# ANNUAL REPORT

# ANACONDA COPPER MINING COMPANY

# 1941

# ANACONDA COPPER MINING COMPANY

ANACONDA

## THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut

### LOCATION OF MANUFACTURING PLANTS

ANSONIA, CONN.; BUFFALO, N. Y.; DETROIT, MICH.; KENOSHA, WIS.; TORRINGTON, CONN.; WATERBURY, CONN.; NEW TORONTO, ONTARIO, CANADA

### SOME OF THE INDUSTRIES SERVED

| | | | |
|---|---|---|---|
| Air-Conditioning | Electrical Equipment | Machinery | Plumbing |
| Automotive | Hardware | Marine | Pulp and Paper |
| Aviation | Heating | Metal Fabricating | Railroad |
| Brewing | Jewelry | Mining | Refrigeration |
| Building | Light and Power | Petroleum | Textile |
| Chemical | | | Welding |

### PRINCIPAL PRODUCTS

COPPER, BRASS, BRONZE AND NICKEL SILVER—SHEETS, WIRE, RODS, TUBES

| | | |
|---|---|---|
| Airplane Gas-Oil-and Pressure Lines | Condenser and Heater Tubes | Free Cutting Brass Rods |
| Ammunition Metal | Copper—Nickel Alloys | Phosphor Bronze |
| Architectural Shapes | Copper Tubes and Fittings | Pressure Die Castings |
| Brass and Copper Pipe | Drawn Sections | Hot Pressed Parts |
| Brazing Solder | Everdur Electrical Conduit | Roofing Copper |
| Bronze Screen Wire | Everdur and Super-Nickel Tank Plates | Shell Rotating Bands |
| Bus Bars and Shapes | Extruded Shapes | Tobin Bronze Shafting |
| Cartridge Discs and Cups | Eyelets, Grommets, etc. | Turbine Blading |
| Condenser Head Plates | Flexible Metal Hose and Tubing | Welding Rods |

Our country's war needs require a major part of the available supply of copper and zinc for ammunition—cartridge cases, shell rotating bands, time-fuses, etc. Still more copper and copper alloys are needed for ships, aircraft and motorized equipment—and for the electrification of our expanding war industries.

Foremost fabricator of copper and copper alloys, The American Brass Company is cooperating 100% with the Army and Navy and is devoting its enlarged and modernized facilities to meet this unprecedented demand. The Engineering and Technical Departments are cooperating with manufacturers by helping them increase production of war materials through the efficient use of copper and its alloys. For the future, research concerned with alloy developments, new uses and improved production techniques is being carried on without interruption.

SALES OFFICES ARE LOCATED IN THE FOLLOWING CITIES:

| | | | |
|---|---|---|---|
| Atlanta, Ga. | Detroit, Mich. | Montreal, Canada | Rochester, N. Y. |
| Boston, Mass. | Houston, Texas | Newark, N. J. | St. Louis, Mo. |
| Buffalo, N. Y. | Kenosha, Wis. | New York, N. Y. | San Francisco, Calif. |
| Chicago, Ill. | Los Angeles, Calif. | Philadelphia, Pa. | Seattle, Wash. |
| Cincinnati, Ohio | Milwaukee, Wis. | Pittsburgh, Pa. | Syracuse, N. Y. |
| Cleveland, Ohio | Minneapolis, Minn. | Providence, R. I. | Toronto, Canada |
| Denver, Colo. | | | Washington, D. C. |

# Anaconda Copper Mining Company

## CAPITAL STOCK

December 31, 1941

| | | |
|---|---|---|
| Authorized, | 12,000,000 shares, $50 each | $600,000,000 |
| Issued | 8,919,086 shares, $50 each | 445,954,300 |

## OFFICERS

| | |
|---|---|
| *Chairman of the Board* | Cornelius F. Kelley |
| *President* | James R. Hobbins |
| *Executive Vice-President* | Robert E. Dwyer |
| *Vice-President* | Daniel M. Kelly |
| *Assistant to the President* | Elbert O. Sowerwine |
| *Secretary and Treasurer* | James Dickson |
| *Comptroller* | W. Kenneth Daly |
| *Assistant Secretary* | Kenneth B. Frazer |
| *Assistant Secretary* | Jeremiah D. Murphy |
| *Assistant Secretary and Assistant Treasurer* | Thomas E. Conrad |

## DIRECTORS

John A. Coe
Robert E. Dwyer
E. Roland Harriman
James R. Hobbins
Cornelius F. Kelley
Maurice Newton
William C. Potter
Gordon S. Rentschler
William D. Thornton

## OFFICES

Anaconda, Montana
Butte, Montana
25 Broadway, New York

*To the Shareholders of*

# ANACONDA COPPER MINING COMPANY

THE extraordinary demand for strategic metals in connection with the National Defense Program, which was referred to in the last annual report of your Company, continued to increase as the production requirements became apparent. In the late summer and fall of 1940 instructions were given to bring all productive units of your Company up to capacity output and this was accomplished during the year 1941 with the result that there was attained the highest aggregate production of all time.

