ANNUAL REPORT

ANACONDA COPPER MINING COMPANY

[illegible]

N11774

THE AMERICAN BRASS COMPANY

(a wholly owned subsidiary)

ANACONDA

Anaconda Metal Products include copper and copper alloyed with zinc, tin, nickel, aluminum, lead, silicon, manganese, chromium and other elements in all combinations that can be manufactured commercially into sheets, plates, strips, wire, rods, bars, seamless tubes, extruded, rolled and drawn shapes and hot pressed parts.

Added to the favorable fabricating characteristics of these metals are important properties, such as immunity to rust, high resistance to other forms of corrosion, high electrical and thermal conductivity, high tensile and endurance strength, toughness, good bearing qualities and other properties which make them indispensable in every field of manufacture and engineering.

The American Brass Company's commercial products, the properties of which have been confirmed by performance records, comprise the greater part of its production in serving the general trade and meeting the requirements of formal specifications. Special alloys designed to meet unusual conditions have been developed by the Company's technical experts and further research of this character continues.

SOME OF THE INDUSTRIES SERVED

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

PRINCIPAL PRODUCTS

COPPER, BRASS, BRONZE AND COPPER-NICKEL ALLOYS—SHEETS, WIRE, RODS, TUBES

Airplane and Automotive Fuel and Pressure Lines
Ammunition Metal
Artillery Shell Rotating Bands
Brass and Copper Pipe
Brazing Metal
Bronze Screen Wire
Bus Bars and Shapes
Cartridge Discs and Cups
Condenser Tube Sheets
Condenser and Heat Exchanger Tubes
Copper Water Tubes and Fittings
Rolled and Drawn Sections
Everdur* and Super-Nickel Tank Plates
Extruded Shapes
Eyelets, Grommets and Stampings
Flexible Metal Hose and Tubing
Phosphor Bronze
Die Pressed Forgings
Tobin* Bronze Shafting
Turbine Blading
Welding Rods

*Reg. U. S. Pat. Off.

LOCATION OF MANUFACTURING PLANTS

Ansonia, Conn.	Detroit, Mich.	Torrington, Conn.
Buffalo, N. Y.	Kenosha, Wis.	Waterbury, Conn.

Anaconda American Brass Limited, New Toronto, Ontario, Canada

OFFICES ARE LOCATED IN THE FOLLOWING CITIES:

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

General Offices: Waterbury 88, Connecticut

ANACONDA COPPER MINING COMPANY

CAPITAL STOCK

December 31, 1946

Authorized, 12,000,000 shares $50 each	$600,000,000
Outstanding, 8,674,332 shares $50 each	433,716,600

OFFICERS

Chairman of the Board	CORNELIUS F. KELLEY
President	JAMES R. HOBBINS
Executive Vice-President	ROBERT E. DWYER
Vice-President in Charge of Mining Operations	CLYDE E. WEED
Vice-President in Charge of Metallurgical Operations	FREDERICK LAIST
Vice-President and General Counsel	W. H. HOOVER
Vice-President	ELBERT O. SOWERWINE
Vice-President	EDWARD S. MCGLONE
Assistant to the President	FRANCIS O. CASE
Assistant Vice-President	RICHARD S. NEWLIN
Comptroller	W. KENNETH DALY
Treasurer	JAMES E. WOODARD
Secretary and Assistant Treasurer	C. EARLE MORAN
Assistant Secretary and Assistant Treasurer	KENNETH B. FRAZER
Assistant Secretary and Assistant Treasurer	THOMAS E. CONRAD
Assistant Secretary	JEREMIAH D. MURPHY
Assistant Secretary	THOMAS E. TATEM

DIRECTORS

ROBERT E. DWYER
E. ROLAND HARRIMAN
JAMES R. HOBBINS
CLARK S. JUDD
CORNELIUS F. KELLEY
MAURICE NEWTON
WILLIAM C. POTTER
GORDON S. RENTSCHLER
WILLIAM D. THORNTON

OFFICES

ANACONDA, MONTANA
BUTTE, MONTANA
25 BROADWAY, NEW YORK 4, N. Y.

