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MOODY'S®

INDUSTRIAL MANUAL

MOODY'S INVESTORS SERVICE, INC.
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CERRO CORPORATION

CAPITAL STRUCTURE

LONG TERM DEBT

Issue	Rating	Amount Outstanding	Times Charges Earned 1974	Times Charges Earned 1973	Interest Dates	Call Price	Price Range 1974	Price Range 1973
1. Promissory notes	[2]--	\$105,198,000	3.65	6.55	--------	-----	-------	-------
2. Mortgage debt	----	2,712,000			--------	-----	-------	-------
3. Conv. sub. debentures	----	5,570,000			--------	104.5	-------	-------

CAPITAL STOCK Issue	Par Value	Amount Outstanding	Earned per Sh. 1974	Earned per Sh. 1973	Divs. per Sh. 1974	Divs. per Sh. 1973	Call Price	Price Range 1974	Price Range 1973
1. Common	\$3.33⅓	[1]7,925,344 shs.	[1]\$2.01	[1]\$1.86	\$1.05	\$0.75	-----	19½- 11⅛	17½- 12⅝

[1]Based on aver. shs. as reported by Co. on continuing operations. 1973 excludes \$4.08 earnings of discontinued operations and extraordinary item of *dr*\$5.50. [2]Sold privately.

HISTORY

Incorporated in New York, October 26, 1915, as Cerro de Pasco Copper Corp.; name changed to Cerro de Pasco Corp., May 31, 1951; present name adopted Jan. 1, 1961.

At formation acquired entire outstanding stock of the Morococha Mining Co., 95% of the outstanding stock of the Cerro de Pasco Mining Co. and 95% of the stock of Cerro de Pasco Railway Co. In 1917, the Cerro de Pasco Mining Co. and the Morococha Mining Co. were dissolved, the Cerro de Pasco Copper Corp. succeeding to their mining properties and assuming their obligations.

On Dec. 1, 1955, acquired assets and business of Circle Wire & Cable Corp. for \$20,250,000 cash and assumption of certain liabilities.

On June 7, 1956 acquired all capital stock of Fairmont Aluminum Co. for 62,000 common shares.

On Dec. 31, 1956, corporate structure of Cerro de Pasco enterprise was realigned to preserve and strengthen "Western Hemisphere trade corporation" status under United States income tax laws with respect to earnings derived from Peruvian operations. Corporations enjoying Western Hemisphere trade corporation status pay U. S. income taxes at a rate of 14 percentage points lower than normal corporate tax rate.

On July 1, 1957, acquired assets and business of Lewin-Mathes Co. (Del.) for 303,918 shares; operates as part of Cerro Copper & Brass Co. Div. (see below).

On Mar. 25, 1959 acquired assets of Consolidated Coppermines Corp., including 93.4% of stock of Titan Metal Manufacturing Co. and 99.3% of stock of Rockbestos Products Corp. in exchange for 201,333 common shares and \$26,311,700 subordinated debenture 5½s, due 1979 plus a cash adjustment of \$50,333. Liabilities of Coppermines were assumed by company. Included in acquisition were about \$23,000,000 cash and marketable securities, and certain other assets. Under plan of liquidation of Coppermines, stockholders received for each share held 0.10726 share of Cerro de Pasco common plus \$14 of debentures and \$0.02678 representing proportionate share of cash adjustment.

On July 1, 1959, Titan Metal Manufacturing Co., subsidiary, was merged into company.

On Aug. 1, 1959, company acquired assets and business, subject to liabilities, of Rockbestos Products Corp., which was liquidated; company operated this business under name "Rockbestos Wire & Cable Co. Division" until May 1, 1967 when it was combined with that of Cerro Wire & Cable Co. Division (see below).

On May 31, 1960, company acquired control of Rio Blanco Copper Corp., Ltd. (Va.) by exchange of 27,817 common shares for 654,480 shares (71.3%) of Rio Blanco and at Dec. 31, 1960, owned 96.7% of Rio Blanco stock. At same time, formed Compania Minera Andina, S. A. (Chile) (99.99% owned subsidiary of Rio) to serve as operating company for Chilean copper project.

Also during 1960, formed Cerro Exploration Co., Inc. (Del.); Cerro Enterprises A. G. (Switzerland); Cerro International S. A. (Belgium); and Cerro Gas & Oil Corp. (Del.).

Cerro de Pasco Ry. Co. (N. J.), wholly-owned subsidiary, was dissolved Jan. 1, 1961, and its 116 mile railway properties in Peru were conveyed to Cerro de Pasco Corp., Inc. (Del.), company's principal operating subsidiary in Peru.

