



# **CORPORATE PRESENTATION 2Q14 RESULTS**

August 2014  
Lima

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# Agenda

1

**Business and Operational Performance**  
Mr. Víctor Gobitz - CEO

2

**Financial Highlights**  
Mr. Persio Morassutti - CFO

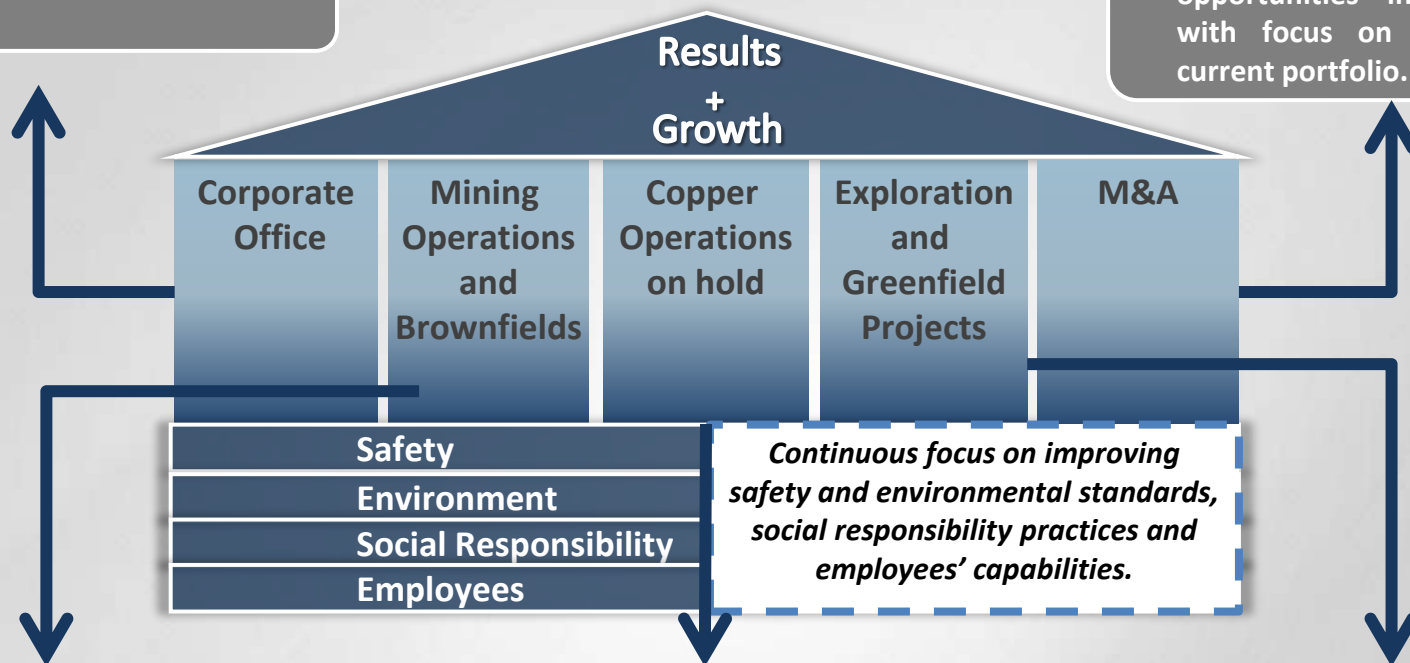
3

**Closing Remarks**  
Mr. Persio Morassutti - CFO

# Milpo gives continuity to its 5-pillar strategy

- Leaner organization: strategic services supplier to mines and projects.

- Continuous search for opportunities in base metals, with focus on synergies with current portfolio.



- **CL:** Final stage to increase treatment capacity to 18ktpd resulting from installation of third mill.

- **EP/AT:** Conclusion of administrative and supervision integration. Integration of tailings deposition expected for Dec-14.

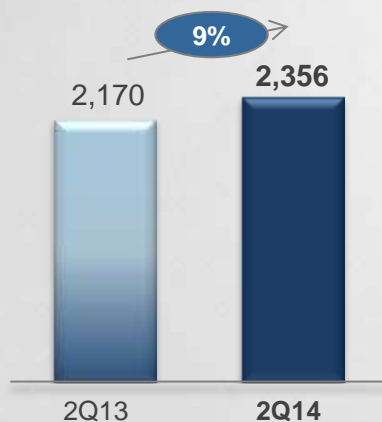
- **Chapi:** Engineering in progress to confirm restart of operations based on underground mining in the Cuprita ore body.