[redacted]

ANNUAL REPORT

OF

ANACONDA COPPER MINING COMPANY

For the Year Ended December 31, 1946

To the Shareholders of

Anaconda Copper Mining Company:

The gross sales and earnings of the Company upon a consolidated basis (after elimination of inter-company items) totalled...........		$293,737,817.59
Other income, including dividends from non-consolidated subsidiary, was....................................		2,907,664.21
making total gross income............................		$296,645,481.80
The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses and all taxes except taxes on income, amounted to................	$242,373,098.85	
Provision for depreciation and obsolescence and for depletion of timber lands and phosphate deposits amounted to....................................	11,072,145.61	
making total deductions from gross income.............		253,445,244.46
		$ 43,200,237.34
United States and foreign taxes on income amounted to....		17,883,290.30
		$ 25,316,947.04
Renegotiation payments applicable to prior years were....		1,324,724.99
Net income, without deduction for depletion of metal mines, was..		$ 23,992,222.05
Of which minority share amounted to....................		153,609.87
Leaving consolidated net income of......................		$ 23,838,612.18

Gross income decreased $33,036,901.54 or 10.02% from 1945. Consolidated net income increased $3,435,835.91 or 16.84%. Profit per share without deduction for Capital Depletion of Metal Mines was $2.75, compared with $2.35 in 1945. Net income as heretofore is based upon invoices to customers. Inventories are based on "last-in, first-out" method at the cost of various metals on hand and in process, such value being below market prices for the various metals and products at December 31, 1946.

Payments were made during the year amounting to $1,324,724.99 covering renegotiation of prior years war contracts, principally to the Canadian Government by a subsidiary of the Company. These payments were charged against current income. All renegotiable contracts have been examined and are closed. There is no further liability on the part of the Company or any of its subsidiaries with respect to the renegotiation of war contracts.

Current assets as of December 31, 1946, amounted to $224,009,906.64 of which $130,982,722.01 was in cash and Government securities. There was no indebtedness except for current accounts and wages $15,446,212.65 and accrued taxes $28,038,427.14, a total of $43,484,639.79, leaving net current assets of $180,525,266.85 equivalent to $20.81 per share, an increase of $9,675,110.02 or $1.11 per share for the year.

The Company and its subsidiaries had on hand at the end of the year United States and Canadian Government Securities of a par value of $78,576,000. During the year purchases amounted to $16,000,000 par value. $15,300,000 par value matured or were applied to the payment of Federal income taxes.

CAPITAL EXPENDITURES less sales of capital assets in 1946 amounted to.. as follows:	$2,655,788.42
Mines, Mining Claims and Lands........................	164,793.10
Buildings, Machinery and Equipment at the Mines, Smelting, Refining and Manufacturing Plants of the Company and its subsidiaries..	5,284,812.78
	$5,449,605.88
Less Sales (Book Value)................................	3,064,323.42
A net increase of......................................	$2,385,282.46
Miscellaneous—Including acquisition of shares of stock of subsidiary companies.................................	270,505.96

Corporate Transactions

During the year the Company increased its holdings in shares of subsidiary companies by purchase of 3,310 shares of Anaconda Wire and Cable Company, 5,600 shares of Andes Copper Mining Company, 770 shares of Chile Copper Company, 371 shares of Greene Cananea Copper Company and four shares of Butte Water Company. These transactions increased Company holdings to 293,032 shares (69.44%), 3,508,125 shares (97.93%), 4,378,936 shares (99.17%), 492,193 shares (98.44%) and 119,660 shares (99.88%), respectively, of the issued capital stock of those companies.

During the year operations and exploratory work were continued at the lead-silver Darwin Mine with satisfactory results. Exploratory work was continued at the Victoria Mine located in Elko County, Nevada. The Company commenced exploration work by drilling upon mining claims in the Old Hat Mining District, Pinal County, Arizona, generally referred to as the Houghton Group, under option contracts with Apex Lead Vanadium Mining Company and others, and acquired exploratory rights on adjoining properties. The Company acquired option contracts from Van Dyke Copper Company and Sho Me Copper Company upon an extensive acreage of mining claims in the Globe Mining District, Gila County, Arizona, with a view to undertaking an exploratory program thereon in the near future.