On Feb. 21, 1961, acquired assets and business of United Pacific Aluminum Corp., Los Angeles, manufacturer of enameled aluminum sheet and coil, for 100,000 common shares.

On June 7, 1961, acquired entire stock of Viking Copper Tube Co., Cleveland, manufacturer of seamless copper tubing, for 120,000 shares.

On Nov. 20, 1961, merged Rio Blanco Copper Corp. Ltd., subsidiary and on Dec. 29 Viking Copper Tube Co.

On May 1, 1964 acquired copper and brass strip rolling mill at Stamford, Conn., including inventories, for \$6.2 million in cash; facility operated as part of Cerro Copper & Brass Co. Div. (see below) until facility was closed on July 31, 1969.

Effective Jan. 1, 1965, company sold assets of Cerro Aluminum Co. Division, principally aluminum sheet rolling mills at Fairmont, W. Va. and Los Angeles, Cal. including 16.65% interest in Alroll, Inc., for \$18,483,651 in cash and discounted value of notes payable over ten years. The notes were subsequently sold for cash.

In May, 1965, acquired 21.3% of J. C. Trahan Drilling Contractor, Inc. (since merged into Nordon Corp. now operating under name Texas International Petroleum Corp.), independent gas and oil producer in eastern Texas and southern Louisiana.

In early 1966, formed Compania Industrial del Centro S. A. to operate sulfuric acid plant and copper rod mill at La Oroya, Peru.

On Aug. 16, 1966, merged Circle Wire & Cable Corp., subsidiary; operates as Cerro Wire & Cable Co. Div.

In 1967, formed Cerro Mining Co. of Canada Ltd. to conduct mineral exploration and mine development in Canada.

On Sept. 22, 1970, acquired major assets of Leadership Housing Division of Great Southwest Corp. for \$9,000,000 plus additional \$2,000,000, paid in Jan. 1971, in accordance with terms of agreement.

In Oct., 1970, formed Asbestos Mines of Northern Greece Mining Societe Anonyme to test asbestos deposit in Greece (see below).

In June, 1971, acquired approx. 82% of Stereo Tape Club of America, Gardena, Cal. Operations were terminated on Dec. 29, 1972.

On Feb. 1, 1972, purchased 3,400,000 com. shs. (approx. 65%) of Behring Corp. for \$3,939,000 in cash and \$9,656,000 12% subordinated notes. Cerro has a option to purchase 400,000 additional com. shs. of Behring at any time between May 31, 1974 and May 31, 1978 at \$11.08 per sh.

On Sept. 1, 1972, Leadership Housing Systems, Inc., a wholly owned subsidiary of company was combined with businesses of Behring Corp. then 65% owned by company. On Feb. 1, 1972, Cerro purchased 3,400,000 shares of common stock (approximately 65% of outstanding shares) of Behring from principal stockholder of Behring and acquired from same stockholder a non-transferable option which, as amended on July 28, 1972, provided for purchase of a maximum of 400,000 additional shares any time from May 31, 1974 through May 31, 1978; at an aggregate price of \$4,408,000 and granted optionee right to sell such shares to Cerro any time from May 15, 1976 through May 15, 1978, for an aggregate price of \$2,412,000.

Pursuant to terms of merger agreement, Behring's name was changed to Leadership, and Leadership issued to Cerro 4,000,000 shares of its series B preferred stock and 4,583,717 shares of Behring common stock, of which one-fifth (916,744) of the shares of Leadership's Common Stock issued to Cerro in merger were placed in escrow. Escrow agreement provides that, if LHSI's earnings (pre-tax) for year ended Dec. 31, 1972 were less than \$4,000,000, one-third of shares held in escrow shall be returned to Leadership for cancellation and that if such earnings for year ended Dec. 31, 1973 are less than \$4,600,000, remaining shares held in escrow shall also be returned to Leadership for cancellation. In event that LHSI's earnings for 1973 are equal to or greater than \$6,000,000, balance of shares are to be released to Cerro. In event that earnings for either of 1972 or 1973 fall between respective levels, shares are to be cancelled or distributed out to Cerro on a proportionate basis. Shares subject to cancellation based on LHSI's 1972 earnings were returned from escrow to Leadership for cancellation because required earnings level was not achieved in 1972. As a result of merger, transaction described above and other transactions, Cerro owns 88.6% of Leadership's outstanding voting stock, represented by 180,513 shares (52.5%) of its series A preferred Stock (one-quarter vote per share), 4,000,000 shares (100%) of its series B preferred Stock (one vote per share) and 7,978,605 shares (84.1%) of its common stock (one vote per share)

In 1973 Co. acquired remaining shs. of Leadership Housing, Inc. and merged it into a wholly own subsidiary. Transaction involved payment of \$5.50 a sh. for Leadership com. sh. Leadership had previously redeemed its Series A Preferred stk. at \$10 a sh. Total cost of transaction was \$11,118,000.