- **Ivan:** Definition in progress.

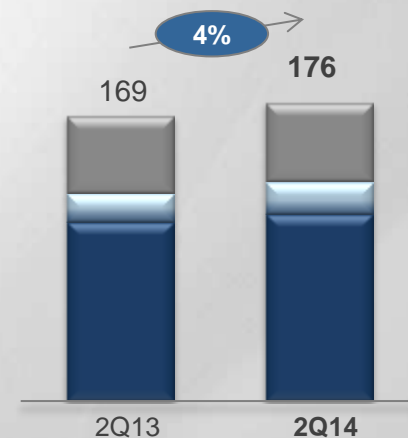
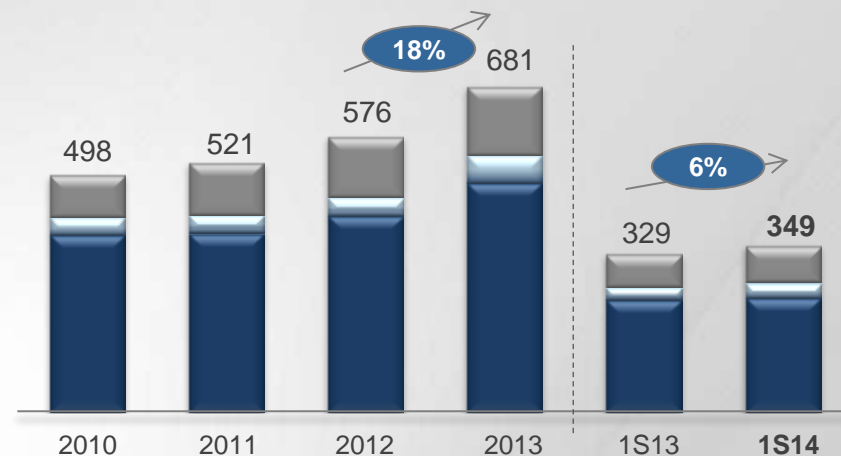
- Specific technical and economic studies for greenfield projects continued to be executed with the focus of finishing prefeasibility study for Magistral and Hilarion and the scoping study for Pukaqaqa.

# Robust operational performance with higher production levels

## Ore Treated (thousand of tonnes)



## Concentrates production (thousand of tonnes)



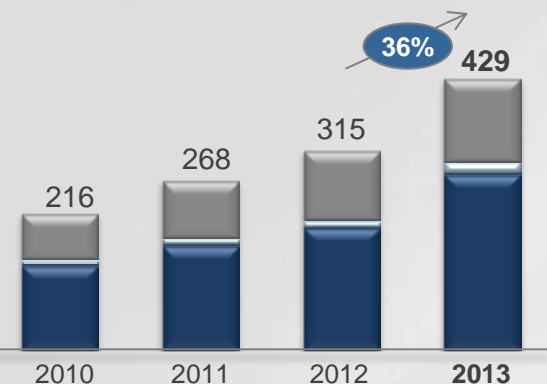
■ Zinc ■ Lead ■ Copper

# Operational performance by mining unit

## Concentrates production

(thousand of tonnes)

