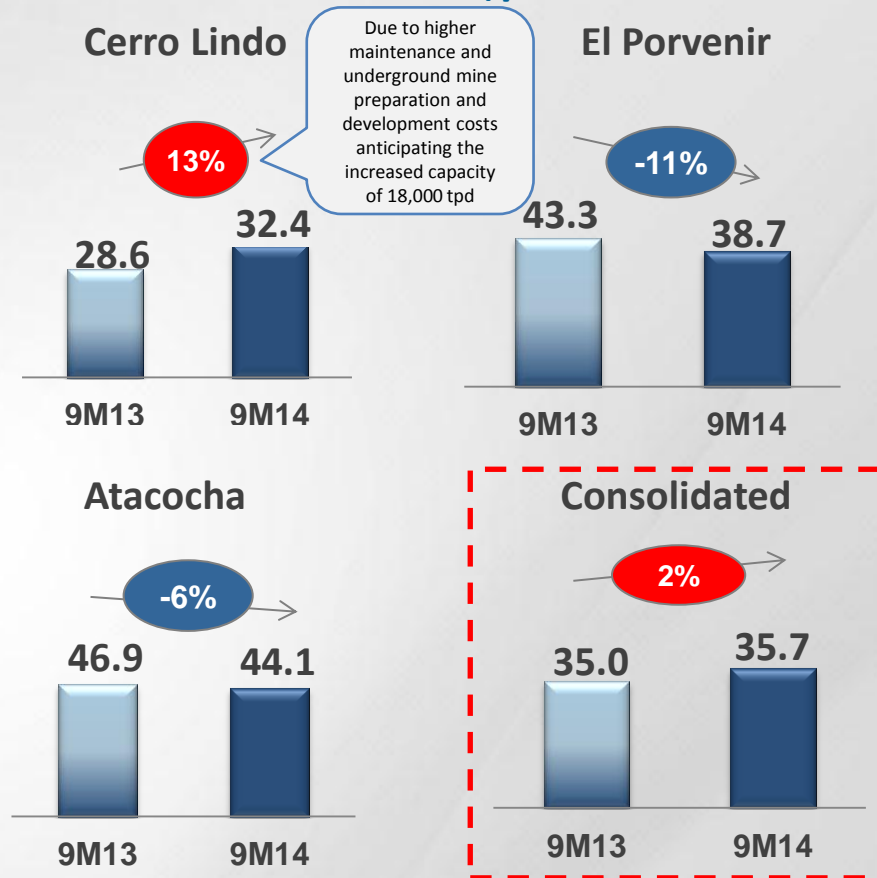
■ Lead ■ Silver ■ Zinc ■ Copper

# Continuous strategies oriented to reduce the consolidated cash cost

## Cash Cost US\$/t Zinc equivalent 9M14



## Cash Cost US\$/t rom



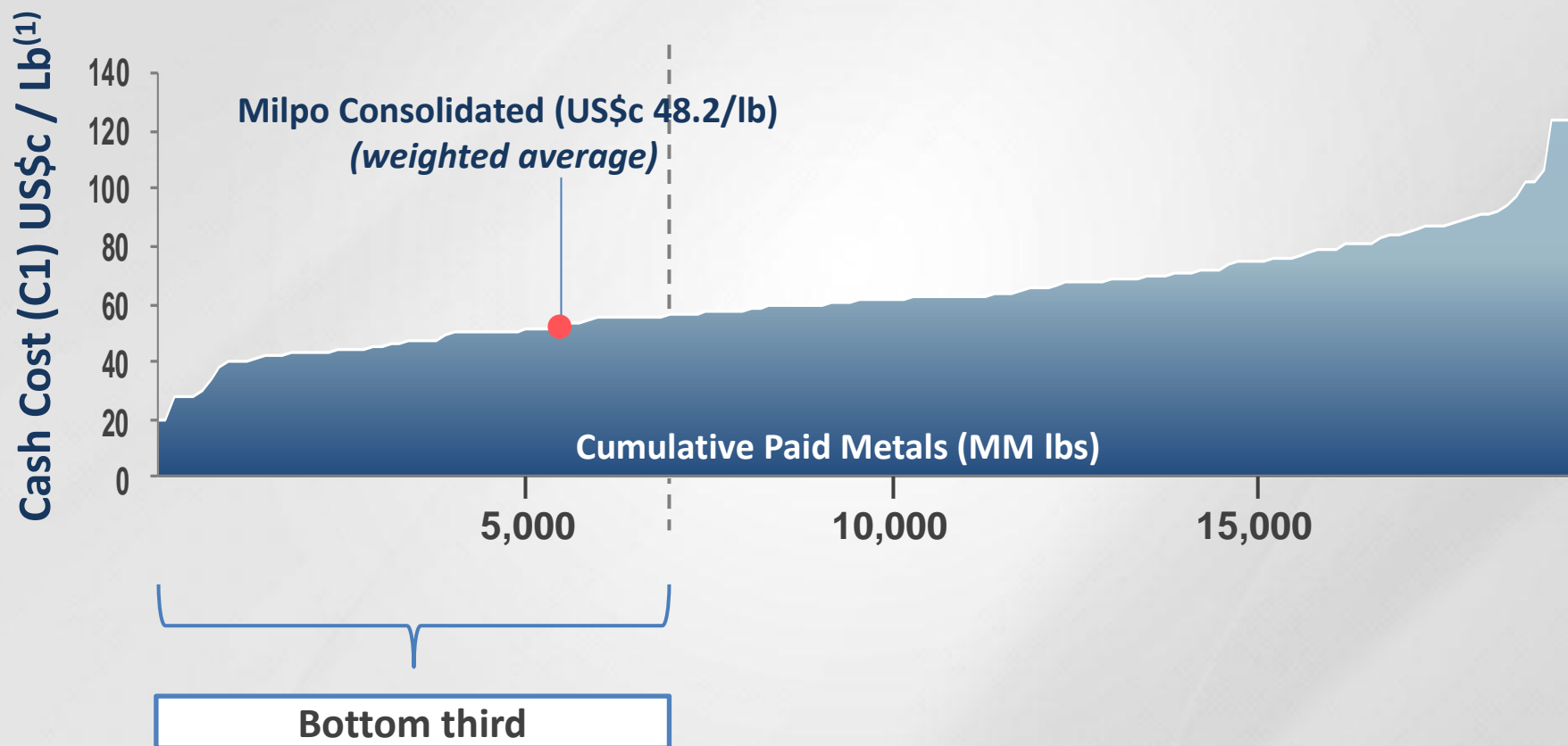
### Initiatives to reduce costs in all operating unit's:

- Optimization of consumption ratios (fuel, spare parts, cement, chemical, reagents).
- Use of alternative technologies to reduce cost in rock support (more mesh and bolts instead of shotcrete).
- Optimization of mines design to reduce mine's preparation and development costs.
- Use of higher scale underground machineries to increase productivity.

# Currently, Milpo maintains its world class standard as a low-cost zinc producer

## Low-Cost Zinc Producer

### Wood Mackenzie 3Q14 – Zinc Mine Composite Cost Curve



Source: Wood Mackenzie

<sup>(1)</sup> Represents C1 cash costs which reflect direct cash costs of producing metal incorporating mining, processing and offsite realization costs having made appropriate allowance for the co-product revenue streams.

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# Milpo's robust financial position continues to support high liquidity and low indebtedness