On Oct. 6, 1972 acquired Illinois-California Express, Inc. (ICX), a motor freight carrier, for \$21.5 million in cash.

In Dec. 1972, Co. ordered termination of the businesses and liquidation of assets of the Stereo Tape Club of America.

In June 1973, Co. sold its 50% interest in Atlantic Cement Co. Inc. for \$38,500,000 resulting in a gain of \$2,116,000. Co.'s equity in net earnings through date of sale was \$1,556,000 and Co. received a \$500,000 dividend from Atlantic prior to sale.

In May 1974, Co. acquired 86.6% of the outstanding shares of common stock of Golconda Corp. and 73.5% of the outstanding shares of its preferred stock for \$26,600,000 in cash, through a tender offer made by Co. which expired in May, 1974.

In Sept. 1974, acquired 100% interest in Fetterolf Coal Group of companies located in Somerset County, Pa. for \$34,000,000 cash.

Also in 1974 ICX, subsidiary, acquired Southern Express Company and received temporary authority from ICC to operate Bestway Freight Lines, Inc.

BUSINESS

Corporation functions through four opererating groups: mining, manufacturing, real estate and trucking.

Summary of Operations (in \$000):

Net sales:	1974	1973
Manufacturing	\$567,412	\$417,802
Real estate	96,006	159,949
Trucking	73,466	58,856
Mining	21,446	------
Total	\$758,330	\$636,607

MANUFACTURING GROUP

The operations of the Manufacturing Group are carried out through Cerro Copper Products Division, Cerro Metal Products Division, Cerro Wire and Cable Co. division, Cerro Communication Products Division, Cerrosales and Golconda.

Cerrocu produces and sells copper plumbing tube and related items, industrial copper tube, and electrolytic copper cathode. Copper tube is sold principally to plumbing, air conditioning, and refrigeration wholesalers as well as certain original equipment manufacturers. In addition, electrolytic copper cathodes are sold to a variety of large copper fabricators and on commodity exchange. Cerrocu also distributes a line of plastic plumbing fittings as a distributor for another manufacturer.

Cerromet produces and sells brass mill products, including brass and bronze rod, bar, shapes, wire, forgings, screw machine parts and die castings, as well as certain low melting alloys, principally to original equipment manufacturers and metal distributors.

Principal markets for products manufactured by Cerromet are areas of housing, automotive, industrial process and control equipment, and communication and electrical equipment industries. In addition, a small portion of Cerromet's total sales are sold to distributors of brass rod products.

Cerrowire produces and sells single and multi-conductor building wire and cable, control, power and instrumentation cable, aerospace and marine cable, copper wire rod, and electric metallic tubing and co-axial cable.

Cerrowire's products are sold through its own sales offices, manufacturer's representatives, and distributors to (i) construction industry, (ii) public utilities, and (iii) diversified manufacturers, including those in defense, maritime, and aerospace industries. Co-axial cable is sold directly, and through distributors, to CATV System Builders. On Mar. 8, 1974, Co. purchased business and assets of a small company in Anniston, Alabama engaged in manufacture and sale of passive electronic devices used as attachments to co-axial cable installations in CATV industry.

Cerrocom: In 1974 Cerro's CATV co-axial cable operation in Freehold, New Jersey was given divisional status and combined with the business of a small company in Amiston, Alabama which manufactures and sells passive devices for CATV. Co-axial cable and passive devices are sold directly and through distributors to CATV system builders.

Cerrosales: Conducts worldwide metal trading activities. It hedges on The Commodity Exchange, Inc., London Metal Exchange and foreign exchange markets. Cerrosales deals in nonferrous refined metals, concentrates and ores, including copper, lead, zinc, silver bismuth.

Golconda is engaged in the manufacture and sale of valves, fittings, regulators and other controls for use in the following industries: aerospace, aircraft, computers and related products, and commercial and industrial kitchen cafeteria and restaurant equipment. Golconda's products are sold through a variety of methods including both direct sales and sales through distributors and dealers.