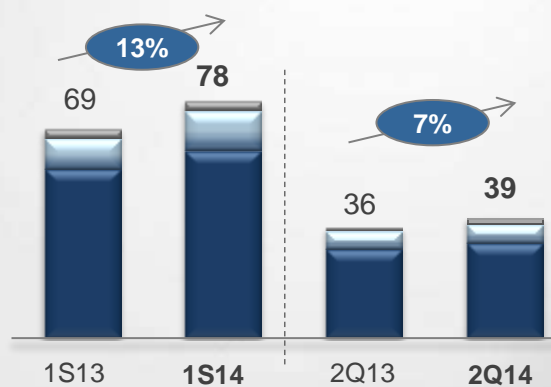
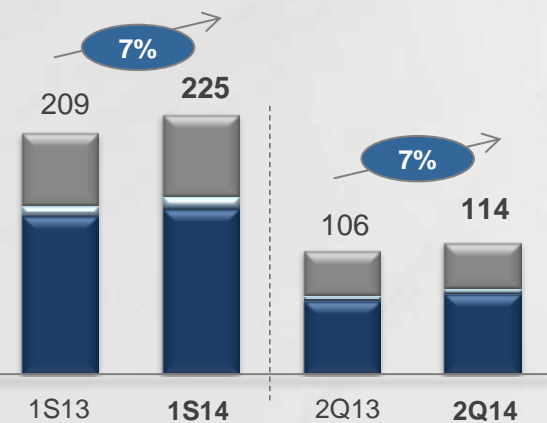
### CERRO LINDO



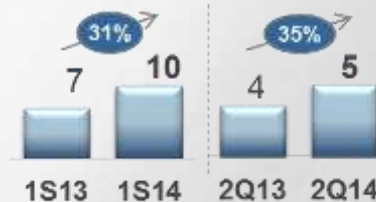
### EL PORVENIR



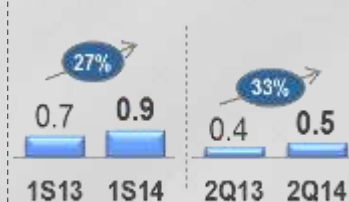
### ATACOCHA



### Lead (thousand of tonnes)



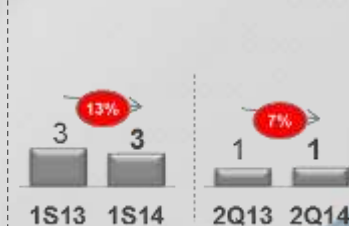
### Silver (millions of ounces)