The Company, through subsidiaries, has acquired contracts for exploration on and options to purchase properties in Colombia and British Guiana, and anticipates conducting a rather extensive program to explore these properties for gold and other minerals.

One of the major capital items sold during the year was the lead refinery, white lead and zinc oxide plants of International Smelting and Refining Company at East Chicago, Indiana. Prior to the sale of this property, a long term contract was concluded for the refining of lead produced from the Company's operations in Montana and the output of lead bullion from the Utah operations of International Smelting and Refining Company. As a result of these transactions the Company is no longer a producer of white lead and zinc oxide, but continues its production and sale of common desilverized lead and of bismuth previously produced at East Chicago.

Operations

Strikes of employees in many of the Company's plants adversely affected production and income. The Waterbury, Ansonia, Torrington and Buffalo plants of The American Brass Company were closed from February 4th to May 19th, the Detroit plant from March 11th to May 23rd and the Toronto plant of its subsidiary, Anaconda-American Brass Company, Ltd. from May 17th to October 17th, 1946, thus materially reducing deliveries of its manufactured products. Production of primary copper was curtailed by strikes at the Butte mines for a short period in April and at the properties of Chile Exploration Company from May 26th to June 30th. A strike of employees of the copper refinery of International Smelting and Refining Company at Perth Amboy, N. J., from March 4th to May 27th stopped the production and delivery of refined copper both from Company mines and from those companies whose copper is refined under toll contracts.

Except for such strike interference the producing units of the Company operated at maximum capacity to the extent of manpower available. The shortage of manpower in the non-ferrous metal mining industries continued but showed some improvement in the latter part of the year.

With the elimination of OPA price control on November 12th, prices advanced to 17.5¢ for copper, 10.5¢ for lead and zinc. Copper continued its advance to 19.5¢ on November 23rd and lead to 12.55¢ per pound on December 16th, which prices were in effect at the end of the year.

Notwithstanding the effect of strikes, deliveries by domestic fabricators during the year contained 1,233,295 tons of copper, of which 662,079 tons or 53.7% were of foreign origin. Production of primary copper in the United States, as reported by Copper Institute, was only 618,757 tons. There was no strike interference during the last three months of the year. During this period primary production was at the annual rate of 858,452 tons and deliveries by fabricators were at the annual rate of 1,541,476 tons.

There is no yardstick for measuring demand for copper in the United States since the termination of hostilities. All available copper has been utilized as rapidly as allocated, but in no single month have fabricating plants had sufficient tonnage to operate at capacity. Since the domestic production is so far short of the requirements of domestic consumption, there will be a very serious interruption of fabrication for domestic use unless foreign copper is made available immediately. The suspension of the four cent per pound excise tax on copper is a necessary and practical approach to the solution of this emergency problem. It is noted with satisfaction that legislation for that purpose is receiving current consideration in Congress.

The temporary legislation providing for stockpiling of critical and strategic metals for national defense was replaced in 1946 by permanent legislation for the protection of the United States in any emergency that may arise. However, so far as copper is concerned, this legislation has been inoperative. Not only has there been no stockpiling, but reserves which had been accumulated by Government agencies have been practically exhausted due to the huge and unsatisfied demand for current domestic use. Metals Reserve Company stocks of refined copper in the United States declined from 472,171 tons on January 1st to 95,388 tons on December 31, 1946. No purchase contracts for foreign copper were made by the Government agencies after November 1946, and all such purchases plus quantities on hand will have been disposed of early in 1947.

Post-war reconstruction, especially in the European countries, requires extraordinary quantities of copper. Thus the demand for copper is not limited to the United States alone, but worldwide demand exceeds the world supply. This reconstruction is proceeding slowly due to shortage of fuel and necessity for the restoration of transportation facilities. However, such reconstruction as has taken place and is now continuing absorbs all copper available. To this requirement for reconstruction must be added the cumulative need throughout the world for copper in the many current uses for which it is so essential.

