SOUTHERN PERU COPPER CORP/
Form 10-Q/A
February 25, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

2004
Second Quarter

FORM 10-Q/A

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

For Quarter Ended June 30, 2004 **Commission file number 1-14066**

SOUTHERN PERU 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.)
2575 East Camelback Rd. Phoenix, AZ	**85016**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code **(602) 977-6500**

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 ý No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Act of 1934).

Yes ý No o

As of July 31, 2004, there were outstanding 14,116,152 shares of Southern Peru Copper Corporation common stock, par value $0.01 per share. There were also outstanding 65,900,833 shares of Southern Peru Copper Corporation Class A common stock, per value $0.01 per share.

Southern Peru Copper Corporation

FORM 10 Q/A

For the Quarter Ended June 30, 2004

Explanatory Note

This amendment on Form 10-Q/A is being filed to amend the Quarterly Report on Form 10-Q of Southern Peru Copper Corporation for the fiscal quarter ended June 30, 2004, filed with the Securities and Exchange Commission on August 6, 2004. The purpose of this amendment is to amend portions of Item 1, Item 2, and Item 3 of Part I of our Form 10-Q. While we are amending only certain portions of our Form 10-Q, for convenience and ease of reference, we are filing the entire Form 10-Q, except for the exhibits, in an amended and restated format. Unless stated otherwise, all information contained in this amendment is as of June 30, 2004. We have not updated the disclosure contained in our Form 10-Q to reflect any events that have occurred since that date.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned thereunto duly authorized.

Southern Peru Copper Corporation
By: /s/ Oscar González Rocha
Oscar González Rocha
President and Chief Executive Officer

Dated: February 25, 2005

Southern Peru Copper Corporation

and Subsidiaries

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Part I FINANCIAL INFORMATION

Item 1. Financial Statements

Southern Peru Copper Corporation
and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
	(in thousands, except for per share amounts)			
Net sales:				
Stockholders and affiliates	$ 21,117	$ 619	$ 32,408	$ 753
Others	367,896	167,768	630,671	342,472
Total net sales	389,013	168,387	663,079	343,225
Operating costs and expenses:				
Cost of sales (exclusive of depreciation, amortization and depletion, shown separately below)	168,736	102,653	277,531	217,337
Administrative	7,643	7,042	14,723	13,725
Depreciation, amortization and depletion	18,684	18,497	37,677	36,369
Exploration	2,414	2,280	4,589	3,155
Total operating costs and expenses	197,477	130,472	334,520	270,586
Operating income	191,536	37,915	328,559	72,639
Interest income	1,122	813	2,201	1,526
Other income (expense)	(1,864)	518	(2,043)	855
Interest expense	(3,031)	(3,243)	(6,186)	(6,212)
Earnings before taxes on income, minority interest and cumulative effect of the change in accounting principle	187,763	36,003	322,531	68,808
Taxes on income	65,958	14,180	113,126	26,911
Minority interest of investment shares	894	177	1,684	390
Earnings before cumulative effect of the change in accounting principle	120,911	21,646	207,721	41,507
				1,541

Cumulative effect of the change in accounting principle, net of income tax benefit of $0.6 million								
Net earnings	$	120,911	$	21,646	$	207,721	$	39,966
Per common share amounts:								
Earnings before cumulative effect of the change in accounting principle	$	1.51	$	0.27	$	2.60	$	0.52
Cumulative effect of the change in accounting principle								(0.02)
Net earnings basic and diluted	$	1.51	$	0.27	$	2.60	$	0.50
Dividends paid	$	0.54	$	0.11	$	0.81	$	0.21
Weighted average common shares outstanding (Basic)		80,017		80,010		80,015		80,009
Weighted average common shares outstanding (Diluted)		80,025		80,015		80,025		80,014

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

CONDENSED CONSOLIDATED BALANCE SHEET

(unaudited)

	June 30, 2004	December 31, 2003
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 331,973	$ 295,472
Accounts receivable, net	161,568	89,238
Inventories	96,049	76,692
Other current assets	11,938	14,549
Total current assets	601,528	475,951
Net property	1,144,455	1,118,202
Capitalized mine stripping, net	229,190	215,207
Intangible assets	107,642	109,007
Other assets	15,311	12,385
Total Assets	$ 2,098,126	$ 1,930,752
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 20,694	$ 60,000
Accounts payable	61,155	48,322
Accrued liabilities	138,210	78,875
Total current liabilities	220,059	187,197
Long-term debt	273,349	289,043
Deferred income taxes	114,153	110,075
Other liabilities	17,871	15,854
Asset retirement obligation	5,455	5,267
Total non-current liabilities	410,828	420,239
MINORITY INTEREST	9,017	7,913
STOCKHOLDERS EQUITY		
Common stock	261,946	261,875
Retained earnings	1,196,276	1,053,528
Total Stockholders Equity	1,458,222	1,315,403
Total Liabilities, Minority Interest and Stockholders Equity	$ 2,098,126	$ 1,930,752

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2004	2003	2004	2003
	(in thousands)		(in thousands)	
OPERATING ACTIVITIES				
Net earnings	$ 120,911	$ 21,646	$ 207,721	$ 39,966
Cumulative effect of the change in accounting principle, net of income tax				1,541
Adjustments to reconcile net earnings to net cash provided from operating activities:				
Depreciation, amortization and depletion	18,684	18,497	37,677	36,369
Capitalized mine stripping	(11,125)	(10,338)	(17,708)	(19,242)
Remeasurement gain	(291)	(29)	(282)	(2,074)
Provision for deferred income taxes	1,868	3,996	4,078	7,439
Minority interest of investment shares	894	177	1,684	390
Cash provided from (used for) operating assets and liabilities:				
Accounts receivable	(15,457)	16,953	(72,330)	919
Inventories	6,148	(4,231)	(19,357)	2,975
Accounts payable and accrued liabilities	52,600	7,408	72,336	2,482
Other operating assets and liabilities	8,553	(6,900)	9,597	(7,474)
Net cash provided by operating activities	182,785	47,179	223,416	63,291
INVESTING ACTIVITIES				
Capital expenditures	(28,014)	(6,815)	(61,642)	(16,004)
Sales of property		1		3
Net cash used in investing activities	(28,014)	(6,814)	(61,642)	(16,001)
FINANCING ACTIVITIES				
Debt incurred		50,000		50,000
Debt repaid	(55,000)		(55,000)	
Escrow (deposits) withdrawals on long-term loans	(241)	183	(5,241)	183
Dividends paid to common stockholders	(43,368)	(9,121)	(64,973)	(16,482)
Distributions to minority interest	(339)	(72)	(507)	(183)
Treasury stock transaction	57		71	11
Purchase of investment shares	(79)	(171)	(98)	(317)
Net cash provided by (used for) financing activities	(98,970)	40,819	(125,748)	33,212
Effect of exchange rate changes on cash and cash equivalents	138	73	475	2,546
Increase in cash and cash equivalents	55,939	81,257	36,501	83,048
Cash and cash equivalents, at beginning of period	276,034	149,328	295,472	147,537
Cash and cash equivalents, at end of period	$ 331,973	$ 230,585	$ 331,973	$ 230,585