### Zinc (thousand of tonnes)



### Copper (thousand of tonnes)



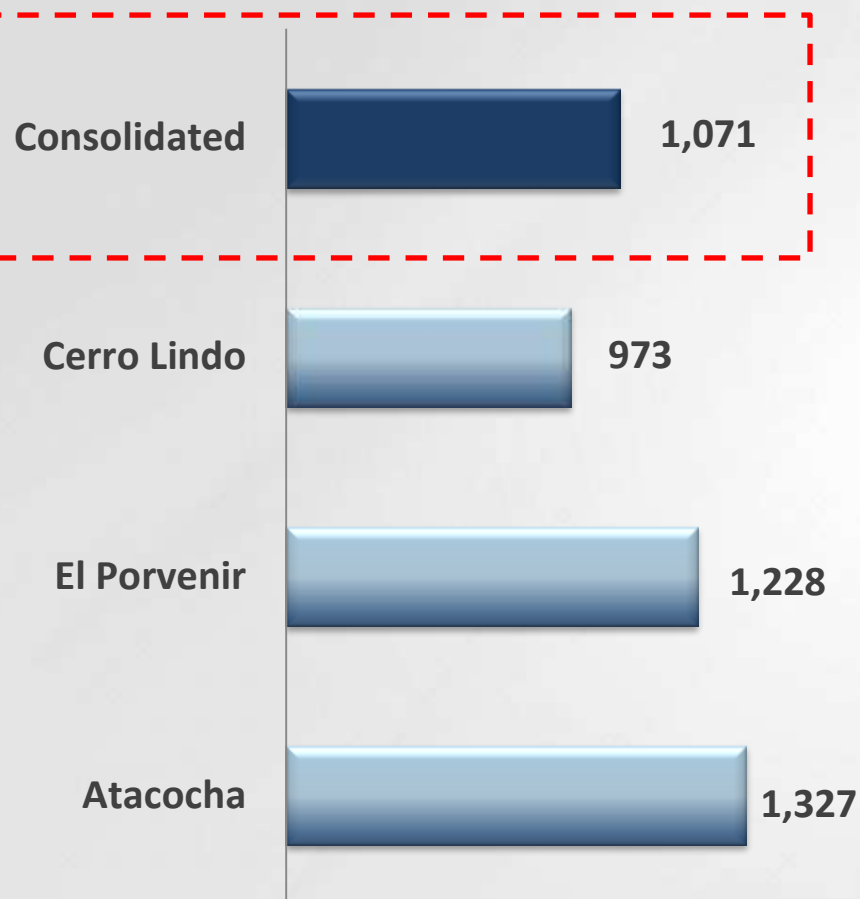
■ Zinc ■ Lead ■ Copper

■ Zinc ■ Lead ■ Copper

■ Lead ■ Silver ■ Zinc ■ Copper

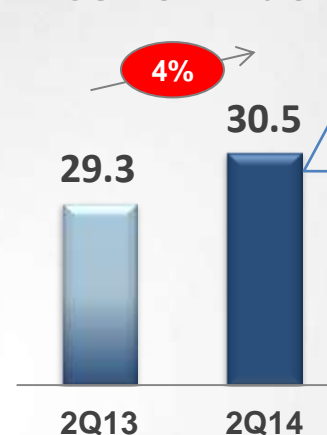
# Consolidated cash cost reduction due to the continued optimization in the mining units' production costs

## Cash Cost US\$/t Zinc equivalent 2Q14



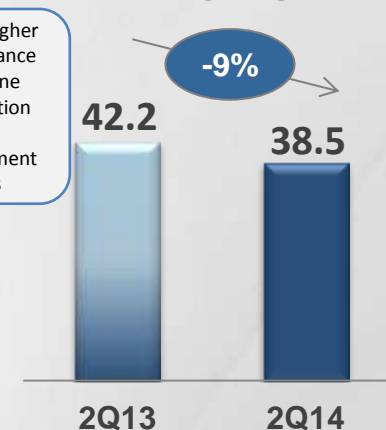
## Cash Cost US\$/t rom

### Cerro Lindo

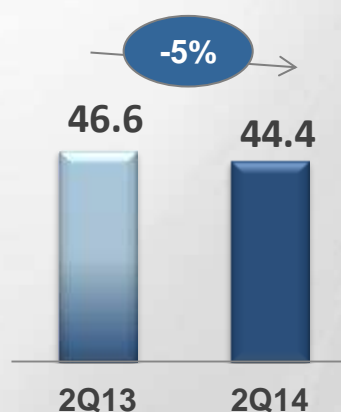


Due to higher maintenance and mine preparation and development costs

### El Porvenir



### Atacocha



### Consolidated



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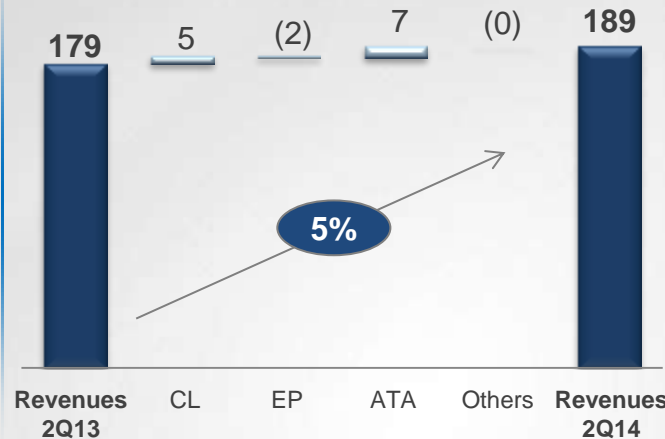
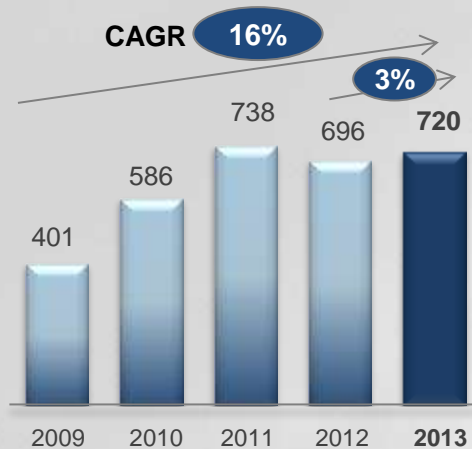
**Closing Remarks**