Consumption of silver for industrial uses in the United States declined in 1946 from the unprecedented demand in 1945 but continued at a rate greatly in excess of any pre-war year. Congress decreased to 30% the seigniorage on domestically mined silver, resulting in a price of 90.5c per ounce for all silver produced from ore mined in the United States after July 1, 1946. At the same time it provided for sale of free silver from Government stocks at 91c per ounce. As a result price of foreign silver advanced to 90¼c on July 11th and with the exception of a slight break in the price for one day continued unchanged to December 5th. Thereafter the price for foreign silver declined to 83¾¢ per ounce at close of the year.

The following is a summary of the output of principal products of the Company in 1946 compared with 1945:

		1946	1945
Copper			
	Total Output—Pounds	984,077,005	1,098,626,338
	By-product materials sold to others:		
	From Company Mines	262,382	95,501
	From Other Sources	110,524	1,333,020
	Finished Copper	983,704,099	1,097,197,817
	From Toll	232,524,579	221,149,429
	From Purchased ores, concentrates and secondary metals	9,181,434	14,441,212
	From Company Mines	741,998,086	861,607,176
Zinc			
	Total Production—Pounds	393,657,541	380,489,939
	From Toll	255,330,267	240,193,024
	From Purchased materials	136,799,706	138,664,165
	From Company Mines	1,527,568	1,632,750
	Contained in by-products sold to other companies	19,344,142	17,544,457
	Zinc Dross	—	583,236
	Secondary Metal	989,788	3,859,940
	Electrolytic Zinc at Company Plants	373,323,611	358,502,306

		1946	1945
Lead			
	Total Production—Pounds	79,905,609	71,237,709
	From Purchased ores, concentrates and other materials	64,289,900	65,745,616
	From Company Mines	15,615,709	5,492,093
	Contained in by-products sold to other companies	5,554,841	18,605,648
	Produced in metallic form	74,350,768	52,632,061
Silver			
	Total Production—Ounces	8,171,695	9,620,647
	From Purchased Materials	4,484,100	4,317,388
	From Company Mines	3,687,595	5,303,259
	Contained in by-products sold to other companies	1,565,062	1,859,930
	Produced in metallic form	6,606,633	7,760,717
Gold			
	Total Production—Ounces	73,509	77,995
	From Purchased Materials	43,455	41,488
	From Company Mines	30,054	36,507
	Contained in by-products sold to other companies	7,627	11,048
	Produced in metallic form	65,882	66,947
Manganese			
	Nodule Production—Long Tons	111,397	120,477
	Assay—Mn	60.39%	60.24%
Arsenic—Short Tons		4,883	6,271
Cadmium—Total Production—Pounds		1,546,937	1,508,944
Molybdenite—Pounds		1,474,252	2,856,670
Treble-superphosphate and phosphoric acid—Tons		65,822	55,785
Lumber—Feet		67,271,293	65,354,524

Other miscellaneous products were bismuth, palladium, platinum, selenium, vanadium red cake precipitates, white lead and zinc oxide.

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 820,847,637 pounds, a decrease of 24.53% from the year 1945.

Employees

During the year 1946 the average number of employees of the Company and its consolidated subsidiary companies was 45,079. Of these 28,620 were within the United States, compared with 29,183 in 1945.

As of December 31, 1946, total employees of the Company including its nonconsolidated subsidiary companies numbered 51,184.

Group Insurance

The Group Insurance in force at the close of the year amounted to $88,838,573 covering 33,590 employees. The amount of insurance paid to beneficiaries during the year was $1,089,617.