The Office of Price Administration had indicated during the fall of 1940 that no increase should be made in the price of copper produced from primary sources. As a consequence the price of 12¢ per pound Connecticut Valley (11.775¢ f.o.b. Eastern Refineries) which prevailed at the end of the year remained constant until August 12th, when it was officially fixed as the ceiling price by the Office of Price Administration. The domestic production remained free from allocation or priority restriction until June, was partially allocated by Government agencies from June until August, when it became controlled 100% and subject to priority restrictions. Beginning with March, 1941, large quantities of copper produced by your foreign subsidiaries were delivered to Metals Reserve Company and, with the exception of comparatively small quantities required for Latin America, that entire output is currently being sold and delivered to Metals Reserve Company. The price paid by the Metals Reserve Company was the equivalent of 9½¢ per pound f.a.s. Chilean ports until October 8, 1941 when the price was advanced to the equivalent of 10¾¢ f.a.s. Chile, applicable to deliveries made during September, October, November and December. Effective January 1, 1942 the price was increased to 11¼¢ per pound f.a.s. Chile, which remains the current price under which foreign production is being delivered to the Government. All of the copper sold to Metals Reserve Company during the year was allocated among users by Government agencies. The system of allocation and priorities, necessarily adopted as a war measure, has controlled the amount of copper—foreign or domestic—delivered to your subsidiary fabricating companies.

Copper production (not including Custom or Secondary) of Anaconda, its subsidiaries and Inspiration Consolidated Copper Company (in which your Company has a 28.17% stock interest) increased from 392,479,954 pounds during the last six months of 1940 to 572,577,202 pounds in last half of 1941,—an increase of 180,097,248 pounds or 45.9%. Production of these companies for the year 1941 amounted to 1,115,171,172 pounds and currently is at the annual rate of 1,200,000,000 pounds.

*Zinc:*

The demand for increased production of zinc has been likewise accelerated. Anaconda's production, including that derived from custom and concentrates treated on toll in 1941, was 371,183,459 pounds compared with 303,952,768 pounds in 1940, an increase of 22.1%. Capacity at the Montana plants has been increased by adding additional tanks and work is now under way to add the equivalent of one new unit at Anaconda and two units at Great Falls which will increase annual capacity of these plants to 465,000,000 pounds before the end of this year.

Zinc contained in lead ores reduced in lead plants has been a waste product. Your Company developed a process for the recovery of such zinc from slag and has had a plant in successful operation at East Helena, Montana to recover such zinc in the form of a high grade fume. A similar plant was constructed at Tooele, Utah, by International Smelting and Refining Company (a 100% owned subsidiary) and began operations in September, 1941. This plant should add approximately 18,000,000 pounds per year to the Nation's available supply of zinc.

The price of zinc, St. Louis, was 7.25¢ per pound from January 1 to October 10, 1941, when price was fixed by the Office of Price Administration at 8.25¢ per pound. The price of lead, New York, was 5.5¢ per pound at the beginning of the year, advancing to 5.65¢ per pound on February 10th, 5.75¢ per pound on March 3rd, 5.85¢ per pound on March 26th, which price remained in effect until price was officially fixed by the Office of Price Administration at 6.5¢ per pound on January 13, 1942. There was no change in the price of domestic silver, but the price of foreign silver, 34.75¢ per ounce from the beginning of the year, was increased to 35.125¢ per ounce on November 28th and has remained unchanged since that date.

*Manganese:*

The manganese plant at Anaconda, Montana, began operations in June, 1941, producing nodules which for the year averaged 59.3% Mn. The plant has operated successfully and is the largest producer of manganese in the United States.

*Chromium:*

At the request of the Government, and with Government funds, the Anaconda Company developed a mine and designed and built a mill in Stillwater County, Montana, in a remote mountain area and completed the construction within nine months from the commencement date. This plant began operations this year and arrangements have been made with the Government to increase the capacity of this mine and plant.

Negotiations have also been concluded for the development and equipment of two additional mines and mills, which will be constructed and operated by Anaconda for the Government with Government funds.

*Vanadium:*

In 1941 Anaconda installed a vanadium plant which produced 243,442 pounds of Red Cake Precipitates containing 213,521 pounds of vanadium oxide.

*Miscellaneous Products:*

Anaconda produces arsenic, bismuth, cadmium, lead, molybdenite, superphosphate and phosphoric acid, white lead, zinc oxide and other metals and products essential to the war effort, the production of which has been maintained or increased. Output of lumber was increased from 98,074,679 board feet in 1940 to 124,112,794 feet in 1941.

*Expenditures to Increase Production:*

In order to increase or to maintain production and fabrication of critical and strategic metals, your Company and its consolidated subsidiaries made capital expenditures of $9,310,811.11 with unexpended appropriations of $4,530,651.00, or a total of $13,841,462.11. The expenditures and appropriations of affiliated companies not consolidated amounted to $2,501,427.00, making total of $16,342,889.11.

## FINANCIAL

The gross sales and earnings of the Company upon a consolidated basis (after elimination of inter-company items) totaled $354,773,916.69, an increase of $111,111,016.08 or 45.6% compared with the prior year.

The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses, and all taxes except income taxes, amounted to $262,166,084.38.

| | |
|---|---|
| The income from operations was | $92,607,832.31 |
| Other Income, including Dividends from non-consolidated subsidiaries, was | 1,303,750.04 |
| Total Income was | $93,911,582.35 |
| Deductions from Income for Interest on Debentures and Serial Notes and Premium, Discount and Expense on Debentures retired $809,047.20; Provision for Depreciation and Obsolescence and for Depletion of Coal Mines, Timber Lands and Phosphate Deposits $13,332,006.05; Investments in and advances to Subsidiary Companies written off $1,286,833.99; Less Expenditures previously written off and restored to Plant and Equipment $457,781.26 amounted to | 14,970,105.98 |
| | $78,941,476.37 |
| United States and Foreign Income and Excess Profits Taxes amounted to | 30,163,394.70 |
| Leaving a Balance of | $48,778,081.67 |
| Provision for Contingencies amounted to | 5,000,000.00 |
| Net Income, without deduction for Depletion of Metal Mines, was | $43,778,081.67 |
| Of which Minority Share amounted to | 344,421.89 |
| Leaving Consolidated Net Income | $43,433,659.78 |

The net income reflects sales of metals and manufactured products invoiced to customers. Forward sales contracts are not reflected in the income account. Inventory valuations were below market prices for the various metals and products at December 31, 1941.