REAL ESTATE GROUP

Through its wholly-owned subsidiary, Leadership Housing, Inc. ("Leadership") Co. is engaged in residential real estate business. Principal operations of Leadership include (i) development and construction of single family home communities, including condominium apartment complexes; (ii) sale, development, construction and management of rental apartment complexes; and (iii) sales of improved and unimproved land.

Single Family Housing: Leadership's single family housing divisions build single family houses and condominium units developed as single family detached houses, townhouses, and low use condominiums buildings. Leadership's homes have from two to six bedrooms, are generally of wood frame or cement block with stucco exterior, and have dry wall internal construction.

Leadership's personnel locate land suitable for planned complexes based upon market analyses and research, and perform or supervise performance of engineering, rezoning, land planning and construction functions. Leadership acts as general contractor on all its projects and all work in connection with construction of residences is performed by subcontractors. Leadership's single family residences are primarily sold by salesmen employed by Leadership and compensated on basis of salary and commissions, and to a lesser extent by outside brokers who are compensated on a commission basis.

Multi-Family Projects: Leadership constructs for resale multi-family projects usually consisting of two and three story garden apartment complexes located on sites averaging 10 acres and manages projects for purchasers thereof. Projects typically are designed in clusters of from 8 to 35 buildings, and contain an average of 275 units. Apartment complexes, which are planned for families and young adults with moderate incomes, include amenities such as landscaped open areas, private patios, recreational clubhouses, swimming pools and other leisure time facilities. Substantially all of apartments completed thus far have been rented on a month-to-month basis, either with or without leases, in accordance with prevailing local practice.

Most projects are subject to agreements of sale prior to commencement of construction. Under such agreements, Leadership bears economic risk of construction of project and is obligated to complete construction by a specified date.

Purchaser pays a cash down payment and issues Leadership a purchase money note secured by a lien on property. Most notes are non-recourse and Leadership may look only to property in event of a default by purchaser. Leadership's lien on property is subordinate to liens of lenders who provide construction and permanent financing for project. Purchase money notes relating to projects commenced since Jan. 1, 1973 have been generally payable in full in not more than two years, but notes issued prior thereto are payable over a period ranging from ten to twenty-seven years.

Projects are sold by Leadership's sales staff primarily to real estate investment trusts and real estate syndicators. Sales of Leadership apartment complexes are structured generally to provide purchaser with a cash return on its equity investment and income tax shelter during early years primarily through deductions based on accelerated depreciation, interest paid on mortgage debt, and certain other items. Such transactions are designed to meet varying needs of investors, and format is influenced by availability of capital, competitive conditions in rental market and tax laws. Proposals have been made before Congress for changes in tax laws which, if enacted, could reduce marketability of such projects. Among other things, proposals would curtail tax benefit presently derived from accelerated depreciation, interest paid on construction debt and other presently deductible items and would also provide more favorable tax treatment for income not involving any tax shelter.

After completion of a project, Leadership manages apartment complex for purchaser for a percentage of gross rentals of project. Leadership generally does not retain any equity interest in its projects. Management agreements, however, occasionally provide for Leadership to participate in income from operations after purchaser has received a specified return and for Leadership to share in excess cash in the event the project is refinanced or resold. To date, no significant amount of income from such participations has been received by Leadership.

In substantially all projects, Leadership has guaranteed for a specified period either (i) a fixed rate of return to purchaser or (ii) that revenues from the project will be sufficient to meet expenses and debt service. Typically, the guaranteed fixed rate of return is for a period of from two to three years after completion, and in some projects under certain conditions may be extended to five years after completion of construction.

Land Sales: Leadership acquires large parcels of unimproved land for its own use as well as for sale to other developers. In certain locations, it acquires smaller parcels of improved land.

Leadership currently has an interest in four major ventures with investors. First is a partnership arrangement on 1,600 acres in Palm Beach County, Fla. Leadership manages, on behalf of partnership and for a fee, development and ultimate sales of this tract for 50% of profits.

Second venture is with a group of private trusts, in City of Tamarac, Fla. Under terms of agreement, approx. 40% of property, zoned for 6,141 dwelling units, is to be improved and sold under management of Leadership, with Leadership and trusts sharing equally in net profits. During Jan. 1, 1973 through Mar. 15, 1974, property zoned for 1,014 units was sold to third parties and property zoned for an additional 1,720 units and a small parcel zoned for commercial use were under contract for sale to third parties.