*Consistent  
EBITDA  
generation*

**Robust  
financial  
position**

*which also  
translates in*

*Maintaining  
investment  
grade status*

*Having a net  
cash position*

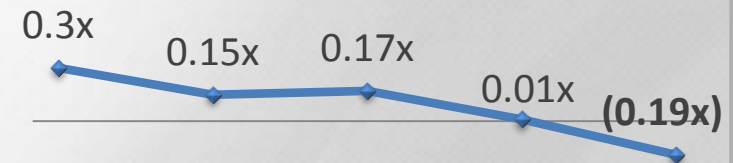
**FitchRatings**

(BBB) Stable

**STANDARD  
& POOR'S**

(BBB-) Stable

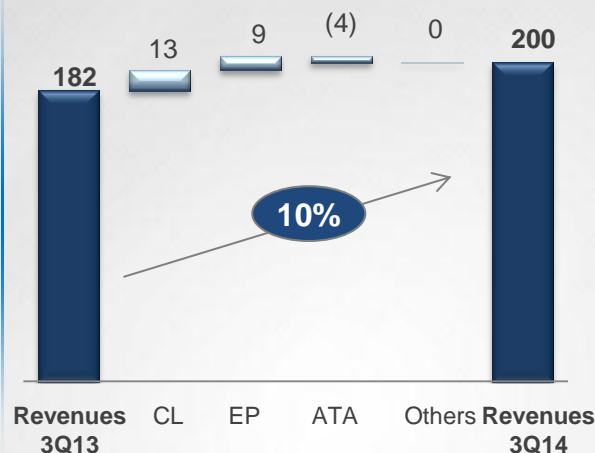
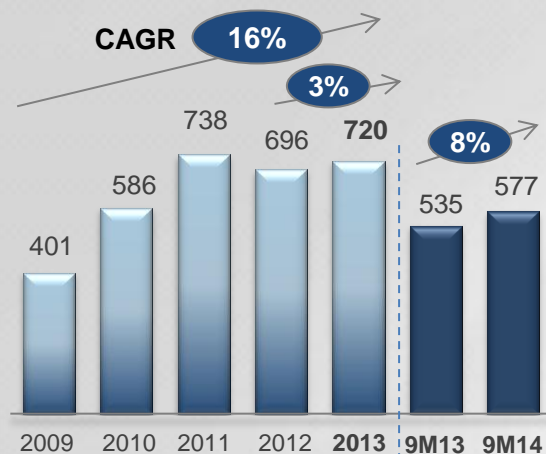
## Net Debt/ EBITDA



US\$MM	Sep-13	Dec-13	Mar-13	Jun-14	Sep-14
EBITDA	238	257	266	275	277
NET DEBT	70	35	46	3	(53)
TOTAL DEBT	379	378	368	367	359
CASH	309	343	322	364	412

# During 3Q14 Milpo continued improving its consolidated financial position

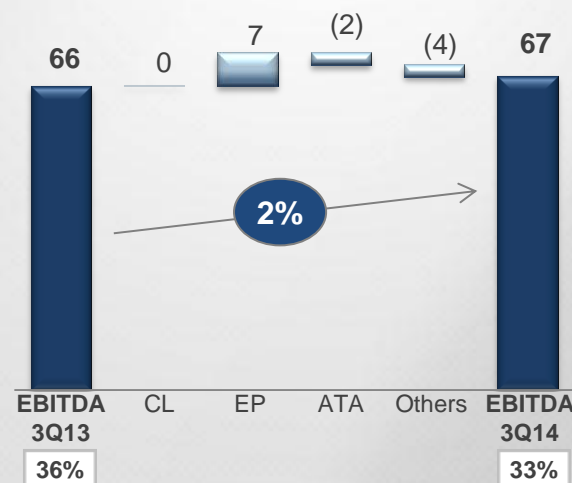
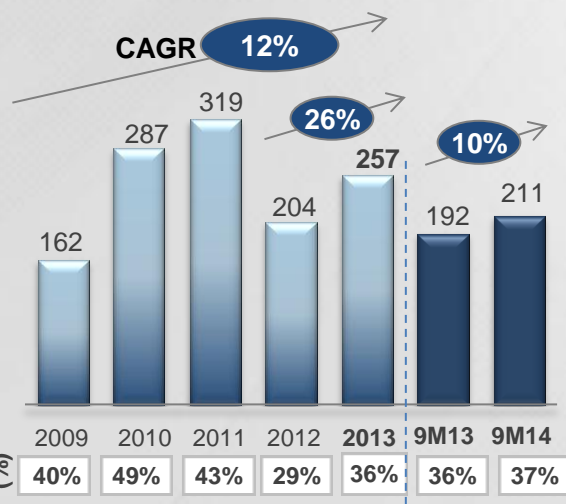
## Revenues (US\$ million)



## Highlights 3Q14 vs. 3Q13

- Revenues of US\$ 200 million, 10% increase mainly due to higher concentrates production.
- EBITDA of US\$ 67 million, 2% increase due to higher revenues which offset the higher costs in Cerro Lindo related to maintenance and mine development activities anticipating the increased capacity of 18,000 tpd.

## EBITDA (US\$ million)

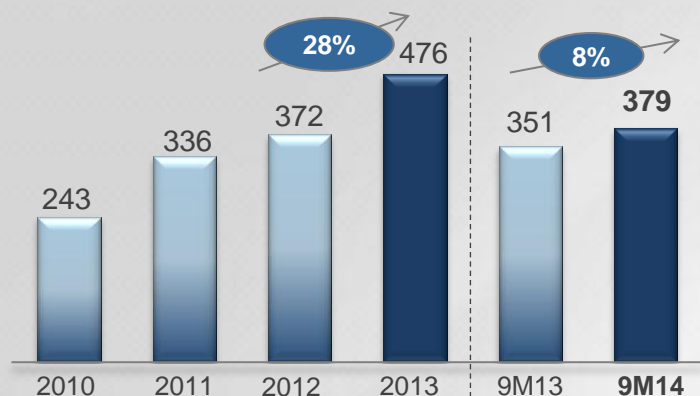


- Consolidated Net Profit of US\$ 25 million, 27% increase due to higher EBITDA and the lower depreciation registered in the copper units currently on hold.