	3 Months Ended June 30, 2004	3 Months Ended June 30, 2003	6 Months Ended June 30, 2004	6 Months Ended June 30, 2003
	(in thousands)		(in thousands)	
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	$ 4,956	$ 5,145	$ 8,654	$ 8,555
Income taxes	$ 30,622	$ 12,151	$ 58,247	$ 28,169

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

Southern Peru Copper Corporation
and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A. In the opinion of Southern Peru Copper Corporation (the Company , Southern Peru or SPCC), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company s financial position as of June 30, 2004 and the results of operations and cash flows for the three months and six months ended June 30, 2004 and 2003. Certain reclassifications have been made in the financial statements from amounts previously reported. The condensed financial statements for the three months and six months period ended June 30, 2004 and 2003 have been subjected to a review by PricewaterhouseCoopers, the Company s independent public auditors, whose report dated July 14, 2004, is presented on page 20. The results of operations for the three months and six months ended June 30, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s 2003 annual report on Form 10-K.

B. Inventories were as follows:
(in millions)

	June 30, 2004	**December 31, 2003**
Metals at lower of average cost or market:		
Finished goods	$2.4	$2.3
Work-in-process	54.4	34.7
Supplies at average cost	39.2	39.7
Total inventories	$96.0	$76.7

C. At June 30, 2004, the Company has recorded, provisionally priced sales of 95.1 million pounds of copper, at an average provisional price of $1.21 per pound. Also the Company has recorded provisionally priced sales of 4.7 million pounds of molybdenum at an average provisional price of $15.55 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 month of settlement, which will occur in the third quarter of 2004.

At June 30, 2004 the Company has recorded a $2.6 million reduction in revenue resulting from the decrease in the price of copper from the date of signing the provisionally priced copper sales contracts and the month-end quoted price. Additionally, the Company has recorded $8.5 million in revenue resulting from the increase in the price of molybdenum from the date of signing the provisionally priced molybdenum sales contracts and the month-end quoted price.

D. Ore Reserves:

The Company uses a copper price of 90 cents per pound to calculate its official ore reserve position, which were declared and filed with the Security and Exchange Commission (SEC) in 1998 for the Cuajone mine and in 1999 for the Toquepala mine. The Company uses these reserves estimates for planning purposes and managing its operations. These ore reserves are reported to governmental authorities in Peru on an annual basis. The Company believes that the 90 cent copper price assumption is consistent with long-term projections based on average historical prices over recent full economic and pricing cycles.

Pursuant to SEC guidance, commencing in 2003, for purposes of calculating financial statements results, the Company recalculates its ore reserves using a copper price based on the three-year copper price according to COMEX. Accordingly, for the year 2004 and 2003 the Company used 75 cents and 76 cents copper price, respectively, for financial statement purposes. Southern Peru uses these ore reserves estimates in determining the amount of mine stripping capitalized, units of production amortization of capitalized mine stripping and amortization of intangible asset mining concessions.

E. Taxes on Income:

As a large corporation, the Company is regularly audited by federal, state and foreign tax authorities. We have historically filed, and continue to file, all required income tax returns in the United States and in Peru and to pay the taxes determined to be due. The tax rules in the United States and in Peru are highly complex and subject to interpretation. From time to time we are subject to a review of past income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation and application of certain rules to our business activities in the United States and in Peru. All of these audits can result in proposed assessments. In 2002, the Internal Revenue Service (IRS) issued a preliminary Notice of Proposed Adjustment for the years 1994 through 1996. In 2003, the Company settled these differences with the IRS and made a payment of $4.4 million, including interest. Generally, the years 1994 through 1996 are now closed to further adjustment. The IRS is now completing their field audit of the tax years 1997 through 1999 as well as beginning their field audit work of tax years 2000 through 2002. As a result of the audit of the tax years 1997 through 1999, the IRS has questioned the Company s accounting policy for determination of useful lives, the calculation of deductible and creditable Peruvian taxes, the methodology of capitalizing interest and the capitalizing of certain costs (drilling, blasting and hauling) into inventory value as items for possible adjustment. The Company and the IRS have jointly requested technical advice from the IRS National Office to help resolve the inventory value dispute. A response from the National Office is expected sometime during 2004. The years 1997 through 1999 will remain open until the inventory value issue is resolved. The Company believes that in all material respects the positions that it is reporting to the IRS are correct and appropriate. We believe that we have substantial defenses to the IRS assessments and that we have made adequate provisions so that resolution of any issues raised by the IRS will not have an adverse effect on our consolidated financial condition or results of operations. Significant management judgment is required in determining the provision for tax contingencies. The estimate of the probable cost for resolution of the tax contingencies has been developed in consultation with legal and tax counsel. We do not believe that there is a reasonable likelihood that there is an exposure to loss in excess of the amounts accrued therefore.

In prior years, the Company received assessments and penalties from the Peruvian Tax Administration (SUNAT) for fiscal years 1996 through 1999, in which several deductions taken were disallowed. SUNAT has challenged the Company s depreciation method and deduction of other expense related to charges incurred outside of Peru from 1996 through 1999, and the deduction of certain interest expenses from 1997 through 1999. The Company appealed these assessments.

