ANNUAL REPORT

ANACONDA COPPER MINING COMPANY

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 WIRE 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.

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.
Charlotte, N. C.	Detroit, Mich.	New Orleans, La.	San Francisco, Calif.
Cincinnati, Ohio	Kansas City, Mo.	Philadelphia, Pa.	Seattle, Wash.
Cleveland, Ohio	Los Angeles, Calif.	Pittsburgh, Pa.	Washington, D. C.
Dallas, Texas			

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

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
ANACONDA AMERICAN BRASS LIMITED NEW TORONTO ONTARIO CANADA

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 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
Brass and Copper Pipe	Copper Tubes and Fittings	Pressure Die Castings
Brazing Solder	Drawn Sections	Hot Pressed Parts
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

As anticipated a year ago, our country's war needs for copper and copper alloys during 1942 developed into a major challenge to the industry. Long before Pearl Harbor, however, The American Brass Company made extensive installations of equipment for the casting, rolling, blanking and drawing of its products. By means of its increased facilities, complemented by long previous experience in manufacturing materials used in ammunition, the Company was enabled to meet the challenge and produce its full share of these metals.

All plants of The American Brass Company achieved production records during the year. Their entire output was confined to direct or indirect wartime requirements of our country and its allies. By far, the largest requirement was brass strip, discs and cups for cartridge cases for small arms and artillery ammunition, also gilding metal strip and cups for bullet jackets, as well as copper and copper alloy projectile rotating bands. In addition to producing hundreds of millions of pounds of these materials, large quantities of metals were furnished for the rapidly expanding shipbuilding program, construction of engines and parts used in aircraft, tanks and other motorized equipment, radio and other communications, chemical plant equipment, and for electrical installations required by expanding war industries.

The Company's Engineering and Technical Departments cooperated with manufacturers, helping them to increase production of war materials through efficient use of copper and its alloys. Looking to the future when we can again supply the trade with the well-known "Anaconda" peacetime products, research concerned with alloy developments, new uses and improved production technique, is being carried on without interruption.

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.
Dayton, Ohio	Minneapolis, Minn.	Rochester, N. Y.	

ANACONDA COPPER MINING COMPANY

CAPITAL STOCK

December 31, 1942

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
Vice-President in Charge of Mining Operations	CLYDE E. WEED
Vice-President in Charge of Metallurgical Operations	FREDERICK LAIST
Assistant to the President	ELBERT O. SOWERWINE
Secretary and Treasurer	JAMES DICKSON
Comptroller	W. KENNETH DALY
Assistant Secretary and Assistant Treasurer	KENNETH B. FRAZER
Assistant Secretary and Assistant Treasurer	THOMAS E. CONRAD
Assistant Secretary	JEREMIAH D. MURPHY

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

PNYC 00010185

ANNUAL REPORT

OF

ANACONDA COPPER MINING COMPANY

For the Year Ended December 31, 1942

To the Shareholders of

Anaconda Copper Mining Company:

DURING the year 1942, the Company discharged the balance of its outstanding funded indebtedness, which, as of December 31, 1941, amounted to $20,935,000.

In review, it may be stated that the funded debt and bank loans of the consolidated companies as of June 30, 1933, aggregated the sum of $109,372,000. A consistent policy of debt reduction had been followed during the intervening eight and one-half years, resulting in net payments of $88,437,000 to December 31, 1941.

As of December 31, 1942, all indebtedness of the Company and its subsidiaries other than current liabilities consisting principally of accounts and wages payable and accrued taxes, had been paid. Current assets totaled $182,112,172.14 including $86,730,886.90 of cash and Government securities, and current liabilities amounted to $61,942,445.13 (of which $46,531,087.53 represented taxes accrued and reserve for renegotiation of war contracts), leaving a net current position of $120,169,727.01.