On August 11, 1941 $2,100,000 par value of the 4½% Sinking Fund Debentures of the Company, due October 1, 1950, were redeemed and $990,000 par value of debentures were redeemed on October 1, 1941 through operations of the Sinking Fund, leaving $935,000 par value of Debentures outstanding at December 31, 1941.

Serial Promissory Notes due April 11, 1941 in the amount of $4,000,000 were paid on that date and Serial Promissory Notes due April 11, 1945 in the amount of $11,000,000 were paid on October 23, 1941, leaving $20,000,000 of Serial Notes outstanding as of December 31, 1941.

All of the outstanding Serial Notes of the Chile Exploration Company in the amount of $3,800,000 were paid on March 6, 1941.

The result of these operations decreased the funded debt $21,890,000, reducing the total outstanding to $20,935,000 at December 31, 1941.

On April 11, 1942, $4,000,000 of the Serial Promissory Notes of the Company will mature. Notice has been given to the Banks holding the Serial Notes that an additional $6,000,000 will be paid on that date, reducing the total outstanding Serial Notes of the Company to $10,000,000.

In addition, there is outstanding $935,000 of the 4½% Debentures of the Company. These will be redeemed under the provisions of the Sinking Fund of the Indenture on October 1, 1942.

The total decrease of the indebtedness of the Consolidated Companies from $109,372,000 on June 30, 1933 to $20,935,000 on December 31, 1941, a decrease of $88,437,000, is shown by the following tabulation:

| | | *Decrease* |
|---|---|---|
| June 30, 1933 | $109,372,000 | — |
| December 31, 1933 | 104,361,000 | $ 5,011,000 |
| December 31, 1934 | 88,986,120 | 15,374,880 |
| December 31, 1935 | 83,077,000 | 5,909,120 |
| December 31, 1936 | 78,369,000 | 4,708,000 |
| December 31, 1937 | 68,589,000 | 9,780,000 |
| December 31, 1938 | 57,686,000 | 10,903,000 |
| December 31, 1939 | 50,015,000 | 7,671,000 |
| December 31, 1940 | 42,825,000 | 7,190,000 |
| December 31, 1941 | 20,935,000 | 21,890,000 |
| | | $88,437,000 |

Capital Expenditures less sales of capital assets during the year amounted to $8,763,211.20 summarized as follows:

| | |
|---|---|
| Buildings, Machinery and Equipment at the Mines, Smelting, Refining and Manufacturing Plants of the Company and its Subsidiaries | $9,310,811.11 |
| Less Sales of assets not required in Company's operations | 810,886.51 |
| A net increase of | 8,499,924.60 |
| Miscellaneous—Including acquisition of shares of stock of subsidiary companies | 263,286.60 |

**Current assets at the close of the year amounted to $165,934,104.30 compared with $137,470,756.98 at the close of the prior year, and current liabilities amounted to $47,682,276.41 compared with $34,278,191.48. Increase of current liabilities is due entirely to increase of accrued taxes from $15,832,256.10 on December 31, 1940 to $32,238,663.86 at December 31, 1941. United States Treasury Notes Tax Series "B"—1943 were purchased during the year at cost of $14,016,800, including $16,800 interest accrued to date of purchase. These notes are applicable to payment of taxes due in 1942. Cash and tax anticipation notes on hand totaled $78,842,659.47 at December 31, 1941, compared with $51,414,994.80 cash on hand at close of prior year.**

**Dividends declared and paid during the year on the capital stock of your Company amounted to $21,685,845.00 or $2.50 per share.**

Taxes in various forms in 1941 amounted to $38,973,797 equivalent to $4.49 per share as compared with $20,062,048 or $2.31 per share for the year 1940, and $15,494,610 or $1.79 per share in 1939.

## CORPORATE TRANSACTIONS

During 1941 the Company acquired 62,432 shares of the stock of National Tunnel & Mines Company, 20 shares of the stock of the Andes Copper Mining Company and 6 shares of the stock of the Butte Water Company, increasing its holdings to 590,632 shares, 3,502,493 shares and 119,580 shares or 55.91%, 97.77% and 99.81% respectively of the total outstanding shares of these companies.

## DETAIL OF OPERATIONS

Following is a summary of operations of your Company and its Consolidated Subsidiary Companies during 1941:

*Copper:*

The total output of copper aggregated 1,316,814,542 pounds. The metallic copper production, after deduction of 1,297,383 pounds (of which 851,899 pounds were from Company mines) contained in by-product materials sold to others, was 1,315,517,159 pounds obtained from the following sources:—295,541,157 pounds were treated on toll for the account of others; 25,280,937 pounds were produced from purchased ores, concentrates and secondary metals; leaving a net production from the mines of your Company and its consolidated subsidiary mining companies through copper plant operations of 994,695,065 pounds, compared with 774,340,537 pounds in 1940, an increase of 28.5%.

Total deliveries in both the domestic and foreign markets of copper from all sources including purchased copper amounted to 1,342,365,106 pounds, compared with 1,009,097,993 pounds in 1940.