With respect to another 40% of property, trusts are required to pay for certain improvements to property, and Leadership is required to repurchase portions of property zoned to permit an aggregate of 4,500 housing units to be built on repurchased property. Repurchase price is to consist of cost to trusts, improvement costs, carrying charges and a premium equal to $760 per unit for which property is zoned. In addition, Leadership has an option to repurchase additional portions of improved property zoned to permit approximately 2,700 units on same terms as apply to 4,500 unit tract. During Jan. 1, 1973 through Mar. 15, 1974, Leadership repurchased property zoned for 779 units for an aggregate amount of approx. $1,850,000. Golf courses will be constructed on balance of property.

Water and Sewage Facilities: Leadership owns and operates a water and sewage treatment complex within City of Tamarac, Fla. Properties serviced include, among others, those previously developed and under development by Leadership. Operations are conducted under a 30-year non-exclusive franchise granted by City, allowing it to service customers directly in consideration of payment by Leadership to City equal to 4% of gross sales made by Leadership.

Leadership's water and sewage facilities are subject to regulation by Florida Public Service Commission and Florida State Board of Health.

TRUCKING GROUP

Illinois-California Express, Inc., ("ICX") is a Class I common carrier of general commodities subject to regulation by Interstate Commerce Commission and operates over 18,000 route miles in 18 states, principally in west and middle west.

Since its acquisition in 1972, ICX has expanded its operating authority through acquisition of operating authorities of a number of small trucking companies, subject to approval of ICC. In 1974, ICX was granted authority from ICC to operate Southern Express Co. As a result of this acquisition ICX extended routes directly covered by it from Chicago, Ill., to northern Ohio area, including cities of Cleveland, Akron, Warren, and Toledo. In 1974, ICX continued to be able to service customers on a national basis through interchange agreements with various trucking companies whose authorities cover those portions of United States for which ICX has no operating authority. In addition, in 1972, ICX initiated a special commodities division to engage in hauling of iron and steel products and certain perishable commodities.

MINING GROUP

Fetterolf Coal and Construction, Inc. owns and leases operating properties in Somerset County, Pa. containing coal reserves principally of metallurgical grade. Fetterolf's principal holdings contain coal reserves as follows: Assured, 37,040,000 short tons; Probable, 1,407,000 short tons. In addition, Fetterolf owns or leases parcels of coal bearing land as to which no definitive studies have been made to determine assured and probable reserves.

Low volatile metallurgical coal of type produced by Fetterolf is a commodity sold both domestically and abroad. As noted below, a substantial proportion of Fetterolf's production is dedicated to a long-term Coal Sales Agreement with two foreign corporations. Remaining production is sold on the spot market. Such spot-priced coal is subject to wide price fluctuation.

Demand for metallurgical coal is dependent upon the demand for steel and in particular demand for steel made from iron ore since steel can be produced from scrap without the use of metallurgical coal.

As of Oct. 1, 1974, Cerro's subsidiary, Fetterolf Coal And Construction, Inc., which owns 100% equity interest in Fetterolf, entered into a Coal Sales Agreement with two foreign corporations for the sale of metallurgical coal beginning July 1, 1975. Cerro's subsidiary is required to deliver and the buyers are obligated to accept 600,000 long tons (2,240 pounds avoirdupois) during first nine-months and one million long tons annually thereafter until March 31, 1988. Price is considered to be comparable to the prevailing market price for comparable quality coal sold under long-term contracts (considering the fact that unlike most other long-term contracts for similar coal, the price under the Coal Sales Agreement is firm for the life of the contract), and is subject to adjustment for increased or decreased costs and to maintain in part existing profit margines.

Fetterolf owns or leases approx. 21,425 acres of coal lands located in western Pa. Under terms of most of such deeds or leases Fetterolf has right to remove and take title to coal in certain specified seams in such coal lands but usually does not have title or the right to possession of surface of such lands. In addition, in most cases the right to remove other minerals or coal from other seams has been reserved to the grantor. In addition, Fetterolf owns or leases surface rights to approx. 600 acres of land on which are located or are to be located existing or proposed mine mouths and various structures, such as offices, storage and work sheds, and the coal preparation plant referred to above. Management believes that material deeds and leases held by Fetterolf are on terms sufficient for their intended uses.

At present, all of Fetterolf's underground mines are operated under contract by G.M.&W. Coal Co. In order to assure a continued operation by a qualified underground mining organization, an option has been negotiated to purchase G.W.&W. Coal Co. and its sister company, Delta Mining, Inc. for a net price of $7.3 million.

Coal preparation plant at Boswell, Pa. which is also the location of Fetterolf's executive and administrative offices, can at present process coal sufficient to produce about 1 million short tons of clean coal per year. This facility is now in the process of being expanded to 1.4 million short tons a year at a cost of $1.2 million. Included in the work is a provision for new stacking and reclaiming equipment to facilitate loading of railroad coal cars. Expanded coal preparation plant is expected to be fully operational by end of 1975.