In February 2003, the Peruvian tax court confirmed SUNAT s assessments and penalties with regard to depreciation and deductions of other expenses incurred outside of Peru for fiscal years 1996 and 1997. In consequence, the Company recognized an additional tax and workers participation liability for fiscal years 1998 and 1999 on the amounts assessed by SUNAT. Therefore, in 2003 the Company recorded a charge to workers participation, (included in cost of sales on the condensed consolidated statement of earnings) and income tax expense of $0.5 million and $4.4 million, respectively. The Company, however, has not recognized a liability for penalties and interest assessed by SUNAT in connection with the depreciation and other expenses deduction as it considers they are not applicable. The status of the penalty appeals is as follows:

With regards to the appeal of the penalty related to fiscal year 1996, the Company was required to issue a letter of credit of $3.4 million, which was executed by SUNAT in July 2003. This deposit is recorded in other assets on the condensed consolidated balance sheet. The Peruvian tax court denied the Company s appeal in February 2004. In consequence, the Company filed a lawsuit against the Peruvian tax court and SUNAT in the superior court of Peru in April 2004. The Company was not required to issue a deposit for appeal of assessments and rulings on any other years.

In regard to the penalty issued by SUNAT related to fiscal year 1997, in November

2002 the Peruvian tax court indicated that it needed to be modified and declared the previously issued penalty null. According to this tax court resolution, SUNAT issued a new penalty in December 2003. This penalty, and penalties related to fiscal years 1998 and 1999 have been protested before SUNAT.

The Company continues to appeal SUNAT S assessment of penalties and interest related to the disallowance of the above-mentioned items (even though recognized) for fiscal years 1997 through 1999.

The Company has not recorded any expense associated with the assessment challenging deductions of interest expense for the years 1997, 1998, or 1999.

The Company s appeal before Peruvian tax court related to the assessments (pertaining to the deduction of certain interest expense) for fiscal year 1997, was denied. In this regard, the Company filed in May 2003 a lawsuit before the superior court against SUNAT and the Peruvian tax court seeking the reversal of the ruling of the Tax Court. The tax court has not ruled yet on the interest deductions for 1998 or 1999.

Company management believes that it will prevail in all of the above actions. We believe that the assessments received from SUNAT are without merit or basis and that our position will prevail. We do not believe that a reasonable possibility exists that a loss will arise from this contingency.

F. Related Party Transaction:

On January 15, 2004, the Company entered into a tolling agreement with ASARCO, Incorporated (ASARCO), a former shareholder of the Company and a subsidiary of Grupo Mexico. Under terms of the agreement, in the first quarter of 2004 the Company, through its wholly owned US subsidiary, Southern Peru Limited (SPL), commenced delivering to ASARCO, at its Amarillo, Texas refinery, copper cathodes for conversion into copper rods, which the Company is selling to customers in the United States. The Company is obligated to deliver 77,000 tons of copper to the ASARCO refinery in 2004 under the agreement. Deliveries to the ASARCO refinery, which are made on a monthly basis, amounted to approximately 37,000 tons in the first six months of 2004. During the first six months of 2004, SPL sold $85.2 million of copper rods, of which $30.9 million were recorded as sales to stockholders and affiliates in the condensed consolidated statement of earnings. At June 30, 2004 there was a total of $10.4 million in related party accounts receivable of which $10.0 million related to SPL s sales to an affiliate, the Marmon Group-Cerro Wire, and $0.4 million related to sales by the Company to other related entities. The Company pays ASARCO a tolling charge upon its receipt of copper rods. These charges are based on competitive market terms. The Audit Committee of the Board of Directors of the Company reviews with management and the independent auditors of the Company the financial statement disclosures, including disclosure relating to related party transactions. The prospective operations of SPL were reviewed at the meeting of the Audit Committee of January 27, 2004 and again at the meeting of the Audit Committee held on April 29, 2004.

G. Commitments and Contingencies:

In March 2003, the Company agreed to amend an existing power purchase agreement with Enersur S.A., resolving certain issues that arose between the parties and reducing power costs for the remaining life of the agreement. A new contract, documenting this agreement, was executed in June 2003. The Company made a one-time contractual payment of $4.0 million to Enersur S.A. under terms of the new agreement. The new agreement released Enersur S.A. from the obligation to construct additional capacity to meet the Company s increased electricity requirements due to the expansion and modernization programs. SPCC believes it can satisfy the need for increased electricity requirements from other sources, including local power providers.

Environmental:

The Company's activities are subject to Peruvian laws and regulations. The Peruvian Government, through its Ministry of Energy and Mines (MEM), conducts seven annual audits of SPCC's mining and metallurgical operations. Through these environmental audits, all matters relating to environmental commitments, compliance with legal requirements, as well as atmospheric emissions and effluent monitoring are reviewed. The Ilo operations (smelter and refinery) are audited three times a year and the operations at the Toquepala and Cuajone mines, are audited twice a year. The Company has not incurred any material non-compliances under any environmental laws or regulations.

Pursuant to Peruvian law, in 1996, SPCC submitted the Environmental Compliance and Management Program (known by its Spanish acronym, PAMA) to the Peruvian Government. A thorough third party environmental audit was conducted in order to elaborate the PAMA. The PAMA applied to all current operations that did not have an approved environmental impact study at the time. SPCC's PAMA was approved in January 1997 and it contains 34 mitigation measures and projects necessary to: (1) bring the existing operations to the environmental standards established by the government, and (2) identify areas impacted by the operations that were no longer active and needed to be reclaimed or remediated.

By the end of 2003, thirty-one of such projects were completed, including all PAMA commitments relating to the Company's operations in Cuajone and Toquepala. The three pending PAMA projects all belong to the Ilo smelter operations. The primary areas of environmental concern are: (1) Smelter reverberatory slag eroded from the slag deposits up until 1994, and (2) atmospheric emissions from the Ilo smelter.

The slag remediation program is progressing as scheduled and is expected to be completed by 2007. Once the program is completed, we do not forsee any further environmental risks.