Number of Shareholders

The number of registered shareholders appearing on the transfer books of the Company at December 31, 1946 was 122,649 compared with 120,545 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, 1946, 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 19, 1947.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—December 31, 1946

ASSETS

CURRENT ASSETS:			
Cash		$ 52,353,672.65	
United States and Canadian Government securities		78,629,049.36	
Accounts receivable—trade, less reserve		27,690,613.71	
Receivable from subsidiaries not consolidated—current		1,602,646.52	
Metals and manufactured products, finished and in process—see note D		40,125,094.10	
Supplies, including operating and replacement parts—at cost		23,608,830.30	$224,009,906.64
DEFERRED CHARGES AND OTHER ASSETS:			
Mine development, including expenditures on properties leased or held under option		6,196,466.47	
Prepaid expenses		615,950.19	
Deferred expenses		322,418.69	
Installment land sales, advances to sundry mining companies and other accounts receivable, less reserve		1,528,949.99	
Postwar refund—Canadian excess profits taxes—estimated		1,224,351.31	9,588,136.65
FIXED ASSETS:			
Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note E		260,802,508.29	
Timber lands and phosphate deposits—see note E	$ 6,279,225.87		
Less reserve for depletion	2,920,807.11	3,358,418.76	
Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks, railroads and railroad concessions—see note E	316,934,182.46		
Less reserve for depreciation	227,612,961.22	89,321,221.24	
Patents		2.00	
Investments:			
Investment in subsidiaries not consolidated—see notes C and E	15,329,783.56		
Other investments—see note E	15,523,176.08	30,852,959.64	384,335,109.93
FUNDS PROVIDED BY GOVERNMENT AGENCIES:			
For extension and operation of metal producing facilities—per contra			3,803,353.29
The assets shown in this Balance Sheet do not include funds in the amount of $18,199,694.85 provided by government agency for the construction and development of metal producing facilities—see note F.			
			$621,334,506.51

See explanatory notes, pages 13 and 14.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—December 31, 1946

LIABILITIES

CURRENT LIABILITIES:			
Accounts and wages payable		$ 15,446,212.65	
Accrued taxes—see note H		28,038,427.14	$ 43,484,639.79
DEFERRED CREDITS TO INCOME			[illegible]30,797.71
RESERVES:			
For workmen's compensation insurance		1,407,679.38	
For contingencies		5,250,000.00	6,657,679.38
CAPITAL STOCK AND SURPLUS of consolidated subsidiaries owned by minority interest			3,644,778.06
CAPITAL STOCK of Anaconda Copper Mining Company:			
Authorized—12,000,000 shares of the par value of $50 each			
Issued	8,919,086 shares	445,954,300.00	
Held in treasury	244,754 shares	12,237,700.00	
Outstanding	8,674,332 shares		433,716,600.00
SURPLUS—see note G			130,136,659.74
ADVANCES BY GOVERNMENT AGENCIES for extension and operation of metal producing facilities, less repayments—per contra			9,609,353.29
			$821,334,508.51

See explanatory notes, pages 13 and 14.

Anaconda Copper Mining Company
and Subsidiary Companies

Consolidated Income Account—Year Ended December 31, 1946

Gross sales and earnings—see notes F and L		$293,737,817.59
Other income:		
Dividends from subsidiary not consolidated	$ 877,541.00	
Other dividends, interest and miscellaneous income	1,306,857.76	
Canadian exchange adjustment	723,265.45	2,907,664.21
		296,645,481.80
Cost of sales—principally on last-in, first-out basis—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes, except taxes on income	242,373,098.85	
Provision for depreciation and obsolescence	10,951,450.10	
Provision for depletion of timber lands and phosphate deposits (not including depletion of metal mines)	120,695.51	253,445,244.46
		43,200,237.34
United States and foreign taxes on income—estimated		17,883,290.30
		25,316,947.04
Renegotiation payments for prior years, less tax credits thereon (principally to the Canadian Government)		1,324,724.99
Net Income, without deduction for depletion of metal mines		23,992,222.05
Minority share of income		153,609.87
Consolidated Net Income of the year, without deduction for depletion of metal mines		$ 23,838,612.18

Consolidated Surplus Account—Year Ended December 31, 1946

Surplus at beginning of year	$128,352,007.71	
Minority interest	368,130.11	
Consolidated Surplus at beginning of year		$127,983,877.60
Consolidated Net Income, without deduction for depletion of metal mines		23,838,612.18
		151,822,489.78
Dividends Nos. 151, 152, 153 and 154		21,685,830.00
Surplus at end of year	130,509,226.59	
Minority interest	372,566.81	
Consolidated Surplus at end of year		$130,136,659.78

See explanatory notes, pages 13 and 14.

NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1946

NOTE A—BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all significant subsidiaries in which the stock interest of the company is 75% or more.

NOTE B—ASSETS AND INCOME IN FOREIGN COUNTRIES

Assets in foreign countries, principally those of subsidiaries operating in South America, Mexico and Canada, are approximately fifty-six per cent. of the net amount of fixed assets, investments and deferred charges, less reserves, and approximately eight per cent. of amount of net current assets (including cash balances in such countries of $1,718,464.64) shown on the Consolidated Balance Sheet.

The greater part of the assets in South America and Mexico were acquired for United States dollars (see note E as to basis for fixed assets), those acquired for foreign currency, not significant in amount, being converted at rates of exchange current at the dates of acquisition. Assets in Canada are carried at par.

Consolidated net income includes $17,518,752.12 as Anaconda Copper Mining Company's proportion of the income of subsidiaries operating in South America and Mexico, substantially all of which has been received in United States funds, and $243,354.34, the net income, before deducting renegotiation payments applicable to prior years, of the Canadian subsidiary, which paid no dividends during the year.

NOTE C—EQUITY IN ASSETS AND INCOME OF UNCONSOLIDATED SUBSIDIARIES

The investment of the parent company in its principal unconsolidated subsidiaries (Anaconda Wire and Cable Company and Mountain City Copper Company) is included in the Consolidated Balance Sheet at $5,730,723.08 less than the company's equity in the net assets of these subsidiaries as shown by their books.

The company's proportion of the net earnings of such subsidiaries (without making any provision for depletion of metal mines) exceeded dividends received in the year by $1,270,356.42. Such dividends received, amounting to $877,341.00, are included in the Consolidated Income Account.

NOTE D—METALS AND MANUFACTURED PRODUCTS—FINISHED AND IN PROCESS

Finished metals held for sale or in process of fabrication are carried at cost, principally on the last-in, first-out basis, except silver, gold and molybdenite which are carried at market or less. All other inventories in process or finished are carried at cost. The above costs are not in excess of current market values.

NOTE E—FIXED ASSETS—BASIS OF VALUATION

(a) Property, plant and equipment is included in the Consolidated Balance Sheet on the basis of cost to the consolidated group either in cash or in stock of the parent company at par value.

Investments in securities of subsidiaries not consolidated and other investments are included in the Consolidated Balance Sheet at cost or less. Other investments include 333,000 shares of Inspiration Consolidated Copper Company, carried at $8,916,107.51.

(b) As required by 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. These values have not been reflected in the published accounts of the company.

The company has consistently followed the practice of publishing its accounts without deduction for depletion of metal mines, and no such deduction is included in these financial statements.

Depletion based on cost of timber and phosphate lands has been deducted from income on the Consolidated Income Account and also from the cost basis shown in the Consolidated Balance Sheet.

(c) Fixed assets carried on the above bases do not indicate current values which could be determined only by current appraisals.

NOTE F—FUNDS PROVIDED BY GOVERNMENT AGENCIES

Under the contract pursuant to which the amount of $18,199,694.85, not included in assets shown in the Consolidated Balance Sheet, was expended, certain options were granted to the subsidiary with which the contract was entered into with respect to discharge of obligations in connection therewith. There is no basis at the present time for determining whether any of these options will be exercised. Under the construction contract the subsidiary is obligated to operate the property at cost until the end of the war emergency, one of the principal considerations for the expenditures and advances above referred to. If none of the options are exercised, the facilities are to be disposed of and contractual accounting made. In the year 1946, 47,350,736 pounds of copper were produced and delivered under this contract, at cost, to the Government agency, but neither the cost nor funds received in repayment have been included in the Consolidated Income Account.

NOTE G—SURPLUS

Consolidated Surplus includes (a) a credit of $20,816,158.49, the excess of the proceeds over the par value of an issue of 3,109,598.54 shares of stock of the company and (b) a charge of $11,907,498.50 in connection with bonds redeemed by proceeds of stock mentioned under (a), being discount and expense on issuance and premium on redemption of bonds.