During the last six months of 1933, indebtedness was reduced $5,011,000.00 to $104,361,000.00 on December 31, 1933, as of which date net current assets (exclusive of Notes Payable and $1,800,000.00 Acceptances Payable which were included in Accounts and Wages Payable) amounted to $84,414,077.12. During the last nine years the financial condition of the Company and its consolidated subsidiaries, through increase in net current position and discharge of indebtedness, was improved by $140,116,649.89, or $16.15 per share, after payment of $101,923,471.50 in dividends.

FINANCIAL

The gross sales and earnings of the Company upon a consolidated basis (after elimination of inter-company items) totalled $408,952,656.93, an increase of $54,178,740.24 or 15.3% compared with the prior year.

Other income, including dividends from non-consolidated subsidiaries, was $1,252,558.20, making total gross income.		$410,205,215.13
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	$319,070,573.19;	
Provision for depreciation and obsolescence and for depletion of coal mines, timber lands, and phosphate deposits amounted to	$13,151,106.04;	
Interest on debentures and serial notes, including discount and expense and premium on debentures retired was	$198,378.05,	
making total deductions from gross income of		332,420,057.28
		$ 77,785,157.85
United States and foreign income and excess profits taxes, amounted to	$37,000,325.85;	
Provision for contingencies was	$ 4,000,000.00,	
making a total of		41,000,325.85
Net income, without deduction for depletion of metal mines, was		$ 36,784,832.00
Of which minority share amounted to		320,801.74
Leaving consolidated net income of		$ 36,464,030.26

Following the regular accounting practice of the Company, 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, 1942.

GOVERNMENT BONDS

During the year 1942 the Company and its subsidiaries purchased a total of $39,244,000 (par value plus interest accrued) United States Government securities. The Company had on hand at the beginning of the year United States Treasury Notes in the amount of $14,016,800, making a total of $53,260,800. Of this amount $20,051,760 matured or was applied to the purchase of other Government securities or to the payment of Federal income taxes leaving $33,209,040 on hand at the end of the year.

In addition the Company's Canadian subsidiary held $1,730,375 in Canadian bonds.

Capital Expenditures less sales of capital assets in 1942 amounted to $9,176,399.38 as follows:

Mines, Mining Claims and Lands	$ 517,155.70
Buildings, Machinery and Equipment at the Mines, Smelting, Refining and Manufacturing Plants of the Company and its subsidiaries	8,367,397.67
	$8,884,553.37
Less Sales of Timber Lands and Other Assets not required in Company's Operations	1,025,166.67
A net increase of	$7,859,386.70
Miscellaneous—Including acquisition of shares of stock of subsidiary companies	$1,317,012.68

Plant improvements and extensions were general throughout the Company's operations. The more important items were:—new hoists, head frames and other equipment at the Leonard and Travona Mines in Butte and improvements in the air conditioning and ventilation for underground work. At Anaconda, the capacity of the copper concentrator was increased 20% and an entirely new converter plant was erected. The capacity of the electrolytic zinc plants at Anaconda and Great Falls was increased 25%. The fabricating facilities of The American Brass Company were enlarged to produce more metal for war work, and the production of gilding metal was transferred from those plants to the copper refineries at Great Falls, Montana and Perth Amboy, New Jersey. Progress was also made in extending the facilities at Chuquicamata, Chile, for increased production of copper.

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 increased heavily as follows:

	Total	*Per Share*
1942	$46,884,886	$5.41
1941	38,973,797	4.49
1940	20,062,048	2.31
1939	15,494,610	1.79

The above compares with Net Profit to the Company, without deduction for Depletion of Metal Mines, as follows:

	Total	*Per Share*
1942	$36,464,030	$4.20
1941	43,433,659	5.01
1940	35,052,699	4.04
1939	20,236,552	2.33