With respect to the smelter emissions, the third phase of the Ilo smelter modernization has started and is scheduled to be completed by 2007. In July 2003, the Company awarded the contract to provide the technology and basic engineering for the modernization of the Ilo smelter to Fluor/Xstrata. The selected proposal meets with SPCC's requirements, which are to use of proven technology (the ISASMELT from Australia) and comply with the current environmental regulations. It is estimated that the construction of the project will be completed before January 2007, the deadline established in the PAMA. This represents the biggest outstanding capital investment project for SPCC. The cost of the project was previously estimated to exceed US $600 million. The new estimated cost to complete this project is US $320 million. Beginning in 1995, and continuing while the smelter project is under construction, SPCC established an emissions curtailment program that has allowed SPCC to comply with the annual SO2 air quality standards (established by the MEM in 1996) in the populated areas of the city of Ilo, and has reduced violations to the 24-hr air quality standard for the year 2004 to four episodes. Once the modernized smelter starts operating, we do not foresee any environmental risks.

Two major remediation projects were identified in the PAMA. One related to the old tailings conveyance and disposal sites, and the other, to the Smelter reverberatory slag mentioned above. Environmental commitments regarding the tailings remediation have been fulfilled, and the slag program is 88% complete, as reported by the government auditors. In the foreseeable future, the only reclamation/remediation plans concurrent with operations are the ones already included in the PAMA.

On October 14, 2003 the Peruvian Congress published a new law announcing future closure and remediation obligations for the mining industry. The MEM is required to issue further guidance regarding the details of the new law. MEM was required to publish within 60 business days, or by January 9, 2004, a draft of regulations necessary to implement this law, and within three months, or by April 9, 2004, final regulations. Further guidance has not yet been issued by MEM. The new law, as published, announced a requirement for existing mining operations to present to the MEM a Mine Closure Plan, within six months, or before April 15, 2004,. It is expected that the regulations, once published, will provide a new deadline. The law will require companies to provide financial guarantees to insure that remediation programs are completed. The Company anticipates that this law will increase its asset retirement obligation and require future expenditures to satisfy its requirements. The liability for these asset retirement obligations cannot currently be measured, or reasonably estimated, based on the generalities of the law. The Company is studying the impact this law will have on its results, but does not expect to be able to estimate the effect until regulations are published.

The Company has on hand sufficient funds to commence the project but significant additional funds will be necessary for its completion. The Company has an approved Peruvian bond program of $750 million, of which $199 million has been issued. There can be no assurance that the entire Ilo smelter project can be financed with Peruvian resources. The Company plans to finance the portion of the cost that is not financed in Peru with funds from operations or by placing additional financing in the international market.

Environmental capital expenditures for the period 1999-2003 exceeded $59 million. The Company foresees significant environmental capital expenditures in 2004. Approximately $84 million has been budgeted for the smelter project in 2004.

Litigation:

Peruvian Legal Actions. We conduct our operations in Peru through a registered Branch. Although the Branch has neither capital nor liability separate from that of the Company, under Peruvian law it is deemed to have an equity capital for purposes of determining the economic interest of the holders of investment shares. The investment share litigation is based on claims of former employees for ownership of labor shares issued during the 1970s until 1989 under a former Peruvian mandated profit sharing system. We assert that the claims are meritless and that the investment shares were distributed to the former employees in accordance with the then in effect Peruvian profit sharing system. We do not believe that an unfavorable outcome is reasonably possible. In 1971, the Peruvian Government enacted legislation providing that workers in the mining industry would participate in the pre-tax profits of the enterprises for which they worked at a rate of 10%. This participation was distributed to the workers with 40% in cash and 60% as an equity interest in the enterprise. What remains of the equity participation is now included in the balance sheet caption "Minority interest." Under the law, the equity participation was delivered to the "Mining Community", an organization representing all workers in the mining industry. The cash portion was distributed to the workers after the close of the year. The accrual for this participation was (and continues to be) a current liability of the Company, until paid. In 1978, the law was amended and the equity distribution was calculated at 5.5% of pre-tax profits and was made to individual workers of the enterprise in the form of labor shares. These labor shares represented an equity interest in the enterprise. In addition, equity participations previously distributed to the "Mining Community" were returned to the Company and redistributed in the form of labor shares to individual employees or former employees. The cash participation was adjusted to 4.5% of pre-tax earnings and continued to be distributed to employees following the close of the year. Effective in 1992, the law was amended to its present status. The workers participation in pre-tax profits was set at 8%, with 100% payable in cash. The equity participation component was eliminated from the law. In 1995, the Company offered to exchange new common shares of the Company for the labor shares issued under the prior Peruvian law. Approximately 80.8% of the labor shares issued, were exchanged for SPCC common shares, greatly reducing the Minority interest on the Company's balance sheet. Since 1995, the Company has periodically purchased labor/investment shares on the open market. In 1998, labor shares were renamed "investment shares." At December 31, 2003, the investment share interest in the Company's Peruvian Branch amounted to 0.72%.

In April 1996, the Company was served with a complaint filed in Peru by approximately 800 former employees seeking the delivery of a substantial number of investment shares (formerly called labor shares) of its Peruvian Branch plus dividends. In December 1999, a civil court of the first instance of Lima decided against the Company, ordering the delivery of the investment shares and dividends to the plaintiffs. The Company appealed this decision in January 2000. On October 10, 2000, the Superior Court of Lima affirmed the lower court s decision, which had been adverse to the Company. On appeal by the Company, the Peruvian Supreme Court annulled the proceeding noting that the civil courts lacked jurisdiction and that the matter had to be decided by a labor court. The case is now pending before a labor court of first instance in Lima. The labor court dismissed this lawsuit in January 2005.

In February 2004 a lawsuit was filed against the Company by approximately 3,000 former employees of SPCC seeking the delivery of a substantial number of labor shares (now called investment shares) plus dividends. The Labor Court dismissed the complaint due to procedural defects on the grounds that each of the plaintiffs should file an individual lawsuit. The plaintiffs attorney appealed this resolution before the Superior Labor Court. In May 2004, the appeal by the plaintiffs was granted and the lawsuit was reinstated. A similar lawsuit was dismissed in April 2003 due to procedural defects. The Company intends to defend vigorously against the lawsuit.