*Zinc:*

Total zinc production was 371,183,459 pounds, of which 211,070,208 pounds were from purchased materials, toll zinc returnable 104,168,130 pounds and 55,945,121 pounds came from the mines of the Company. Of total production 2,125,742 pounds were contained in by-product materials sold to other companies; 4,573,447 pounds were in the form of zinc dross, and 364,484,270 pounds were electrolytic zinc produced by the plants of the Company. Deliveries of zinc (produced and purchased) including zinc delivered to owned manufacturing and zinc oxide plants amounted to 288,606,814 pounds, compared with 252,388,511 pounds in 1940.

*Lead:*

The total production of lead was 96,257,855 pounds. Of this amount 80,173,439 pounds were produced from purchased ores, concentrates and other materials, and 16,084,416 pounds from the mines of the Company. Of the aggregate production 34,896,017 pounds were included in by-products sold to other companies and 61,361,838 pounds were produced in metallic form. Deliveries of lead during the year, including that used in the manufacture of white lead, were 100,460,833 pounds compared with 90,281,543 pounds in 1940.

*Silver:*

There were produced 17,522,020 ounces of silver, of which 254,620 ounces were treated on toll for account of others, 7,126,067 ounces were produced from purchased ores and concentrates, and 10,141,333 ounces were produced from Company ores. Of the above total 3,422,961 ounces were contained in by-product materials sold to other companies.

*Gold:*

Gold production amounted to 228,803 ounces, of which 164,272 ounces came from purchased materials, and 64,531 ounces from the mines of the Company. Of this amount 12,641 ounces were sold in the form of various by-product materials to other companies.

*Miscellaneous:*

The principal miscellaneous products consisted of 124,112,794 feet of lumber; 54,168 tons treble-superphosphate and phosphoric acid; '3,664 long tons of manganese nodules; 2,657,009 pounds of molybdenite; 13,365 tons arsenic and 1,558,393 pounds cadmium, including 222,450 pounds produced on toll.

*Fabricating Plants:*

The shipments of manufactured products from the plants of The American Brass Company (including Toronto Plant) and Anaconda Wire and Cable Company amounted to 1,368,316,081 pounds, an increase of 69.3% from the prior year, and of 29.8% above the previous record established in 1929.

*Non-Consolidated Subsidiary Companies:*

The Mountain City Copper Company produced 21,386,339 pounds of recoverable copper from ores and concentrates shipped.

The Walker Mining Company produced 7,248,128 pounds of recoverable copper from concentrates shipped. The decrease in ore reserves, causing an unavoidable decrease in production, resulted in an increase of cost to such an extent above the price fixed by the Office of Price Administration that after full discussion of the situation by the officials of the Walker Mining Company with the Government officials concerned, it was decided by the Walker management to suspend operations.

The National Tunnel & Mines Company produced from company and leasing operations 33,649 pounds of copper, 2,169,751 pounds of lead, 796,495 pounds of zinc, 42,730 ounces of silver, and 546 ounces of gold. The Elton Tunnel, 24,141 feet in length, was completed during the year. The mine is being dewatered below tunnel level, and it is anticipated that the mine will be brought into full production in the near future.

*Silesian-American Corporation:*

Negotiations were conducted with representatives of Swiss banking interests for a loan to pay in full the bonds and the indebtedness of Silesian-American Corporation and for the sale of voting trust certificates of Silesian Holding Company, of which your Company holds 65%. Before these negotiations could be carried out Executive Order No. 8389 of April 10, 1940, as amended on June 14, 1941, freezing the funds of certain foreign countries including Switzerland, made it necessary to secure a license from the Treasury Department to consummate the transaction. The application was denied. Because of the denial of the application and the maturity of the bonds of the company on August 1, 1941, the Silesian-American Corporation filed a petition in the District Court of the United States for the Southern District of New York on July 29, 1941 for reorganization under the provisions of Chapter X of the Bankruptcy Act. On July 30, 1941 the Court approved said petition and appointed Trustees to take possession of the assets and property of the Silesian-American Corporation. A second application, providing for deposit of stock in escrow until additional license might be secured, was likewise denied. A third application, after divorcing the sale of the trust certificates and limited solely to the borrowing of sufficient funds to pay in full principal and interest on the bonds, was denied on January 23, 1942.

As result of these various denials the Trustees of Silesian-American Corporation are proceeding in the reorganization under Chapter X of the Bankruptcy Act, as ordered by the Court on July 30, 1941.

## EMPLOYEES

During the year 1941 the average number of employees of the Company and its Consolidated Subsidiary Companies was 53,442. Of these 37,186 were within the United States compared with 31,273 in 1940.

## GROUP INSURANCE

The Group Insurance in force at the close of the year amounted to $57,976,370 covering 38,147 employees. The amount of insurance paid to beneficiaries during the year was $595,250.

## NUMBER OF SHAREHOLDERS

The number of registered shareholders appearing on the transfer books of the Company at December 31, 1941, was 114,993, compared with 113,964 at the beginning of the year.

## FINANCIAL STATEMENTS

There is attached hereto as a part of this report a Consolidated Balance Sheet showing the financial condition of the Company and consolidated subsidiary companies at the close of business December 31, 1941, together with a Consolidated Income Account and a Consolidated Surplus Account for the year, certified by Messrs. Pogson, Peloubet & Co., Certified Public Accountants.

By Order of the Board of Directors.

CORNELIUS F. KELLEY,
Chairman of the Board.

JAMES R. HOBBINS,
President.

New York, N. Y., April 11, 1942.

## ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

### Consolidated Balance Sheet—December 31, 1941

#### ASSETS

| | | | |
|---|---|---|---|
| **FIXED ASSETS:** | | | |
| Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note G | | $282,351,549.47 | |
| Coal mines, timber lands and phosphate deposits—see note G | $ 9,848,613.76 | | |
| Less reserve for depletion | 2,500,547.72 | 7,348,066.04 | |
| Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks and railroads (including railroad concessions to the extent of $801,215.04)—see note G | $302,910,870.71 | | |
| Less reserve for depreciation | 179,674,906.14 | 123,235,964.57 | |
| Patents | | 1,086.00 | |
| Investments: | | | |
| Securities of subsidiaries not consolidated—see notes C and F | $ 17,098,401.65 | | |
| Other security investments, less reserve—see note F | 14,273,782.58 | | |
| Indebtedness of subsidiaries not consolidated—not current | 1,141,145.38 | 32,513,329.61 | $445,449,995.69 |
| **DEFERRED CHARGES:** | | | |
| Mine development—see note H | | $ 10,145,113.36 | |
| Prepaid expenses | | 380,664.76 | |
| Deferred expenses | | 327,416.03 | |
| Discount and expense on debentures | | 27,194.02 | 10,880,388.17 |
| **CURRENT AND OTHER ASSETS:** | | | |
| Current assets: | | | |
| Supplies on hand—see note E | $ 20,117,009.49 | | |
| Metals and manufactured products: | | | |
| In process—see note D | 7,087,739.36 | | |
| Finished—see note D | 36,114,142.03 | | |
| Accounts and notes receivable—trade, less reserve | 22,959,020.03 | | |
| Indebtedness of subsidiaries not consolidated—current | 813,533.92 | | |
| United States Treasury Notes—tax series B | 14,016,800.00 | | |
| Cash | 64,825,859.47 | $165,934,104.30 | |
| Other assets: | | | |
| Installment house and land sales and other accounts receivable, less reserve | $ 856,412.72 | | |
| Advances to sundry mining companies, including advances on ores, less reserve | 88,882.87 | | |
| Ores produced during development operations being currently treated—see note I | 835,776.27 | | |
| Cupriferous material being currently treated—see note I | 1,878,961.41 | 3,660,033.27 | 169,594,137.57 |
| | | | $625,924,521.43 |

See explanatory notes, pages 13 and 14.

# ANACONDA COPPER MINING COMPANY
## and Subsidiary Companies

## Consolidated Balance Sheet—December 31, 1941

### LIABILITIES

| | | |
|---|---|---|
| **CAPITAL STOCK** of Anaconda Copper Mining Company: | | |
| Authorized—12,000,000 shares of the par value of $50.00 each | | |
| Issued | 8,919,086 shares | $445,954,300.00 |
| Held in treasury or through subsidiaries | 244,748 shares | 12,237,400.00 |
| Outstanding | 8,674,338 shares | $433,716,900.00 |

| | | |
|---|---|---|
| **CAPITAL STOCK AND SURPLUS** of consolidated subsidiaries owned by minority interest | | 4,704,575.00 |
| **DEBENTURES AND NOTES OUTSTANDING:** | | |
| Anaconda Copper Mining Company—4½% Sinking Fund Debentures due 1950—see note K | $ 935,000.00 | |
| Anaconda Copper Mining Company—Serial Notes—payable to banks, $4,000,000 due April 11, 1943 and April 11, 1944, and $8,000,000 due April 11, 1945, interest at 1¾% | 16,000,000.00 | 16,935,000.00 |
| **RESERVES:** | | |
| For workmen's compensation insurance | $ 1,198,142.09 | |
| For contingencies | 5,096,750.00 | 6,294,892.09 |
| **CURRENT LIABILITIES:** | | |
| Anaconda Copper Mining Company—Serial Notes—payable to banks, due April 11, 1942 | $ 4,000,000.00 | |
| Accounts payable—trade | 8,668,150.74 | |
| Wages payable | 2,051,609.10 | |
| Accrued taxes | 32,236,663.86 | |
| Accrued interest | 82,692.20 | |
| Other accrued liabilities | 397,734.43 | |
| Other accounts payable | 245,426.08 | 47,682,276.41 |
| **DEFERRED CREDITS TO INCOME** | | 258,647.57 |
| **SURPLUS** | | 116,330,230.36 |
| | | $625,922,521.43 |

See explanatory notes, pages 13 and 14.

# ANACONDA COPPER MINING COMPANY
## and Subsidiary Companies

### Consolidated Income Account—Year Ended December 31, 1941

| | | |
|---|---|---|
| Gross sales and earnings | | $354,773,916.69 |
| Cost of sales—on last-in, first-out basis—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes, except income and profits taxes | | 262,166,084.38 |
| Income from operations of mining, smelting, refining and manufacturing plants, before deducting depreciation and depletion | | $ 92,607,832.31 |
| Other income—dividends from subsidiaries not consolidated | $ 1,089,538.50 | |
| —other dividends and interest and miscellaneous income | 214,211.54 | 1,303,750.04 |
| | | $ 93,911,582.35 |
| Provision for depreciation and obsolescence | $ 13,207,020.41 | |
| Provision for depletion of coal mines, timber lands and phosphate deposits (not including depletion of metal mines) | 124,985.64 | |
| Interest on debentures and serial notes | 674,897.21 | |
| Discount and expense on debentures, including premium on debentures retired | 134,149.99 | |
| Investments in and advances to certain subsidiary mining companies written off, operations having been discontinued | 1,286,833.99 | |
| | $ 15,427,887.24 | |
| Expenditures of Chile Exploration Company previously charged to income, restored to buildings and machinery in accordance with Chilean tax requirements | 457,781.26 | 14,970,105.98 |
| | | $ 78,941,476.37 |
| United States and foreign income and profits taxes—estimated, including $6,000,000 provision for United States excess profits tax | | 30,163,394.70 |
| | | $ 48,778,081.67 |
| Provision for contingencies | | 5,000,000.00 |
| **Net Income, without deduction for depletion of metal mines** | | $ 43,778,081.67 |
| Minority share of income | | 344,421.89 |
| **Consolidated Net Income, without deduction for depletion of metal mines** | | $ 43,433,659.78 |