CORPORATE TRANSACTIONS

During 1942 the Company increased its holdings in shares of subsidiary corporations by purchase of 14,900 shares of the stock of National Tunnel & Mines Company and of four shares of the stock of Butte Water Company, increasing its holdings to 605,532 shares and 119,584 shares, or 57.32% and 99.82% respectively of the total outstanding shares of these companies. The Kenosha Brass Company, a wholly owned subsidiary of The American Brass Company, was incorporated December 5, 1941 and its authorized capital stock consisting of 2,500 shares of $10. par value was issued in 1942. In addition the Company acquired 52.5% of the capital stock of Basic Magnesium, Incorporated. The Company also acquired two-thirds of the Common Stock and all of the issued Preferred Stock of the Golden Reward Mining Company (owning claims near Lead, South Dakota), and 408,428 shares of the stock of the Park Utah Consolidated Mines Company (operating mines in the Park City, Utah, district), increasing its participation in that Company to 478,228 shares or 22.86% of total issue of 2,091,864 shares.

A contract was entered into with J. Neils Lumber Company covering the sale of timber lands (approximately 110,731 acres) and timber rights on other lands, in Lincoln County, Montana, owned by the Company, containing in the aggregate approximately 810,000,000 board feet, subject to a reservation by the Company of all mineral rights. The sales price was $1,621,814, of which $221,814 was paid in cash, the remainder being payable at the rate of $100,000 annually. The timber sold constitutes only a part of the timber lands and timber rights owned by the Company, which are not tributary to its lumber operations and are not required in the ordinary business of the Company.

The products of the Company and its subsidiaries are vital to the war effort. Practically all the metal production and fabricated products are delivered either to Government Departments or Agencies or to contractors or subcontractors engaged in the production of war materials and weapons, naval and merchant vessels and war equipment and ammunition. In addition, the Company and its subsidiaries have entered into specific contracts with Governmental Agencies of the United States and Canada for the enlargement of existing plants and the development, construction and operation of new properties and plants and for research. Combined output of all strategic products from these plants in 1942 amounted to 3,175,924,850 pounds, an increase of 21.8% over 1941.

Copper:

At the request of the Government, Chile Exploration Company (a subsidiary) is expanding and enlarging the mining and treatment facilities for copper production at Chuquicamata, Chile, to substantially increase production of copper. This project involves the expenditure of approximately $5,000,000, to be advanced by Government agency, the advance to be retired as the copper produced from the additional facilities is sold.

At the request of the Government, in view of the unusual requirements for the production of copper to meet the war effort for hemispheric defense, The Cananea Consolidated Copper Company, S.A. (a subsidiary of Greene Cananea Copper Company) is developing an extensive body of low-grade copper ore adjacent to its present mine and plant at Cananea, Sonora, Mexico. and is constructing treatment facilities involving an expenditure of approximately $12,000,000 designed to substantially increase the production of copper. The construction of this project and its future operation will be financed through arrangements with Metals Reserve Company, a corporation created by Reconstruction Finance Corporation.

Chromium:

An agreement was entered into with the Government to enlarge the productive capacity of the mining and milling facilities of the chromium property in Stillwater County, Montana, known as the Benbow Mine, which was developed by the Company for the Government and with Government funds. This plant began operations in 1942 and is operating satisfactorily. Extraction, grade of concentrates and production of chromium has fully met expectations. Work on increasing the size of this plant is under way and will be completed during 1943.

Agreements were concluded with the Government for the development of the Mouat-Sampson property in Montana, and for the construction of a mill at that property. This development and construction work will also be carried on for the Government and with Government funds, on a fee basis.

Magnesium:

At the request of the Government and all interested parties, Anaconda purchased for the sum of $75,000, 52,500 shares (52½%) of the capital stock of Basic Magnesium, Incorporated, a corporation of Nevada, with which the Government had contracted on a fee basis for the management of the construction and operation of its magnesium plant at Las Vegas, Nevada, and its magnesite mines and mill at Gabbs, Nevada. Basic Magnesium, Incorporated is completing the construction of and is operating the plants for the Government. Magnesium is being currently produced as construction proceeds.