It is the opinion of management that the outcome of the aforementioned legal proceeding and tax contingencies mentioned in Note E, as well as other miscellaneous litigation and proceedings now pending, will not have a material adverse effect on the financial position or results of operations of the Company and its consolidated subsidiaries.

H. Proposed Purchase of Grupo Mexico Mining Shares:

On February 3, 2004, Grupo Mexico, the largest stockholder of the Company, presented a proposal regarding the possible sale to the Company of all shares of Grupo Mexico s subsidiary, Minera Mexico, S.A. de C.V. (MM), representing 99% of MM s outstanding shares, in return for the issuance to it of additional shares of the Company. MM holds substantially all of Grupo Mexico s Mexican mining assets.

The Company has formed a Special Committee of Disinterested Directors, comprised of members of its Board, to evaluate whether the proposal is in the best interest of the stockholders of the Company. The special committee hired third party advisors and consultants to assist the committee in carrying out its duties. There can be no assurance as to whether an agreement can be reached with regard to this transaction.

If consummated, the transaction would result in the Company having a single class of common stock, listed on the New York and Lima stock exchanges.

I. Impact of New Accounting Standards:

In December 2003, the Financial Accounting Standards Board (FASB) issued a revision to SFAS No. 132, Employers Disclosures about Pensions and Other Postretirement Benefits . SFAS No. 132 requires additional disclosures relating to the description of the types of plan assets, investment strategy, measurement date(s), plan obligations, cash flows, and components of net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans recognized during interim periods. These disclosure requirements are effective for the first quarter and all future quarterly and annual reports. The additional disclosures required on a quarterly basis are not presented, as they did not have a significant effect on the Company s consolidated financial position, results of operations or cash flows.

Part I Items 2 and 3

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AND QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

EXECUTIVE OVERVIEW

The business of the Company is the production and sale of copper in a socially conscious manner. In the process of producing copper a number of valuable metallurgical by-products are recovered, these also are sold by SPCC. The sales prices for Company products are largely determined by market forces outside of the Company s control. Company management, therefore, focuses on cost control and production enhancement to improve profitability. The Company achieves these goals through capital spending programs, exploration efforts and cost reduction programs. This focus enables SPCC to remain profitable during periods of low copper prices and to maximize results in periods of high copper prices.

SPCC s earnings were $120.9 million in the second quarter of 2004 and $207.7 million for the first six months of 2004. These substantial increases over the comparable 2003 periods were driven by significant increases in copper and molybdenum prices, and increased production and sale of Company metal. During the second quarter of 2004, SPCC strengthened its balance sheet by reducing outstanding debt by $55 million while increasing cash balances by $55.9 million.

Mine copper production increased 6.9% to 218.0 million pounds in the second quarter of 2004 compared with the second quarter of last year. This increase of 14.0 million pounds included 13.9 million pounds from the Toquepala mine, 3.5 million pounds from the Cuajone mine offset by a decrease of 3.4 million pounds in solvent extraction/electrowinning (SX/EW) production. The Toquepala and Cuajone mine increases in production were largely due to higher ore grades. The main reason for the 3.4 million pounds decrease in SX/EW production was due to a lower grade of PLS (pregnant leaching solution).

An overall benchmark used by the Company and a common industry metric to measure performance is its 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 SPCC's cash cost per pound to the Cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is also presented. Operating cash cost per pound has been defined by the Company as the total production cost, including the cost of purchased copper, freight and sales expenses, administrative expenses, revenues for the sale of by-products such as molybdenum and silver, and premiums on copper sales divided by total pounds of copper produced by SPCC. SPCC includes in its calculation of operating cash cost per pound of copper produced, revenues from the sale of by-products, principal of which are molybdenum and silver. The company includes these credits because it considers its principal business the production and sale of copper. The Company believes that it is viewed by the investment community as a copper company, and is valued, in large part, by the investment community's view of the copper market and SPCC's ability to produce copper at a reasonable cost. The recent surge in price of molybdenum, however, has had a significant effect on the Company's traditional calculation of cash cost and its comparability between periods. Accordingly, the Company is presenting cash costs with and without the inclusion of all by-products revenues. SPCC excludes from its calculation of operating cash cost depreciation, amortization and depletion, exploration, workers' participation provisions and items of a non-recurring nature. Depreciation, amortization and depletion are considered non-cash expenses. Workers' participation provisions are determined on the basis of pre-tax earnings and are also excluded.

	3 months ended June 30,		6 months ended June 30,	
	2004	**2003**	**2004**	**2003**
	(in cents per pound)			
Cash cost of copper produced	18.7	40.2	24.3	42.5
Cash cost of copper produced (without by-products revenue)	67.6	55.8	65.1	57.5

A reconcilation of the Company s operating cash cost per pound to GAAP cost of sale is presented on page 18.

The reduction in the Company s operating cash cost in the three and six months period of 2004 is principally due to the credit for the sales of molybdenum, the most significant by-product. Molybdenum sales increased significantly in these periods due to the increase in market prices. The credit for molybdenum sales amounted to 37.0 cents per pound in the second quarter of 2004 and 35.7 cents per pound in the first six months of 2004, compared to 12.0 cents per pound in the second quarter of 2003 and 10.3 cents per pound in the first six months of 2003.

The Company s Ilo smelter project is moving ahead on schedule, detailed engineering is in process. As part of the smelter project, in the second quarter of 2004 the Company signed a $46.1 million contract with Chemetics for an acid plant with a 3,760 ton per day capacity. In addition, the Company signed a $13.4 million contract with Kvaerner for construction services related to the installation of the acid plant. The Company s leaching project at the Toquepala mine is progressing and is on schedule for completion in mid-2005 and projected to save the Company $25.0 million in annual operating costs.