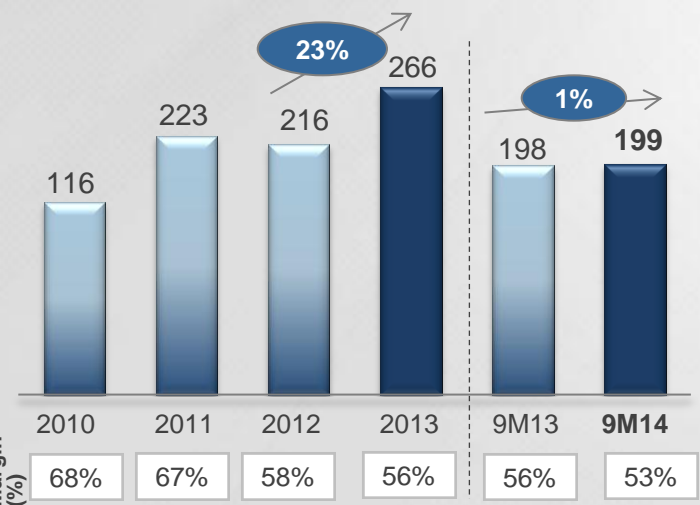


# Cerro Lindo's financial performance (66% of Milpo's 3Q14 revenues)

## Revenues (US\$ million)



## EBITDA (US\$ million)

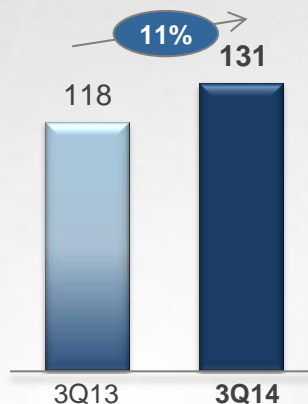


## Highlights 3Q14 vs. 3Q13

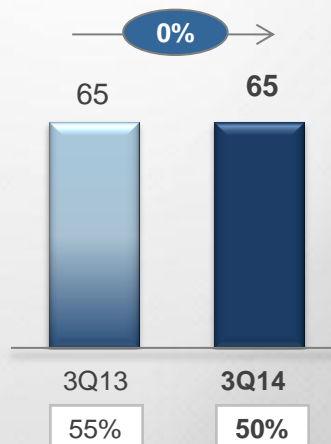
- Increase in concentrates production due to higher treated ore:

ZINC	↑	9%
LEAD	↑	12%
COPPER	↑	17%
SILVER	↓	-4%

- Revenues of US\$ 131 million, 11% increase due to higher production.



- EBITDA of US\$ 65 million, similar to that obtained in 3Q13. Higher costs offset higher revenues.

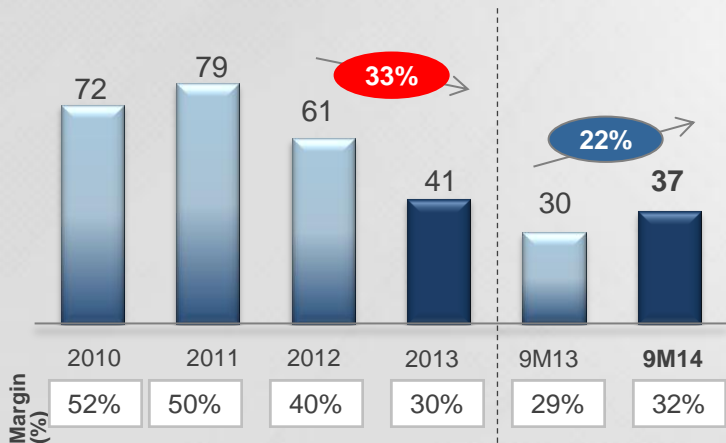


# El Porvenir's financial performance (21% of Milpo's 3Q14 revenues)

## Revenues (US\$ million)



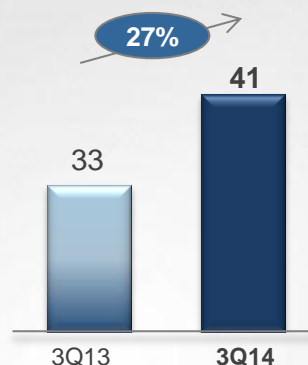
## EBITDA (US\$ million)