Ammunition Brass:

During 1942 the plant for the production of ammunition brass constructed by The American Brass Company at Kenosha, Wisconsin, for Defense Plant Corporation was completed and is being operated for the Government on a fee basis by Kenosha Brass Company, a subsidiary of The American Brass Company.

Anaconda-American Brass, Ltd., of Canada (through a subsidiary) had constructed and is operating for the Canadian Government a plant at Toronto, Ontario, Canada, for the production of ammunition brass, and in 1942 also took over at the request of the Canadian Government the operation of a Government plant at Montreal for the production of ammunition brass. Both plants are operated on a fee basis.

Silver:

The use of foreign silver in industrial products was restricted by order of the War Production Board on July 29, 1942. The price of domestic silver was fixed at the prevailing price of 71.11¢ per ounce by the Office of Price Administration, and that of foreign silver at 35.375c per ounce, subsequently increased to 45c on September 1, 1942. Since then further restrictions and higher priority ratings have been applied to both classifications. A greatly increased demand for silver developed in the manufacture of war equipment and as a substitute for scarce metals particularly tin.

Army-Navy "E" Awards:

Practically all of the facilities and the products of the Company are used for war purposes.

The Ansonia, Torrington and Waterbury plants of The American Brass Company were among the first organizations in the copper and brass industry to receive the award of the Navy "E" for outstanding production of war materials. Since that date, April 7, 1942, seven additional plants of the Company and its subsidiary companies have been similarly honored with Navy "E" or Army-Navy "E" pennants.

DETAIL OF OPERATIONS

At the request of the United States Government, Office of Censorship, detail with respect to the production and delivery of copper, zinc, lead, manganese, chrome, molybdenum, vanadium and cadmium has been omitted.

The production of copper was maintained and deliveries were increased in comparison with the prior year. The property of North Butte Mining Company in the Butte District was reopened during the year and is being operated by your Company under a contract arrangement. As a result of additions to the electrolytic zinc plants at Anaconda and Great Falls, Montana, zinc production was materially increased. The production of lead decreased due to smaller receipts of purchased ores, concentrates and other materials. The manganese plant at Anaconda, completed in 1941, operated throughout the year 1942 at full rated capacity, producing manganese nodules assaying 60.14% Mn.

Silver:

There were produced 15,416,256 ounces of silver, of which 38,077 ounces were treated on toll for account of others, 5,939,868 ounces were produced from purchased ores and concentrates, and 9,438,311 ounces were produced from Company ores. Of the above total 2,724,577 ounces were contained in by-product materials sold to other companies.

Gold:

Gold production amounted to 162,133 ounces, of which 4,766 ounces were treated on toll, 91,026 ounces came from purchased materials, and 66,341 ounces were from the mines of the Company. Of this amount 14,455 ounces were sold in the form of various by-product materials to other companies.

Miscellaneous:

The principal miscellaneous materials produced in 1942 were 126,315,960 feet of lumber; 63,090 tons treble-superphosphate and phosphoric acid and 9,798 tons arsenic.

Other miscellaneous products were bismuth, indium, nickel sulphate, palladium, platinum, selenium, tellurium, tin 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 1,413,609,645 pounds, establishing a new record of output. In addition shipments from the fabricating plants operated on Government account in excess of shipments of manufactured products from Company departments to those plants amounted to 225,812,861 pounds, resulting in total output of 1,639,422,506 pounds.

EMPLOYEES

As of December 31, 1942 total employees of the Company and its subsidiary companies numbered 63,962 in addition to which employees in Government properties operated by the Company numbered 7,295, making a total of 71,257.

To the end of the year 7,031 employees of the Company and its subsidiary companies had joined the armed forces of our Country. Of the employees in Company plants in the United States 84.71% purchased War Savings Bonds, their subscriptions in 1942 amounting to $5,576,045.

GROUP INSURANCE

The Group Insurance in force at the close of the year amounted to $65,545,877 covering 40,482 employees. The amount of insurance paid to beneficiaries during the year was $705,100.