In June 2004, the Peruvian Congress enacted legislation imposing a royalty tax on the mining industry, but regulations of the new law are pending to be issued in the third quarter of 2004. The Company estimates that at current metal prices this new assessment would reduce annualized operating income by approximately $20 million, however, this is a preliminary estimate, pending publication of the final regulations of the law and expected modifications to the law. In addition, in the last quarter of 2003, the Peruvian Congress published legislation announcing future closure and remediation obligations for the mining industry. SPCC expects that this law will increase its asset retirement obligation and require future expenditure to satisfy its requirements. Final regulations delineating the requirements of this law are pending. The Company is studying the impact the law may have on its results but cannot make a reasonable estimate until the final regulations are published.

On February 3, 2004, Grupo Mexico, the largest stockholder of the Company, presented a proposal regarding the possible sale to the Company of all shares of Grupo Mexico s subsidiary, Minera Mexico, S.A. de C.V. (MM), representing 99% of MM s outstanding shares, in return for the issuance of additional shares of the Company. MM holds substantially all of Grupo Mexico s Mexican mining assets.

The Company has formed a Special Committee of Disinterested Directors, comprised of members of its Board, to evaluate whether the proposal is in the best interest of the stockholders of the Company. The special committee hired financial and legal advisors, in order to assist the committee in carrying out its duties. Southern Peru notes that there can be no assurance as to whether an agreement can be reached with regard to this transaction. If consummated, the transaction would result in the Company having a single class of common stock, listed on the New York and Lima stock exchanges.

Inflation of Peruvian New Sol: The functional currency of the Company is the U.S. dollar. Portions of the Company s operating costs are denominated in Peruvian new soles. Since the revenues of the Company are primarily denominated in U.S. dollars, when inflation/deflation in Peru is not offset by a change in the exchange rate of the new soles to the dollar, the financial position, results of operations and cash flows of the Company could be adversely affected. The value of the net assets of the Company denominated in new soles can be affected by inflation of the new soles.

For the three and six months ended June 30, 2004 and 2003, the Peruvian inflation rates and the change in the value of the new sol versus the dollar were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Peruvian Inflation Rate	0.9%	(0.6)%	3.0%	1.3%
New Sol/Dollar (change in quarters exchange rate)	0.32%	(0.1)%	0.2%	(1.2)%

Results of Operations:

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net earnings ($in millions)	$ 120.9	$ 21.6	$ 207.7	$ 40.0
Earnings per share	$ 1.51	$ 0.27	$ 2.60	$ 0.50
% increase from prior years comparable period	459%		419%	

The increase in earnings in the 2004 periods is principally due to higher copper and molybdenum prices and increases in the production and sale of Company products. The six month 2003 results were reduced by the adoption of Statement of Financial Accounting Standard No. 143 Accounting for Asset Retirement Obligations , which was adopted January 1, 2003, and expenses related to the Company s acceptance of a Peruvian tax assessment.

Net Sales: Net sales in the second quarter of 2004 increased $220.6 million to $389.0 million from the comparable period in 2003. Copper sales accounted for $305.0 million while molybdenum and other sales accounted for $84 million. Net sales for the first six months of 2004 totaled $663.1 million, compared with $343.2 million for the same period of 2003. Copper sales accounted for $506.6 million while molybdenum and other sales accounted for $156.5 million. The increase in net sales in the three-month and six-month periods ended June 30, 2004 was principally due to higher copper and molybdenum prices.

In addition, copper sales volume in the second quarter of 2004 increased by 54.6 million pounds to 238.9 million pounds when compared to the second quarter of 2003. The increased sales volume is attributable to increased second quarter production and sales of material delayed in the first quarter of 2004 due to weather conditions at Ilo. Also the initiation in the first quarter of the Company s new program of tolling and selling copper rod required a build-up of an inventory of cathodes in transit and in process. This build-up was a one-time requirement and was completed in the first quarter of 2004.

At June 30, 2004, the Company recorded provisionally priced sales of 95.1 million pounds of copper, at an average provisional price of $1.21 per pound. Additionally, the Company recorded provisionally priced sales of 4.7 million pounds of molybdenum at an average provisional price of $15.55 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 month of settlement, which will occur in the third quarter of 2004.

Prices: Sales prices for the Company s metals are established principally by reference to prices quoted on the LME, the COMEX or Published in Platt s Metals Week for dealer oxide mean prices for molybdenum products.

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Price/Volume Data:				

Average Metal Prices				
Copper (per pound-LME)	$ 1.27	$ 0.74	$ 1.25	$ 0.75
Copper (per pound-COMEX)	$ 1.23	$ 0.75	$ 1.23	$ 0.75
Molybdenum (per pound)	$ 14.57	$ 5.21	$ 11.42	$ 4.63
Silver (per ounce-COMEX)	$ 6.25	$ 4.59	$ 6.48	$ 4.63
Sales Volume (in thousands):				
Copper (pounds)	238,900	184,300	394,200	383,000
Molybdenum (pounds) (1)	4,882	4,672	9,743	9,120
Silver (ounces)	1,161	869	2,101	1,848

(1) The Company s molybdenum production is sold in concentrate form. Volume represents pounds of molybdenum contained in concentrates.

Metal Price Sensitivity: There is market risk arising from the volatility of copper prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, that the number of shares outstanding is unchanged, giving no effects to potential hedging programs or changes in past production, metal price sensitivity factors would indicate the following estimated change in earnings per share resulting from metal price changes in 2004. Estimates are based on 80.0 million shares outstanding.

		Copper		Silver		Molybdenum
Change in Metal Prices	$	0.01/lb.	$	1.00/oz.	$	1.00/lb.
Annual Change in Earnings per share	$	0.06	$	0.03	$	0.15

Operating Costs and Expenses: Operating costs and expenses were $197.5 million in the second quarter of 2004 compared with $130.5 million in the second quarter of 2003. Cost of sales (exclusive of depreciation, amortization and depletion) for the three months ended June 30, 2004 was $168.7 million compared with $102.7 million in the comparable 2003 period. Included in cost of sales for both periods is the cost of copper acquired from third parties. In the second quarter of 2004, the Company sold 6.6 million pounds of copper rod that was produced by cathodes purchased from third parties. These copper rods had a cost of $8.4 million. In the second quarter of 2003, the Company sold 3 million pounds of copper processed from third party concentrate, at a cost of $1.8 million. In addition to these transactions, the increase in cost of sales is attributable to higher 2004 sales volume, increases in the cost of fuel and power and an increase of $15.4 million in the provision for workers participation. The provision for workers participation is accrued at 8% of pre-tax earnings.