Cerro Spar Corp.

Cerro, through a subsidiary, Cerro Spar Corp. ("Cerrospar"), is operator and manager of, and has a 70% interest in, a joint venture which began construction of a fluorspar mine and milling operation in western Kentucky in June 1972. Project was completed in mid-year 1974 at a cost to venture of $6.7 million.

Mine is expected to produce at an annual rate of 56,000 tons of acid-grade fluorspar. Indicated and inferred ore reserves of mine are believed sufficient for a mine life of nine years based on the stated rate of production. The two principal uses for fluorspar are in production of hydrofluoric acid by chemical industry and as a flux in steel industry. Cerrospar expects to sell its product principally to chemical industry.

Fluorspar business in U. S. receives competition from both European and Mexican producers. However, Cerrospar's principal competition is from Mexico due to the shipping advantage over the European producers.

Zidani Asbestos Mine Project:

In northern Greece, pilot-processing tests were concluded on asbestos ore from the Zidani asbestos deposit located near Kozani. The 1974 test work succeeded in establishing a specialized processing flow sheet particularly well adopted to Zidani ore. The results of all work performed at the property to date, together with up-to-date construction and operating costs as well as a revised financial projection, were assembled and incorporated into a techno-economic study which is now under review in Greece.

The mining rights to Zidani asbestos deposit are held under long-term lease by a 71.25% owned Greek subsidiary of Cerro. The remaining interest is held by Hellenic Industrial Development Bank S.A. ("ETBA"), an agency of Greek Government, which provided funds for the field work and related studies performed in 1974.

Techno-economic study confirms feasibility of developing and constructing facilities with capacity to produce 100,000 metric tons of milled chrysotile asbestos a year in commercially usable fiber groups. Total new funds required, including initial working capital but excluding approximately $2 million expended on pre-construction expenses, were estimated in 1974 at $45.4 million.

As now conceived, Cerro would retain a 51% equity interest in Greek subsidiary and remaining equity interest would be held by several Greek corporations, including ETBA, and possibly another investor. Zidani property is believed to be well situated for supplying the markets for asbestos fiber in

Europe, North Africa and Middle East. Approximately 80% of asbestos fiber which would be produced by Greek subsidiary would be exported from Greece, and remainder sold within Greece. A decision as to whether or not to proceed with this project is expected to be made in 1975 and will depend upon a number of factors, principally availability of financing on acceptable terms.

Investments: Co. owns partial interests in several mining and manufacturing enterprises. Most important of these is Southern Peru Copper Corp. (copper mining and smelting), 22.25% owned. In addition Co. owns 12.07% of Savage River Corp., Tasmania (iron ore mining and pelletizing), and has varying degrees of ownership in a number of smaller Peruvian companies. Activities of these companies are metal mining and milling and manufacture of steel castings, refractory brick, welding rod, explosives, metal alloys, and electrical and telephone wire and cable.

Southern Peru Copper Corporation: Southern Peru holds concessions covering two mines, Toquepala, in operation, and Cuajone, under development, both located inland from southern port city of Ilo, Peru.

In 1974, Southern Peru reported sales of $187,900,000 and net earnings of $40,500,000; in 1973, sales reported were $215,714,000 and net earnings were $61,323,000. All of these sales and earnings were derived from operations at Toquepala.

Co. has the right and obligation to purchase a portion of Southern Peru's blister copper produced from ore mined at Toquepala under terms of an agreement among Co., Southern Peru and an agency of Peruvian Government. Purchase price is at average of Atlantic Seaboard quotations.

Co. imports about 170,000 short tons a year of blister copper from Southern Peru which is delivered to Cerrocu for further treatment.

Cuajone deposit, located 16 air miles northeast of Toquepala, is estimated at 470 million tons of ore containing about 1% copper and is being developed under a contract made in 1969 with Peruvian Government.

Total cost of the project is estimated to be in excess of $550 million.

Savage River: Through its 24% stockholding in Northwest Iron Co., Ltd., Co. holds an approx. 12% interest in Savage River iron mining and pelletizing joint venture in Tasmania, Australia. Owners of Northwest include Pickands Mather & Co., as operator and 48% owner, and a number of Australian investors, primarily institutional. Co. and Pickands Mather & Co. agreed to advance sufficient funds to maintain Northwest's working capital at a level of $500,000 until certain of its outstg. indebtedness, totaling approx. $31 million have been repaid; such repayment is scheduled for 1983. Pursuant to such obligation, Co. advanced to Northwest $247,000 in 1971 but no advances were required in 1972-74. Co.'s share of owners' contingent liability under these arrangements amounted to approx. $7.3 million at Dec. 31, 1974 as compared to approx. $8.8 million at Dec. 31, 1973.