Mr. Persio Morassutti - CFO



# During 2Q14 Milpo continued improving its consolidated financial position

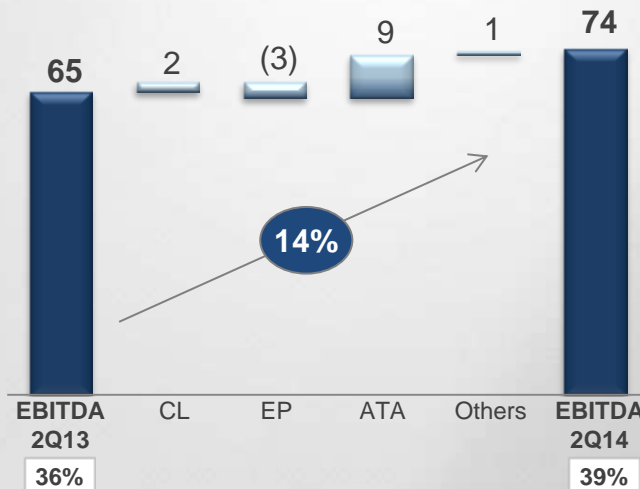
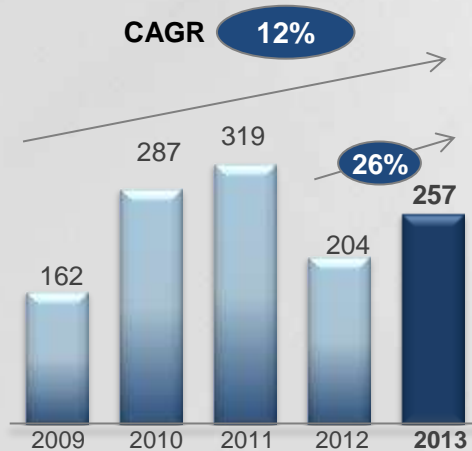
## Revenues (US\$ million)



## Highlights 2Q14 vs. 2Q13

- Revenues of US\$ 189 million, 5% increase due to higher concentrates production.
- EBITDA of US\$ 74 million, 14% increase due to higher revenues and lower cash costs (US\$ 34.5/t vs US\$ 35.1/t)

## EBITDA (US\$ million)

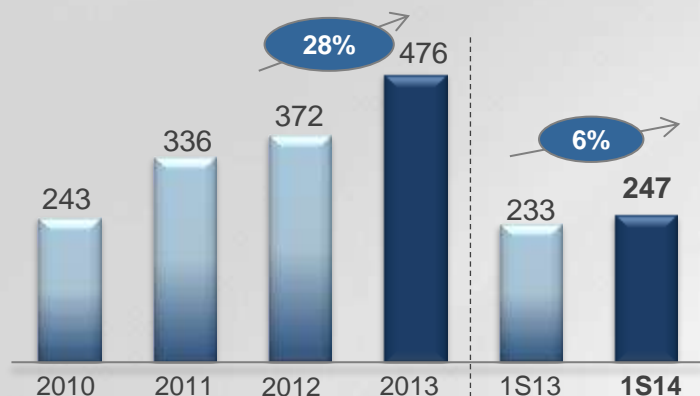


- Consolidated Net Profit of US\$ 35 million, 135% increase due to higher EBITDA.

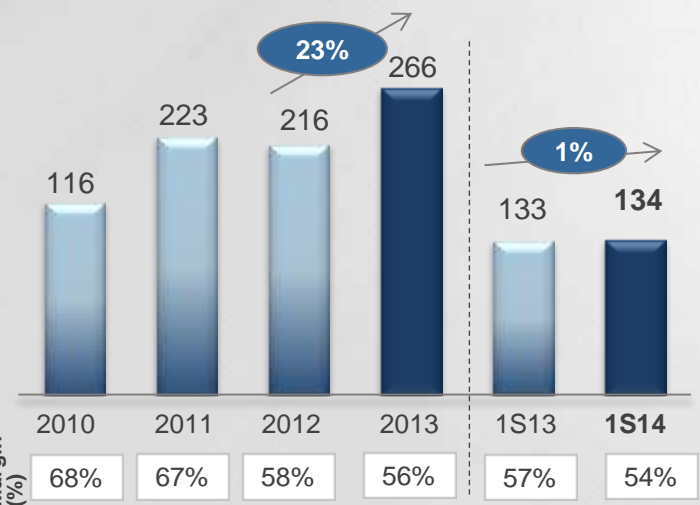
Year	2009	2010	2011	2012	2013
Margin (%)	40%	49%	43%	29%	36%