For the first half of 2004, operating cost and expenses were $334.5 million compared with $270.6 million in the six first months of 2003. Cost of sales for the 2004 period was $277.5 million, compared with $217.3 million in the 2003 six-month period. The cost of sales increase of $60.2 million in 2004 was the result of higher sales volume, including the cost of the purchased cathodes, an increase in power and fuel costs and a $24.3 million increase in workers participation.

Taxes on Income: Taxes on income for the six months ended June 30, 2004 were $113.1 million, compared with $26.9 million for the same period of 2003. The increase was principally due to higher earnings in 2004. In addition, the six-month 2003 period includes a $4.4 million charge for Peruvian tax assessments.

Cash Flows:

Second Quarter: Net cash provided by operating activities was $182.8 million in the second quarter of 2004, compared with $47.2 million in 2003 period. The main reasons for this significant increase are an increase of $99.3 million in earnings, driven by improved metal prices and an increase of $38.6 million in working capital contribution, largely due to the increase in income tax and workers participation liabilities.

Net cash used in investing activities was $28.0 million in the second quarter of 2004 for capital expenditures. The capital expenditures included investments for the Ilo smelter modernization project $6.0 million, the Toquepala leach dump project $5.0 million, an electrical shovel $5.0 million, trucks $5.1 million, rotary drilling $1.7 million and other fixed assets. In the second quarter of 2003, cash used for investing activities was $6.8 million. The Company anticipates that capital expenditures will be higher in the second half of 2004 as major projects move forward.

Net cash used in financing activities in the second quarter of 2004 was $99.0 million, compared with $40.8 million provided in the second quarter of 2003. The second quarter of 2004 includes a dividend distribution of $43.4 million, compared with a distribution of $9.1 million in the second quarter of 2003. Additionally, in the second quarter of 2004, the Company paid down $50 million of Peruvian bonds and made a $5 million loan payment to Mitsui. In second quarter of 2003, the Company sold $50 million bonds in the Peruvian market.

Six Months: Net cash provided by operating activities was $223.4 million in the first six months of 2004, an increase of $160.1 million over the comparable 2003 period. The increase was principally due to earnings.

Cash used in investing activities was $61.6 million in the six-month period ended June 30, 2004, attributable to capital expenditures. The significant capital expenditures included investment for the Ilo smelter modernization project $18.0 million, the Toquepala leach dump project $11.0 million, an electrical shovel $8.0 million, trucks $6.7 million, rotary drilling $2.4 million, and other fixed assets. In the six months period ended June 30, 2003, cash used for capital expenditures was $16.0 million. The increase is principally due to the investment in smelter modernization, the Toquepala mine leaching project and mining equipment.

Cash used in financing activities for the six months ended June 30, 2004 was $125.7 million, compared with $33.2 million provided in the comparable 2003 period. The six months ended June 30, 2004, includes a repayment of $55 million of debt while 2003 includes $50 million of bonds sold. Additionally, there were dividend distributions of $65 million in 2004, compared with $16.5 million in 2003.

Liquidity and Capital Resources:

On June 4, 2004, the Company paid a quarterly dividend of 0.54 cents per share, totaling $43.7 million.

Certain financing agreements contain covenants that limit the payment of dividends to stockholders. Under the most restrictive covenant, the Company may pay dividends to stockholders up to 50% of the net income of the Company, on an annual basis.

On March 31, 2003, Southern Peru Holdings Corporation, the 54.2% direct stockholder of the Company, and a subsidiary of ASARCO, sold all its stock in the Company to Americas Mining Corporation (AMC), the parent of ASARCO. Immediately after the transaction, the shares were transferred to SPHC II Incorporated, a subsidiary of AMC, and were pledged to a group of financial institutions. Pursuant to a financing agreement, AMC has agreed to comply with financial covenants, involving SPCC, including covenants requiring the maintenance of minimum stockholders equity of $900 million, adjusted to include 50% of earnings after 2002, cash proceeds from equity offerings and stockholder contributions, specific debt to equity ratios and interest coverage ratios. At June 30, 2004, the Company was in compliance with these covenants.

The Company s biggest outstanding capital investment project is the Ilo smelter modernization. This project will modernize the smelter and is targeted to capture no less than 92 percent of sulfur dioxide emissions, in compliance with PAMA requirements. In July 2003, the Company awarded the contract to provide the technology and basic engineering for the modernization of the Ilo smelter to Fluor/Xstrata. The selected proposal meets with SPCC s requirements, which are the use of proven technology (the ISASMELT from Australia), and also comply with current environmental regulations. It is estimated that the construction of the project will take no more than 36 months and it will be completed before January 2007, the deadline established in the PAMA. The cost of the project was previously estimated to exceed $600 million, but has not been finalized pending the completion of the basic engineering by Fluor/Xstrata. The new estimated cost to complete this project is $320 million. The Company has incurred $18.0 million costs related to the project in 2004.

The Company has on hand sufficient funds to commence this project but significant additional funds may be necessary for its completion. The Company has an approved Peruvian bond program of $750 million, of which $199 million have been issued. There can be no assurance that the Company s capital expenditure and liquidity requirements can be financed with Peruvian resources. The Company plans to finance the portion of its liquidity needs that are not financed in Peru with cash on hand, funds from operation or by placing additional financing in the international market.

At June 30, 2004, the Company s debt as a percentage of total capitalization (the total of debt, minority interest and stockholders equity) was 16.7% as compared with 20.9% at December 31, 2003. At June 30, 2004, the Company s cash and marketable securities amounted to $332 million compared to $295.5 million at December 31, 2003. At June 30, 2004, the Company s Cash and Marketable Securities exceeded the total Long Term Debt, including its current portion by $38.0 million.