See paragraph (b) of note E as to practice regarding depletion.

NOTE H—FEDERAL INCOME AND EXCESS PROFITS TAXES

Audits of income tax returns for the taxable years up to and including December 31, 1940 have been made by the United States Treasury Department and additional assessments have been paid. Audits of excess profits tax returns for years 1940 to 1945 and of income tax returns for years subsequent to 1940 have not been completed.

NOTE I—GROSS SALES AND EARNINGS

Sales of metals and of 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. Sales include amounts received under the "Premium Price Plan for Copper, Lead and Zinc."

NOTE J—"PORTAL-TO-PORTAL" WAGE SUITS

So-called "portal-to-portal" suits have been filed against the company and certain of its subsidiaries for alleged back wages for overtime. These actions are being contested and, in view of the uncertainty as to the liability, if any, no reserve has been provided therefor in the accompanying financial statements.

POGSON, PELOUBET & CO.
CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK
MAURICE E. PELOUBET
LEWIS M. NORTON
SIDNEY W. PELOUBET
HOWARD L. GUYETT
CRAWFORD C. HALSEY
FRANK E. SMALL

EL PASO
PERCY W. POGSON
PERCY W. POGSON, JR.

CABLE ADDRESS "CERTIFIED" NEW YORK
AGENT
EUROPE—KEMP CHATTERIS & CO.
LONDON

25 BROADWAY, NEW YORK 4, N. Y.

To the Board of Directors,

Anaconda Copper Mining Company,
25 Broadway, New York 4, N. Y.

We have examined the Consolidated Balance Sheet as of December 31, 1946 of Anaconda Copper Mining Company and the other corporations whose accounts are consolidated with its accounts as stated in note A to the financial statements, and their Consolidated Income and Surplus Accounts for the calendar year 1946; 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, 1946 and the combined results of their operations for the calendar year 1946, in conformity with generally accepted accounting principles which have been applied on a basis consistent in all material respects with that of the preceding year.

POGSON, PELOUBET & CO.
Certified Public Accountants

New York, March 27, 1947.

ANACONDA WIRE AND CABLE COMPANY

(A Subsidiary Company)

ANACONDA

Electrical wires and cables are indispensable to all American industries and find their application wherever electricity is utilized.

During the past year, the manufacturers of electrical wires and cables have not been able to meet the backlog of demand for peacetime requirements. Production was handicapped by a lack of raw materials, not only copper, but also many of the other materials without which the various types of insulations and other components could not be manufactured.

It is interesting to note that notwithstanding such shortages, the engineering and research staffs were able to continue to improve the quality of the Company's products. An outstanding result of research was the development of a radically new and better type of lead alloy sheath for high voltage power cable. This patented alloy is known as F-3 Lead Alloy Sheath.

SOME OF THE INDUSTRIES SERVED

Automotive
Aviation
Building
Chemical
Communication
Construction (Heavy)
Electric Utilities
Electrical Manufacturing
Food
Marine
Metal Fabrication
Mining
Petroleum
Radio
Railroad
Rural Electrification
Shipbuilding
Textile
Telephone and Telegraph

PRODUCTS

ELECTRICAL WIRE AND CABLES OF EVERY DESCRIPTION

Bare Wire and Cable
Cable Accessories
Communication Cable
Copper Rods
Cords
Hollow Conductor Cable
Magnet Wire and Coils
Non-Metallic Conduit
Power Cable:
  Rubber, Paper, Varnished Cambric
Parkway Cable
Radio and Television Cable
Rubber Covered Building Wires
Shipboard Cables
Synthetic Insulated Wire and Cable
Weatherproof Wire and Cable

LOCATION OF MANUFACTURING PLANTS

Anderson, Ind.
Great Falls, Mont.
Hastings-on-Hudson, N. Y.
Marion, Ind.
Muskegon, Mich.
Orange, Calif.
Sycamore, Ill.

OFFICES ARE LOCATED IN THE FOLLOWING CITIES:

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

General Offices: 25 Broadway, New York 4, N. Y.

Chicago Sales Offices: 20 North Wacker Drive