# Cerro Lindo's financial performance (67% of Milpo's 2Q14 revenues)

## Revenues (US\$ millions)



## EBITDA (US\$ millions)



## Highlights 2Q14 vs. 2Q13



- Increase in concentrates production due to higher treated ore:

ZINC	↑ 9%
LEAD	↑ 15%
COPPER	↑ 3%
SILVER	↓ -3%

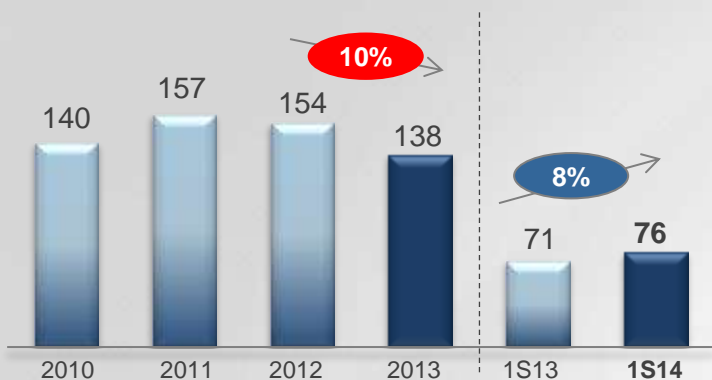
- Revenues of US\$ 126 million, 4% increase due to higher production.

- EBITDA of US\$ 70 million, 3% increase due to higher revenues.

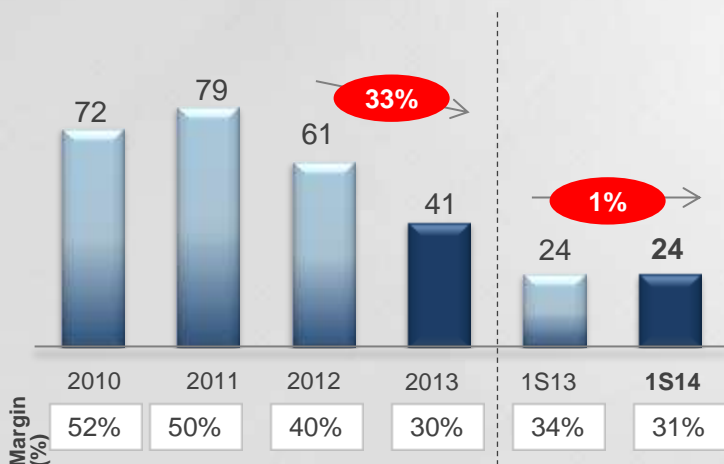


# El Porvenir's financial performance (19% of Milpo's 2Q14 revenues)

## Revenues (US\$ millions)



## EBITDA (US\$ millions)



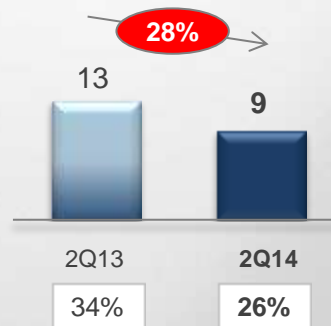
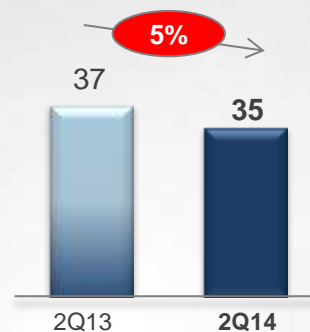
## Highlights 2Q14 vs. 2Q13

- Increase in concentrates production due to higher treated ore:

ZINC	↑	8%
LEAD	↓	-1%
COPPER	↑	14%
SILVER	↑	2%

- Revenues of US\$ 35 million, 5% decrease due to a negative price effect and in spite of the higher zinc and copper concentrates production.

- EBITDA of US\$ 9 million, 28% decrease due to lower revenues and charges related to the retirement incentive program.