Critical Accounting Policies and Estimates:

Southern Peru Copper Corporation s discussion and analysis of its financial condition and results of operations, as well as quantitative and qualitative disclosures about market risks, are based upon its consolidated financial statements, which have been prepared in accordance with US GAAP. Preparation of these financial statements requires Southern Peru s 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: revenue recognition; ore reserves; capitalized mine stripping and related estimated mine stripping ratios; the estimated useful lives of fixed assets, asset retirement obligations; litigation and contingencies, including those related to taxes. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

NON-GAPP INFORMATION RECONCILIATION

Reconciliation of operating cash cost to GAAP cost of sales in millions of dollars and cents per pound.

	3 months ended June 30,				6 months ended June 30,			
	2004		2003		2004		2003	
	$ million	**¢ per unit**	**$ million**	**¢ per unit**	**$ million**	**¢ per unit**	**$ million**	**¢ per unit**
Cost of Sales (including depreciation, amortization and depletion) - GAAP	$ 187.4	85.4	$ 121.1	59.6	$ 315.2	74.4	$ 253.7	64.6
Add:								
Administrative and other	7.6	3.5	7.0	3.4	14.7	3.5	13.7	3.5
Treatment and refining charges	1.2	0.5	0.1	0.0	1.5	0.4	0.7	0.2
Less:								
By-products revenue	(107.3)	(48.9)	(31.8)	(15.7)	(173.0)	(40.8)	(58.8)	(15.0)
Depreciation, amortization and depletion	(18.7)	(8.5)	(18.5)	(9.1)	(37.7)	(8.9)	(38.4)	(9.3)
Worker's participation and other	(23.0)	(10.5)	(2.6)	(1.3)	(37.5)	(8.8)	(6.7)	(1.7)
Inventory change	(6.2)	(2.8)	6.3	3.1	19.8	4.7	0.9	0.2
Operating Cash Cost	**$ 41.0**	**18.7**	**$ 81.6**	**40.2**	**$ 103.0**	**24.3**	**$ 167.0**	**42.5**
Deduct by-products revenue	107.3	48.9	31.8	15.7	173.0	40.8	58.9	15.0
Operating Cash Cost, without by-product revenue	**$ 148.3**	**87.8**	**$ 113.4**	**56.8**	**$ 276.0**	**65.1**	**$ 225.9**	**57.5**
Total pounds of copper produced and purchased in millions		**219.5**		**203.1**		**423.8**		**392.8**
NYI:#3389886								

<u>Cautionary statement:</u>

Forward-looking statements in this report and in other Company statements include statements regarding expected commencement dates of mining or metal production operations, projected quantities of future metal production, anticipated production rates, operating efficiencies, costs and expenditures as well as projected demand or supply for the Company s products. Actual results could differ materially depending upon factors including the risks and uncertainties relating to general U.S. and international economic and political conditions, the cyclical and volatile prices of copper, other commodities and supplies, including fuel and electricity, availability of materials, insurance coverage, equipment, required permits or approvals and financing, the occurrence of unusual weather or operating conditions, lower than expected ore grades, water and geological problems, the failure of equipment or processes to operate in accordance with specifications, failure to obtain financial assurance to meet closure and remediation obligations, labor relations, litigation and environmental risks as well as political and economic risk associated with foreign operations. Results of operations are directly affected by metal prices on commodity exchanges that can be volatile.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of June 30, 2004, the Company carried out an evaluation, under the supervision and with the participation of the Company s Disclosure Committee and the Company s management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company s periodic SEC filings.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There was no change in the Company s internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended June 30, 2004 that has materially affected, or is reasonably likely to materially affect, the Company s internal controls over financial reporting.

Mexico, D.F., July 14, 2004

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Southern Peru Copper Corporation:

We have reviewed the accompanying condensed consolidated balance sheet of Southern Peru Copper Corporation and subsidiaries (a Delaware Corporation) as of June 30, 2004 and the related condensed consolidated statements of earnings and cash flows for each of the three-month and six-month periods ended June 30, 2004 and 2003. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with standards established by the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We previously audited in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2003, and the related consolidated statement of earnings, changes in stockholders equity and of cash flows for the year then ended (not presented herein), and in our report dated January 28, 2004 (except for Note 20, which is as of February 3, 2004) we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PRICEWATERHOUSECOOPERS

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

The information provided in Note G to the financial statements contained in Part I of this Form 10-Q, is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of stockholders of the Company held on April 29, 2004, the holders of the Common Stock, voting as a class, were asked to elect two directors, the holders of Class A Common Stock, voting as a class, were asked to elect 11 directors, and both classes, voting together, to ratify the selection of PricewaterhouseCoopers, as independent auditors for 2004.

Votes cast in the election of directors by holders of Common Stock were as follows:

Names	**Number of Shares**	
	For	**Withheld**
Luis Miguel Palomino Bonilla	9,738,781	56,096
Gilberto Perezalonso Cifuentes	6,061,376	3,733,501

In the election of the directors by holders of Class A Common Stock, each of the following directors received 54,727,037 votes and no votes were withheld.

Germán Larrea Mota-Velasco
Oscar González Rocha
Emilio Carrillo Gamboa
Jaime Claro
Jaime Fernando Collazo González
Xavier García de Quevedo Topete
Harold S. Handelsman
Genaro Larrea Mota-Velasco
Armando Ortega Gómez
Juan Rebolledo Gout
Carlos Ruiz Sacristán

Stockholders ratified the selection of the independent auditors as follows:

	For	**Against**	**Abstain**
Common Stock	8,460,286	5,190	1,314,787
Class A Common Stock	273,635,185		
Total	282,095,471	5,190	1,314,787

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Item 6. Exhibits and Reports on Form 8-K

Exhibit No.	Description of Exhibit
Exhibit 15	Independent Auditors Awareness Letter
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.

Part II OTHER INFORMATION

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN PERU COPPER CORPORATION
(Registrant)

	/s/	Oscar González Rocha
Date: August 4, 2004		Oscar González Rocha President and General Director
	/s/	Jaime Fernando Collazo González
Date: August 4, 2004		Jaime Fernando Collazo González Vice President of Finance and Chief Financial Officer