### Consolidated Surplus Account—Year Ended December 31, 1941

| | | |
|---|---|---|
| **Surplus at beginning of year** | $ 95,068,315.36 | |
| **Minority interest** | 485,899.78 | $ 94,582,415.58 |
| **Consolidated Net Income, without deduction for depletion of metal mines** | | 43,433,659.78 |
| | | $138,016,075.36 |
| **Dividends Nos. 131, 132, 133 and 134** | | 21,685,845.00 |
| **Surplus at end of year** | $116,870,756.11 | |
| **Minority interest** | 540,525.75 | |
| **Consolidated Surplus at end of year** | | $116,330,230.36 |

**See explanatory notes, page 14.**



PNYC 00010177

# NOTES TO CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1941

## NOTE A—PRINCIPLES APPLYING IN CONSOLIDATION

In order to present the status of the Company's interest in subsidiaries where the interest owned (directly or through other subsidiaries) is 75% or more of the issued stock, the assets and liabilities of said subsidiaries, as they appear upon the books of said subsidiaries, are distributed under appropriate headings on the Consolidated Balance Sheet, together with adjustments to property, plant and equipment as described in Note G, except that four small subsidiaries more than 75% owned, the operations of which are not an integral part of the operations of the consolidated group, are carried as investments in the Consolidated Balance Sheet. The interest of minority stockholders of subsidiaries, the accounts of which are consolidated, is shown on the Consolidated Balance Sheet. Accounts of subsidiaries in which the Company's interest is less than 75% of the issued stock are not consolidated and the shares owned in these subsidiaries are carried as investments in the Consolidated Balance Sheet. The term "subsidiaries" is intended to mean corporations in which a majority of the voting stock is owned directly by the Company or through other corporations in which the stock interest of the Company is more than 95%.

## NOTE B—ASSETS IN FOREIGN COUNTRIES

Assets in foreign countries fall principally into two groups: those of metal producing subsidiaries operating in Mexico and South America, and of a manufacturing subsidiary in Canada.

Of the net fixed assets and investments as shown on the Consolidated Balance Sheet, approximately fifty-seven per cent. are located in Mexico and South America, and less than ½ of one per cent. in Canada. Of the net current assets, consisting of current assets less current liabilities, included in the Consolidated Balance Sheet, approximately two per cent. are located in Mexico and South America and two per cent. are located in Canada. Cash balances in foreign countries amount to $1,316,130.10 and consist principally of working balances held in South America, Mexico and Canada. Of deferred charges and other assets (after deducting reserves and deferred credits to income) approximately seventy-two per cent. apply to operations in Mexico and South America.

Fixed assets in foreign countries are carried in United States dollars on the basis explained in Note G as to property, plant and equipment, and Note F as to investments. Current and miscellaneous assets of metal producing subsidiaries operating in Mexico and South America are carried in the accounts of those subsidiaries in United States dollars. The portion thereof originating in foreign currencies, which is not significant, has been converted into dollars at the rate of exchange prevailing at the date of the transaction. Current assets of the Canadian subsidiary have been converted at the rate of exchange current at December 31, 1941.

## NOTE C—EQUITY OF COMPANY IN UNCONSOLIDATED SUBSIDIARIES

The equity of the Company in the assets of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and National Tunnel & Mines Company) and the four unconsolidated subsidiaries referred to in Note A, as shown by their books, was in excess of the investment of the Company in such subsidiaries at December 31, 1941 in the amount of $3,653,225.17 but the cost of the shares of said subsidiaries shown as investments on the Consolidated Balance Sheet has not been adjusted for such difference. Of this amount $2,070,192.66 represents equity in the undistributed earnings of such subsidiaries since dates of acquisition, the remainder being differences at dates of acquisition. Walker Mining Company, formerly included as a principal unconsolidated subsidiary, discontinued operations October 24, 1941 and the investment therein was written off (see page 8 of report of Chairman of the Board).

## NOTE D—INVENTORIES OF METALS AND MANUFACTURED PRODUCTS

The metallic contents of copper ores, concentrates, and cupriferous materials, and zinc and lead ores and concentrates, while in treatment at reduction plants up to the production of blister copper, electrolytic copper, metallic zinc and lead bullion, are classified as metals in process. Blister and electrolytic copper, metallic zinc, lead bullion, and other products and metals produced in connection therewith or therefrom, including stock in works at fabricating plants, are classified as finished.

Inventory in process is calculated at cost which is below the equivalent of current market for metallic content of such inventories.

Finished metals and manufactured products on hand at December 31, 1941 (except silver, gold and molybdenite, which are carried at market quotations or less), have been computed on the last-in, first-out basis. Inventories on hand at December 31, 1940 are carried at December 31, 1940 inventory valuations and accumulations since that date are valued at current costs. Inventory valuations determined in accordance with the foregoing method were below market prices for the various metals and products at December 31, 1941.

## NOTE E—SUPPLIES ON HAND

Supplies on hand, including replacement parts as well as current supply items, are carried at cost.