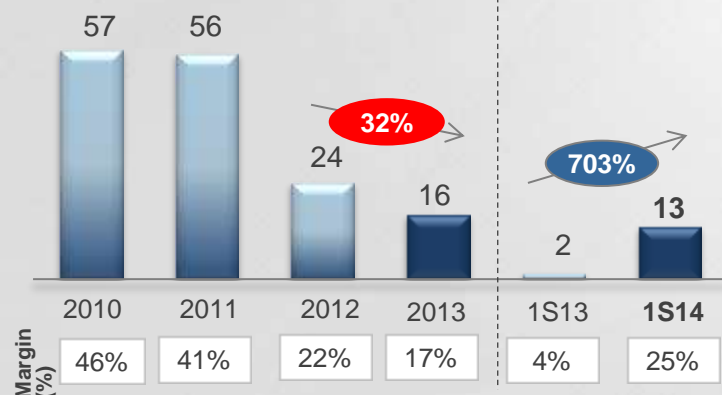


# Atacocha's financial performance (14% of Milpo's 2Q14 revenues)

## Revenues (US\$ millions)



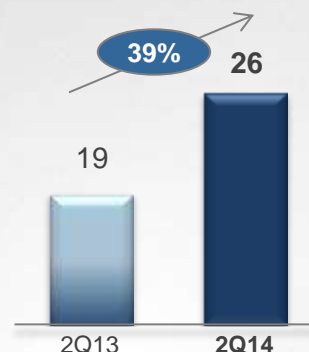
## EBITDA (US\$ millions)



## Highlights 2Q14 vs. 2Q13

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

ZINC	↓	-21%
LEAD	↑	35%
COPPER	↓	-7%
SILVER	↑	33%



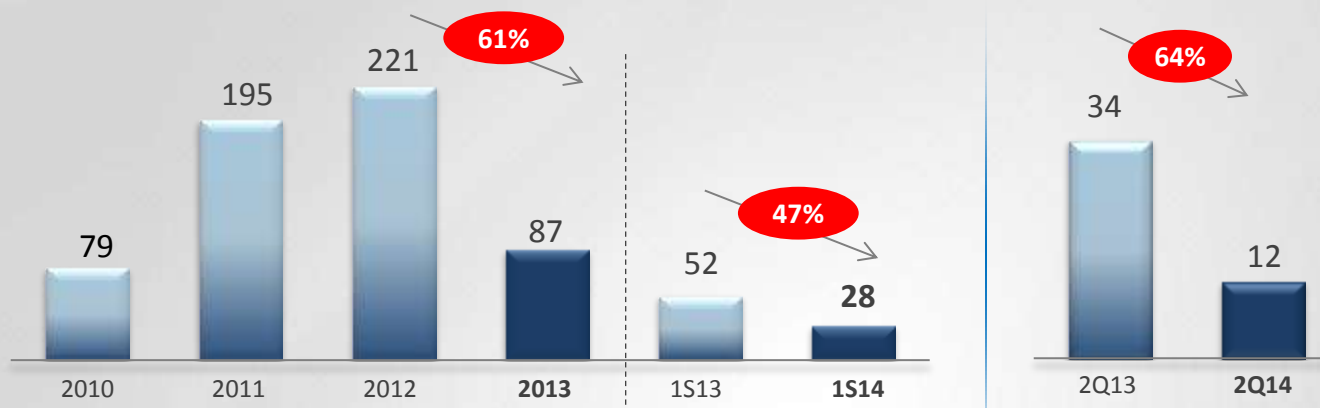
- Revenues of US\$ 26 million, 39% increase due to higher lead production.



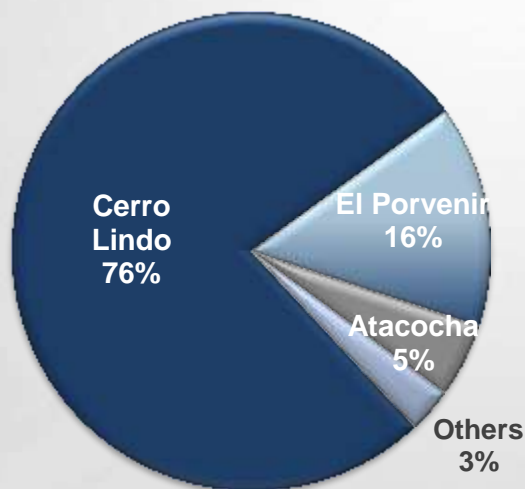
- EBITDA of US\$ 7 million, positive in comparison to that of 2Q13, due to higher revenues and lower cash costs.