NUMBER OF SHAREHOLDERS

The number of registered shareholders appearing on the transfer books of the Company at December 31, 1942 was 115,974 compared with 114,993 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, 1942, 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 10, 1943.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—December 31, 1942

ASSETS

FIXED ASSETS:		
Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note G		$282,718,229.15
Coal mines, timber lands and phosphate deposits—see note G	$ 9,119,254.70	
Less reserve for depletion	2,637,534.35	6,481,720.35
Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks and railroads (including railroad concessions to the extent of $754,482.64)—see note G	$308,486,617.74	
Less reserve for depreciation	190,001,360.97	118,485,256.77
Patents		1,001.00
Investments:		
Securities of subsidiaries not consolidated—see notes C and F	$ 17,369,253.93	
Other security investments, less reserve—see note F	14,597,068.75	
Indebtedness of subsidiaries not consolidated—not current	2,281,221.04	34,247,543.72
		$441,933,750.99
FUNDS PROVIDED BY GOVERNMENT AGENCIES for extension or operation of metal producing and manufacturing facilities, expended or on hand		7,746,107.84
DEFERRED CHARGES:		
Mine development—see note H	$ 9,157,676.56	
Prepaid expenses	621,434.40	
Deferred expenses	305,166.62	10,084,277.58
CURRENT AND OTHER ASSETS:		
Current Assets:		
Supplies on hand—see note E	$ 22,027,108.42	
Metals and manufactured products:		
In process—see note D	6,913,115.71	
Finished—see note D	39,667,982.59	
Accounts and notes receivable—trade, less reserve	25,710,505.26	
Indebtedness of officers	15,171.83	
Indebtedness of subsidiaries not consolidated—current	1,047,403.43	
United States and Canadian Government securities	34,740,150.21	
Cash	51,990,736.69	182,112,174.14
Other Assets:		
Installment house and land sales and other accounts receivable, less reserve	$ 1,804,103.98	
Advances to sundry mining companies, including advances on ores, less reserve	347,200.55	
Cupriferous material being currently treated—see note I	1,100,662.45	
Postwar refund—United States and Canadian excess profits taxes—estimated	905,417.56	4,157,384.54
		$646,033,695.09

See explanatory notes, pages 13 and 14.

Anaconda Copper Mining Company

and Subsidiary Companies

Consolidated Balance Sheet—December 31, 1942

LIABILITIES

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 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			4,716,090 43
ADVANCES BY GOVERNMENT AGENCIES for extension or operation of metal producing and manufacturing facilities			7,746,107 94
RESERVES:			
For workmen's compensation insurance		$ 1,598,494.31	
For contingencies		4,346,750.00	5,945,244.31
CURRENT LIABILITIES:			
Accounts and wages payable—see note J		$ 26,011,357.60	
Accrued taxes—see note M		35,931,087.53	61,942,445.13
DEFERRED CREDITS TO INCOME			858,489.74
SURPLUS			131,108,415.62
			$646,053,698.09

See explanatory notes, pages 13 and 14.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ended December 31, 1942

Gross sales and earnings		$408,952,656.93
Other income:		
Dividends from subsidiaries not consolidated	$ 653,723.10	
Other dividends, interest and miscellaneous income	598,835.10	1,252,558.20
		$410,205,215.13
Less:		
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	$319,070,573.19	
Provision for depreciation and obsolescence	13,014,119.41	
Provision for depletion of coal mines, timber lands and phosphate deposits (not including depletion of metal mines)	136,986.63	
Interest on debentures and serial notes, including discount and expense and premium on debentures retired	198,378.05	332,420,057.28
		$ 77,785,157.85
United States and foreign income and profits taxes—estimated, including $8,100,000 provision for United States excess profits tax, net, after deducting credit for post-war refund and debt retirement	$ 37,000,325.85	
Provision for contingencies	4,000,000.00	41,000,325.85
Net Income, without deduction for depletion of metal mines		$ 36,784,832.00
Minority share of income		320,801.74
Consolidated Net Income, without deduction for depletion of metal mines		$ 36,464,030.26