CHILEAN OPERATIONS

On July 16, 1971, Government of Chile nationalized major copper mining operations in country, including Compania Minera Andina, S.A., a Chilean corporation ("Andina"), 70% owned by Co. with remaining 30% owned by Corporacion del Cobre, a Chilean Government agency ("Codelco"). Andina owned and operated the Rio Blanco copper mine which came into commercial production in month in which it was expropriated.

Total investment of Co. in Andina consisted of approx. $14,700,000 of equity contributions and $21,000,000 in loans (including interest and miscellaneous items). In addition, as of Dec. 31, 1974 Andina owed Co. approx. $5.6 million in accrued interest on such notes.

As of Feb. 28, 1974, Government of Chile issued decrees and Government and Co. signed agreements providing for compensation for expropriation of Andina.

Under these compensation arrangements, Co. received a cash payment of $3,223,000 and $38,633,794 in 17-year serial notes bearing interest at 9.165 percent, free of Chilean taxes. These notes are guaranteed by Central Bank of Chile.

In addition, Co. has right to sell certain copper bearing materials produced in Chile, which cannot be processed in Chile and which are outside normal Chilean production and exports. Under this arrangement as Co. sells these materials, proceeds are to be applied to prepayment of notes, in inverse order of maturity. Co. shall have the right to materials of this type until full amount of notes has been paid. Co.'s sale of material is for sole purpose of accelerating payment of indebtedness, and Co. will not derive additional revenues from such sales.

Through Mar. 21, 1975, Co. had collected $5.8 million in prepayments and $5.4 million in payment of regular maturities. The most remote maturity outstanding is now Mar. 1, 1984.

On July 16, 1974, Co. entered into a Guaranty Agreement with Overseas Private Investment Corporation whereby the latter at Dec. 31, 1974 guaranteed $11.0 million of notes with interest at 7.26%. The guaranty is reduced as each of the notes is paid.

DISCONTINUED OPERATIONS

Cerro de Pasco Corporation: The Government of Peru expropriated Cerro's wholly-owned subsidiary, Cerro de Pasco Corp. which resulted in a financial statement loss after compensation but before tax benefit of $110,350,000 in 1973. The tax loss on the expropriation after adjusting the financial statement loss primarily for non-tax deductible pensions and severance reserves was approx. $135,000,000. On Feb. 19, 1974, based on an agreement between the Governments of Peru and the U. S., Co. received $58,000,000, including repatriation of 1973's net earnings from Peru. The net after tax loss from expropriation, reflected as an extraordinary item in the accompanying 1973 financial statements, is $45,550,000 or $5.50 a share. In Dec. 1974, Cerro received a final payment of $10,000,000 with interest of $526,000 from funds paid by Peru to the U. S. Government as part of a lump sum settlement agreed by the U. S. and Peru.

PROPERTIES

MANUFACTURING GROUP

Co.'s fabricating and manufacturing operations in the United States are carried on at ten principal plants located in seven states as follows:

Location	Area (sq. ft.)
Cerrocu	
Sauget, Ill.	750,000
Cleveland, Ohio	217,000
Cerrowire	
Maspeth, N. Y.	626,000
Syosset, N. Y.	274,000
New Haven, Conn.	235,000
Mystic, Conn.	71,000
Cerrocom	
Freehold, N. J.	130,000
Cerromet	
Bellefonte, Pa.	645,000
Newark, Cal.	91,000
Golconda	
Chicago, Ill.	503,000

REAL ESTATE GROUP

The major landholdings of Leadership, other than those presently under development with the joint ventures, consist of 531 acres in Broward County, Fla.; 3,900 acres in Tarpon Lake, Fla.; 530 acres in Orange County, Cal.; and an aggregate of 136 acres on Maui and Kauai, Hawaii.

TRUCKING GROUP

At Dec. 31, 1974, the Trucking Group owned 18 terminals and leased an additional 17 other terminals.

Note: For additional details on properties see "Business" above.