# US\$ 12 million of modernization and sustaining Capex executed during 2Q14

Capex (US\$ million)



2Q14 Capex breakdown per unit



US\$ 12 MM

## Main investments:

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

# Milpo's cash generation continues to support improved liquidity and debt ratios

## Net Debt/ EBITDA



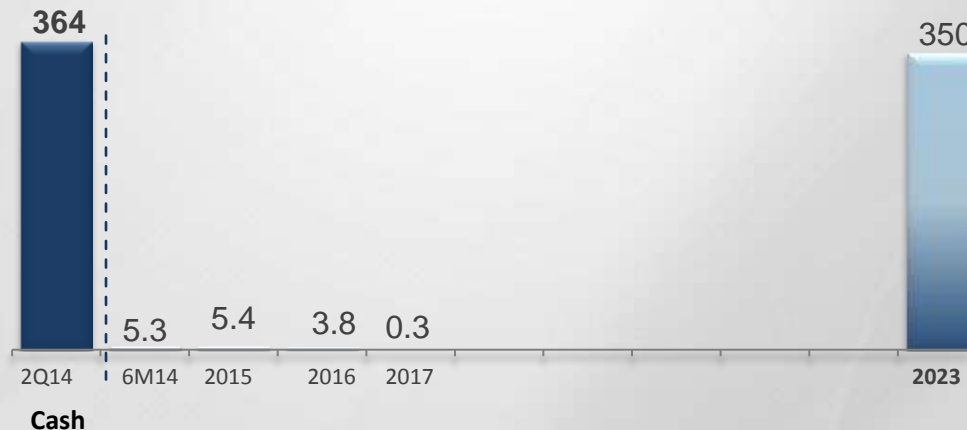
US\$MM	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
EBITDA	227	237	257	266	275
NET DEBT	115	70	35	46	3
TOTAL DEBT	390	379	378	368	367

## Average Debt maturity (years)



CREDIT RATING AGENCY	RATING	OUTLOOK
Standard & Poor's	BBB-	Stable
Fitch Ratings	BBB	Stable

## Debt Amortization Profile (US\$ millions)



International Bond represents 95% of financial debt

# Outlook 2014

## Price Evolution (Quarter Average)

## HIGHLIGHTS

1Q13

2Q13

3Q13

4Q13

1Q14

2Q14

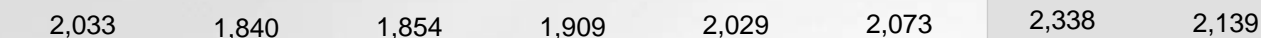
CURRENT  
PRICE \*

2014  
FCST

ZINC

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

2,033 1,840 1,854 1,909 2,029 2,073 2,338 2,139



**Zinc:** Improvement in Chinese and US macroeconomics, lower inventories and closure of large mines by mid-2015 are reasons to expect a positive long-term scenario.

COPPER

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

7,928 7,146 7,059 7,153 7,038 6,787 6,986 6,907

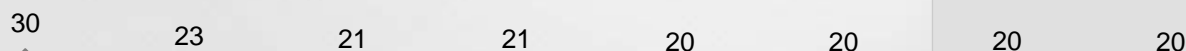


**Copper:** Positive economic news, declining LME stocks and tight scrap availability boosted LME price in last weeks.

SILVER

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

30 23 21 21 20 20 20 20



**Silver:** In spite of the expansion in the US manufacturing sector, higher US rates and disappointing outlook for gold prices keep silver prices down for 2014.

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

\*As of August 13<sup>th</sup>, 2014.

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## Closing Remarks

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- Robust financial performance driven by the strategy defined on the five main pillars which focus on productivity, operational synergies, cost reductions and business growth.
- Capex discipline and Milpo's 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.

# Q & A