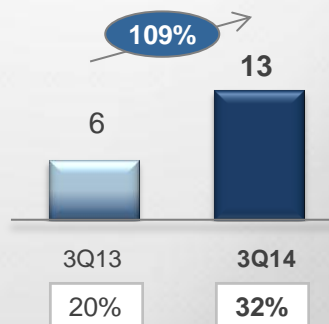
## Highlights 3Q14 vs. 3Q13

- Increase in concentrates production due to higher treated ore:

ZINC	↑	10%
LEAD	↑	20%
COPPER	↓	-12%
SILVER	↑	17%



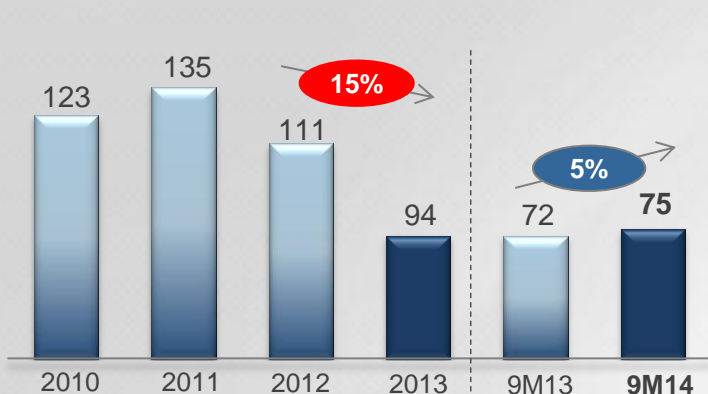
- Revenues of US\$ 41 million, 27% increase due to higher production.



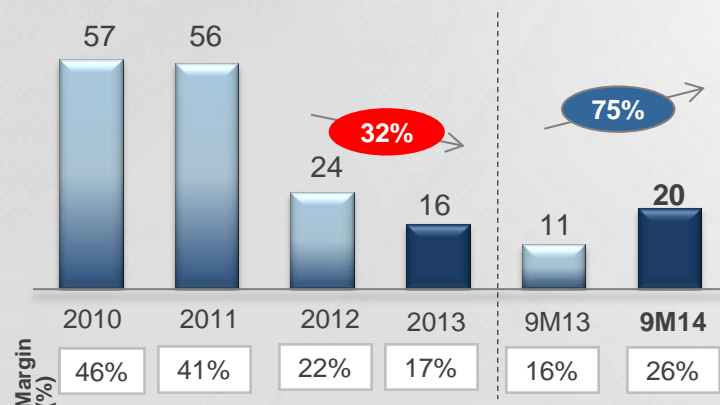
- EBITDA of US\$ 13 million, 109% increase due to higher revenues and lower cash cost (US\$/t 42.0 vs US\$/t 38.4).

# Atacocha's financial performance (12% of Milpo's 3Q14 revenues)

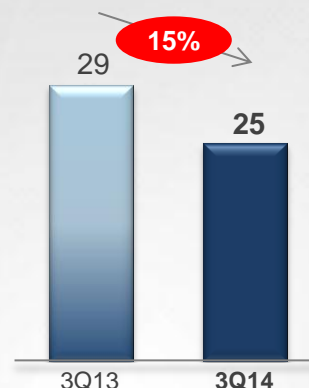
## Revenues (US\$ million)



## EBITDA (US\$ million)



## Highlights 3Q14 vs. 3Q13



- Increase in lead concentrates production offset the decrease in zinc and copper:

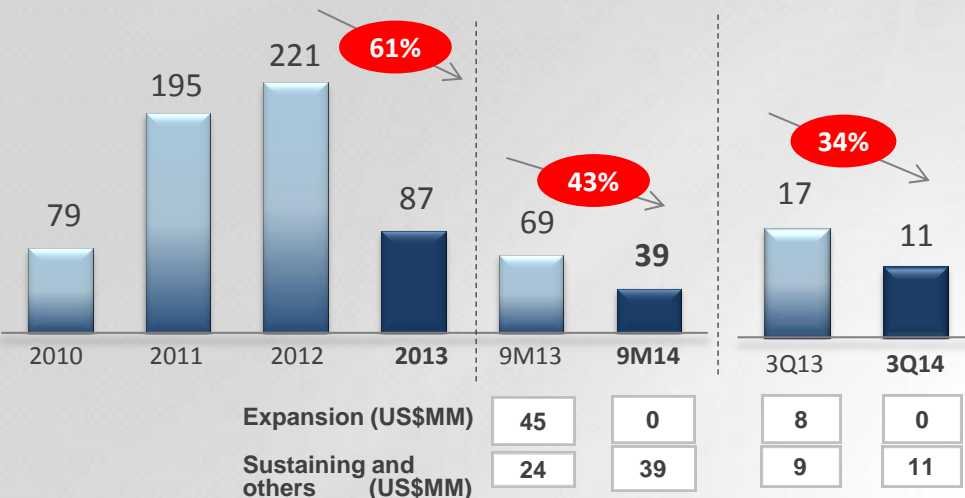
ZINC	↓	-17%
LEAD	↑	16%
COPPER	↓	-9%
SILVER	→	0%



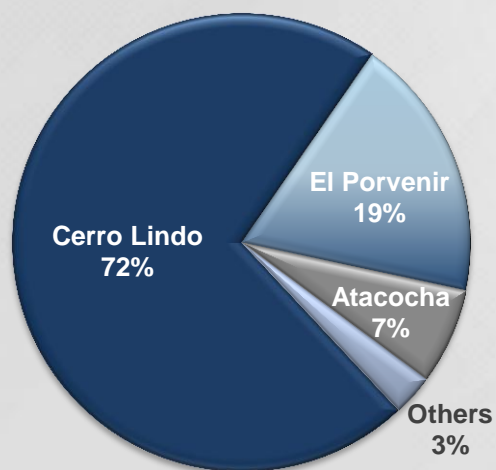
- Revenues of US\$ 25 million, 15% decrease due to lower copper and silver prices.
- EBITDA of US\$ 7 million, 26% decrease due to lower revenues and in spite of lower cash costs (US\$/t 45.0 vs US\$/t 43.4).

# US\$ 11 million of modernization and sustaining Capex executed during 3Q14

Capex (US\$ million)



## 9M14 Capex breakdown per unit



US\$ 39 MM

### Main investments:

- Third mill installation at Cerro Lindo.
- Tailing dam elevation at El Porvenir.

### Lower Capex during 2014 due to:

1. El Porvenir and Atacocha's integration concept was developed during 2014 and allowed the reduction of the CAPEX related to increasing tailing dams and deepening mines, especially at Atacocha.
2. Investments in underground machineries was postponed for 2015 looking for synergies.
3. The expansion of Cerro Lindo processing plant was based in an existing ball mill acquired in 2008, considerably reducing its CAPEX.

# Outlook 2014

## Price Evolution (Quarter Average)

1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	CURRENT PRICE *	2014 FCST
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## Highlights

### ZINC

US\$/ton <sup>(1)</sup>



- Expectations of mines closures and market in deficit are reasons to expect a positive medium and long –term scenario.
- Main drivers of zinc demand are construction, automotive and consumer good sectors especially in the Chinese economy.

### COPPER

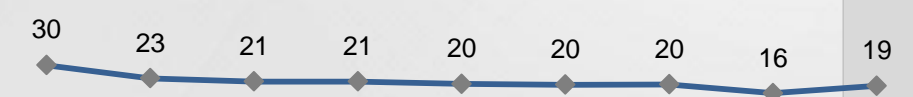
US\$/ton <sup>(1)</sup>



- In spite of China's economy being weaker than expected, investments in infrastructure support copper demand in the short term.
- In the long term, production decrease due to mine closures and lower copper grades is a reason to expect a positive scenario.

### SILVER

US\$/oz <sup>(1)</sup>



- Recovery in the US economy and the strengthening of the US dollar are pushing down silver prices in the short term.

(1) Source: Bloomberg. Current price: LME cash prices Fcst Milpo: Average 2014

\*As of November ,2014.

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## Closing Remarks

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- Robust financial performance driven by five pillars strategy with a focus on productivity, operational synergies, cost reductions and business growth.
- Milpo's increased production and track record as a low-cost mining producer allow the Company to respond to LME variations or market volatility efficiently.
- Healthy cash generation following an improved operating performance led to a decrease in the leverage ratio and to high liquidity levels.

# Q & A