MANAGEMENT

Officers

J. A. Pritzker, Chairman
R. A. Pritzker, President
A. Wolfley, Exec. Vice-President
R. C. Gluth, Vice-Pres.
K. D. Archer, Vice-Pres., Sec. & General Counsel
P. J. Bennett, Vice-Pres. & Contr.
H. W. Higgs, Vice-Pres.—Mining Group
P. D. Weisse, Vice-Pres.—Manufacturing Group
M. D. David, Vice-President
M. Samuels, Treas.

Directors

R. H. Cutler, Colorado
T. F. Githens, New York
L. B. Harder, New York
C. B. Harding, New York
W. L. Henry, New York
A. M. Massie, New York
G. W. Pepper, Philadelphia
J. A. Pritzker, Chicago
R. A. Pritzker, Chicago
J. B. Stone, Hamilton, Bermuda
A. Wolfley, New York

Counsel: Alexander & Green, New York.

Auditors: Price Waterhouse & Co.

Annual Meeting: Second Tuesday in May.

No. of Stockholders: Dec. 31, 1974, 19,[illegible].

No. of Employees: Jan. 1, 1975, 8,379.

General Office: 39 South LaSalle St., Chicago, Ill. 60603.

STATISTICS

COMPARATIVE PRODUCTION STATISTICS, YEARS ENDED DEC. 31

	1974	1973	1972	1971	1970	1969	1968
Copper (lbs.)	N.A.	126,255,000	114,258,000	98,237,000	105,218,000	105,732,000	117,308,000
Lead (lbs.)	--------	182,663,000	168,510,000	149,938,000	158,646,000	170,946,000	190,361,000
Silver (ozs.)	--------	19,924,000	22,991,000	19,191,000	20,823,000	18,532,000	20,371,000
Gold (ozs.)	--------	40,000	42,000	31,000	38,000	52,000	43,160
Refined zinc (lbs.)	--------	147,919,000	148,849,000	126,530,000	151,659,000	137,479,000	145,226,000
Zinc in concentrates (lbs.)	--------	231,456,000	230,730,000	176,218,000	135,650,000	163,935,000	177,870,000

COMPARATIVE CONSOLIDATED INCOME ACCOUNTS YEARS ENDED DEC. 31
(Taken from reports to Securities and Exchange Commission)

INCOME ACCOUNTS

	1974	1973	1972	1971	1970	1969
Net sales	$758,330,000	$636,607,000	$428,021,000	$326,089,000	$322,149,000	$296,534,000
Other revenue (net)	23,571,000	21,268,000	14,817,000	16,786,000	14,776,000	22,148,000
Total operating revenue	781,901,000	657,875,000	442,838,000	342,875,000	336,925,000	318,682,000
Cost of products sold	661,886,000	549,832,000	373,277,000	300,713,000	303,996,000	267,374,000
[1]Selling and adm. expenses	57,206,000	58,933,000	38,364,000	32,477,000	20,887,000	18,107,000
Interest cost accrued	23,301,000	17,596,000	13,336,000	8,427,000	5,329,000	3,003,000
Less: Interest capitalized	cr8,461,000	cr5,962,000	cr3,558,000	cr2,490,000	cr1,086,000	
Interest net	14,840,000	11,634,000	9,778,000	5,937,000	4,243,000	3,003,000
Depreciation and amortization	8,692,000	6,722,000	4,845,000	3,679,000	3,810,000	3,658,000
Earnings from continuing oper. bef. taxes	39,277,000	30,754,000	16,574,000	69,000	3,989,000	26,640,000
Income taxes	23,350,000	15,376,000	7,512,000	cr2,210,000	cr756,000	3,437,000
Earnings from continuing operations	15,927,000	15,378,000	9,062,000	2,279,000	4,745,000	23,203,000
Earnings from discontinued operations	--------	33,783,000	10,626,000	353,000	12,221,000	20,712,000
Earnings before extraordinary items	15,927,000	49,161,000	19,688,000	2,632,000	16,966,000	43,915,000
[1]Extraordinary items	--------	dr45,550,000	dr1,924,000	dr988,000	dr2,886,000	--------
Net income to ret. earn.	15,927,000	3,611,000	17,764,000	1,644,000	14,080,000	43,915,000
Retained earnings, beg. of year	154,323,000	103,939,000	90,750,000	103,179,000	112,591,000	92,781,000
Other surplus credits	--------	52,959,000	503,000	--------	--------	--------
Dividends on capital stock	8,315,000	6,186,000	5,078,000	6,770,000	12,965,000	12,249,000
[1]Other debits	--------	--------	--------	7,303,000	10,527,000	11,856,000
Retained earnings, Dec. 31	$161,935,000	$154,323,000	$103,939,000	$90,750,000	$103,179,000	$112,591,000