## NOTE F—INVESTMENTS—BASIS

Investments in securities of unconsolidated subsidiaries and other security investments are carried at cost or less, such cost being cash cost, or in the case of securities issued in exchange for property transferred by the Company or a consolidated subsidiary, cost of such property to the consolidated group after deducting depreciation to date of transfer, and do not indicate current values. Other securities include 333,000 shares of Inspiration Consolidated Copper Company carried at $10,581,107.51 and $1,665,000.00 principal amount of First Mortgage Bonds of that company carried at par.

## NOTE G—PROPERTY, PLANT AND EQUIPMENT—BASIS OF VALUATION

(a) Property, plant and equipment of the Company are carried at cash cost or in the case of physical properties acquired for stock of the Company at par value of such stock.

(b) Property, plant and equipment of consolidated subsidiaries (except as to mining properties of Andes Copper Mining Company and Santiago Mining Company acquired by said companies respectively for shares of their capital stock, the basis for which is described below) are carried at cost to the subsidiary, plus or minus, as the case may be, the difference, if any, between the investment basis of the proportionate interest owned in the respective subsidiary (as set forth below) and a like proportionate interest of the net assets of such subsidiary as shown by the books of such subsidiary at the time when its accounts were first included in the Consolidated Balance Sheet of the Company and subsidiaries; to such cost is added cost of subsequent acquisitions. Such investment basis is the cash cost to the consolidated group of the stock of the respective subsidiary owned by such group or where such stock was acquired by the consolidated group for stock of the Company, the par value of the stock of the

Company issued therefor. Mining properties of Andes Copper Mining Company and Santiago Mining Company acquired by said companies respectively for shares of their capital stock, are included in the Consolidated Balance Sheet at the original par value of the shares of those companies issued therefor (i.e., $25 per share), instead of the acquisition cost of such shares owned by the consolidated group. The total of the amounts credited to surplus of the Company and to consolidated surplus on account of the difference between the par value of the above-mentioned shares of Andes Copper Mining Company and Santiago Mining Company and cost thereof to the Company and its subsidiaries was $23,429,105.38.

(c) It has been the practice of the Company, consistently applied to its own properties and those of subsidiaries the stocks of which have been acquired and the accounts of which are included in the Consolidated Balance Sheet to carry property, plant and equipment as described above. Pursuant to the requirements of the United States Treasury Department, valuations as of March 1, 1913 of mining properties then owned have been recorded on the books for the purpose of computing the amount allowable as a deduction for depletion in arriving at taxable income under the Federal income tax laws, but these values have not been reflected in the published accounts of the Company.

The Company has consistently followed the practice of not deducting in any of its published accounts, any amount for depletion on account of metals mined, and no such deduction is included in any of the financial statements submitted herewith.

Depletion based on cost has, in the case of timber, coal and phosphate lands, been deducted from income in the financial statements submitted herewith and also from the cost basis shown in the Consolidated Balance Sheet.

(d) The values of property, plant and equipment are shown on the bases above set forth and do not indicate current values which could be established only by current appraisals.

NOTE H—MINE DEVELOPMENT

These expenditures cover development in connection with property of the company or subsidiaries and on leased properties. They include $7,234,483.02, formerly classified as mines and mining claims, which amount consists of main adit, haulage levels and other development expenditures of Andes Copper Mining Company.

NOTE I—ORES AND CUPRIFEROUS MATERIAL

Ores produced during development operations, now being currently treated, are carried at cost of extraction which is less than a conservatively estimated realizable value.

Cupriferous material, now being currently treated, is carried at a valuation which was assigned to a part thereof by United States Treasury Department for income tax purposes, reduced in previous years at not less than the unit rate fixed by the Treasury Department and in the current year by the entire net proceeds of metals recovered, which were in excess of the charge based on the rate fixed by the Treasury Department. The resulting valuation is less than the value of the recoverable metals contained therein at current metal prices after deducting treatment costs, both as estimated by metallurgists of the Company.

NOTE J—SURPLUS

Included in Consolidated Surplus are: (a) a credit of $23,429,105.38 referred to in Note G above, (b) a credit of $20,816,158.49, being the excess of the proceeds of the issue of 3,109,598.54 shares of stock of Company over the par value thereof and (c) a charge of $11,907,498.50, being discount and expense on issuance, and premium on redemption of bonds, redeemed through funds obtained by issuance of stock above referred to. See paragraph (c) of Note G as to practice regarding depletion.

NOTE K—SINKING FUND REQUIREMENTS

Under the sinking fund provisions of the indenture providing for the issue of the 4½% Sinking Fund Debentures of Anaconda Copper Mining Company, due 1950, the Company will be obligated on August 15, 1942 to pay to the trustee under the indenture an amount sufficient to retire the debentures then outstanding at 101. The Company has made all payments required under the indenture and has satisfied all other requirements from the date of issue to December 31, 1941.

NOTE L—CONTINGENCIES

A reserve for contingencies of $5,096,750 has been provided. So far as is known this is ample to provide for any contingent losses or liabilities now indicated. $1,503,250 formerly included in this reserve has been applied against the amount at which investments in Europe were formerly carried.

## NOTES TO CONSOLIDATED INCOME ACCOUNT—YEAR ENDED DECEMBER 31, 1941

Sales of metals and manufactured products are included in income as billed and delivered to customers. Undelivered sales contracts and purchase commitments are not given effect to in the Consolidated Income Account.

Intercompany sales and intercompany profits where these latter are material have been eliminated in the Consolidated Income Account.

Depreciation has been calculated on the same basis as in previous years except that in the case of The American Brass Company additional depreciation based on the increased volume of operations has been provided. Facilities provided at the request of the United States or Canadian Governments are being amortized at rates authorized by law.

In the year 1941 the share of the Company in the combined net income (without, in the case of mining companies, making any provision for depletion of metal mines) of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and National Tunnel & Mines Company) and the four small unconsolidated subsidiaries referred to in Note A, amounted to $2,068,651.04, from two of which $1,089,558.50 was received in dividends and is included in the Consolidated Income Account.

There is included in consolidated income $22,655,888.25 as Anaconda Copper Mining Company's proportion of the income of its domestic and foreign consolidated subsidiaries operating in Mexico and South America and $316,216.05 of the earnings of those companies has been apportioned to minority stockholders, all of which income has been received in United States funds.

There is included in consolidated income $970,515.67 which is the equivalent (based on the average monthly exchange rate for the year) in United States currency of the net income for the year 1941 of Anaconda American Brass Limited, a wholly owned Canadian subsidiary, after adjustment resulting from the conversion of net current assets at rates in effect at December 31, 1941. No dividends were received from said subsidiary during the year.

POGSON, PELOUBET & CO.
CERTIFIED PUBLIC ACCOUNTANTS

PERCY W. POGSON
MAURICE E. PELOUBET
LEWIS M. NORTON
SIDNEY W. PELOUBET
HOWARD L. GUYETT
CRAWFORD C. HALSEY

NEW YORK - 25 BROADWAY
EL PASO, TEXAS - MILLS BLDG.

CABLE ADDRESS "CERTIFIED" NEW YORK

AGENTS
EUROPE - KEMP, CHATTERIS, NICHOLS, SENDELL & CO.
LONDON AND PARIS
EGYPT - HEWAT, BRIDSON & NEWBY
ALEXANDRIA AND CAIRO

*To the Board of Directors,*

Anaconda Copper Mining Company,
25 Broadway, New York, N. Y.

We have examined the Consolidated Balance Sheet as of December 31, 1941 of Anaconda Copper Mining Company and the other corporations whose accounts are consolidated with its accounts as stated in Note A to the Consolidated Balance Sheet (which other corporations are hereinafter referred to as consolidated subsidiaries) and their Consolidated Income and Surplus Accounts for the calendar year 1941, have reviewed the system of internal control and the accounting procedures of the Company and its subsidiaries and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and its subsidiaries and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The practice of the Company and its subsidiaries in computing their net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and its subsidiaries and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, the accompanying Balance Sheet and related Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, present fairly the consolidated position of the Company and its consolidated subsidiaries at December 31, 1941 and the combined results of their operations for the calendar year 1941 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**POGSON, PELOUBET & CO.,**
*Certified Public Accountants.*

**New York, March 24, 1942.**

# ANACONDA COPPER MINING COMPANY

ANACONDA

## ANACONDA WIRE AND CABLE COMPANY

### LOCATION OF MANUFACTURING PLANTS

| | | |
|---|---|---|
| ANDERSON, IND. | MARION, IND. | ORANGE, CALIF. |
| GREAT FALLS, MONT. | MUSKEGON, MICH. | PAWTUCKET, R. I. |
| HASTINGS-ON-HUDSON, N. Y. | | SYCAMORE, ILL. |

### SOME OF THE INDUSTRIES SERVED

| | | | |
|---|---|---|---|
| Automotive | Electrical Equipment | Radio | Textile |
| Aviation | Industrial Power Plants | Railroad | Telephone and Telegraph |
| Building | Metal Fabricating | Steam | Transmission Equipment |
| Electrical Apparatus | Marine | Electric | Utilities |
| Electrical Appliance | Mining | Refrigeration | Power Companies |
| Electrical Contracting | Petroleum | Shipbuilding | Municipal Plants |
| | | | Rural Electrification |

### PRODUCTS

ELECTRICAL WIRES AND CABLES OF EVERY DESCRIPTION

| | | |
|---|---|---|
| Bare Wire and Cable | Hollow Conductor Cable | Parkway Cable |
| Cable Accessories | Ignition Cables | Rubber Covered Building Wires |
| Conduit | Magnet Wire and Coils | Slow Burning Wires and Cables |
| Copper Rods | Power Cable: | Varnished Cambric Wires and Cables |
| Cords | Lead, Rubber, Paper, V.C. | Weatherproof Wires and Cables |

This Company is now engaged 100% on the War Program. Special types of electrical wires and cables are being made in large quantities for aircraft, ships and motorized equipment. Wires and cables are likewise produced in large volume for signal and communication systems, and for the electrification of the country's rapidly expanding war industries.

For years, the research program of the company has been concerned with increasing the durability, carrying capacity and dependability of electrical wires and cables. Today the benefits of this program are going into military production. When the war is over, the company will have a valuable backlog of product development and research to place at the disposal of its customers who are likewise now principally engaged on the War Program.

SALES OFFICES ARE LOCATED IN THE FOLLOWING CITIES:

| | | | |
|---|---|---|---|
| Atlanta, Ga. | Denver, Colo. | Milwaukee, Wis. | Rochester, N. Y. |
| Boston, Mass. | Des Moines, Iowa | Minneapolis, Minn. | St. Louis, Mo. |
| Cincinnati, Ohio | Detroit, Mich. | New Orleans, La. | San Francisco, Calif. |
| Cleveland, Ohio | Kansas City, Mo. | Philadelphia, Pa. | Seattle, Wash. |
| Dallas, Texas | Los Angeles, Calif. | Pittsburgh, Pa. | Washington, D. C. |

General Offices: 25 Broadway, New York
Chicago Sales Offices: 20 North Wacker Drive