Consolidated Surplus Account—Year Ended December 31, 1942

Surplus at beginning of year	$116,870,756.11	
Minority interest	540,525.75	$116,330,230.36
Consolidated Net Income, without deduction for depletion of metal mines		36,464,030.26
		$152,794,260.62
Dividends Nos. 135, 136, 137 and 138		21,685,845.00
Surplus at end of year	$131,660,556.82	
Minority interest	552,141.20	
Consolidated Surplus at end of year		$131,108,415.62

See explanatory notes, page 14.

NOTES TO CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1942

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-six per cent. are located in Mexico and South America, and less than one-half 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 one per cent. are located in Mexico and South America and four per cent. are located in Canada. Cash balances in foreign countries amount to $2,332,907.31 and consist principally of working balances held in South America, Mexico and Canada. Of deferred charges and other assets approximately fifty-three per cent. apply to operations in Mexico and South America and three per cent. to operations in Canada.

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, 1942.

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, 1942 in the amount of $3,815,322.21 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 $2,200,230.88 represents equity in the undistributed earnings of such subsidiaries since dates of acquisition, the remainder being differences at dates of acquisition.

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, 1942 (except 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, 1941 are carried at December 31, 1941 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, 1942.

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 $10,248,107.51, being the cost of such stock reduced by dividends received since January 1, 1941, and $1,665,000 principal amount of First Mortgage Bonds of that company carried at par. A reserve has been deducted from the amount at which other security investments are carried equal to the cost of investments based on properties in Europe.

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 and include $458,324.00, remaining of the amount formerly classified as ores produced during development operations, under other assets. Mine development is written off on the basis of ore extracted and the rate is based on estimates of ore reserves.

NOTE I—CUPRIFEROUS MATERIAL

Cupriferous material being currently treated is carried at a valuation which is less than the current value of the recoverable metals contained therein.

NOTE J—ACCOUNTS PAYABLE

In accordance with Section 431 of the Sixth Supplemental National Defense Appropriation Act (approved April 28, 1942) as amended, providing for renegotiation of certain contracts with the United States Government, The American Brass Company, whose accounts are included in the Consolidated Balance Sheet, has completed discussions with the War Department Price Adjustment Board for renegotiation of certain contracts with the War Department, Navy Department, Maritime Commission and Treasury Department. The amount of the settlement has been deducted from gross sales and is included in accounts payable on the foregoing Balance Sheet. Formal agreements have not yet been executed but are in course of preparation.

NOTE K—SURPLUS

Included in Consolidated Surplus are: (a) a credit of $23,429,105.38 referred to in Note G above, (b) a credit of $20,818,158.49, 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 L—CONTINGENCIES

A reserve for contingencies of $4,346,750.00 has been provided for any contingent losses or liabilities now indicated. Of the reserve at December 31, 1941, $4,750,000.00 has been transferred to reserve for Federal income and profits taxes.

NOTE M—FEDERAL INCOME AND EXCESS PROFITS TAXES

United States income and excess profits taxes for the taxable years up to and including December 31, 1938 have been determined by the United States Treasury Department and any amounts due thereunder have been paid. Returns for subsequent years have not been audited by the United States Treasury Department. Of the 10% credit allowed against excess profits taxes for the year 1942 $374,000.00 debt retirement credit has been deducted from liability for 1942 tax.

NOTES TO CONSOLIDATED INCOME ACCOUNT—YEAR ENDED DECEMBER 31, 1942

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. Sales have been reduced by the amount determined to be excessive under renegotiation proceedings. (See Note J to Balance Sheet.)

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. War facilities are being amortized at rates authorized by law.

In the year 1942 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 $785,771.12, from two of which $653,725.10 was received in dividends and is included in the Consolidated Income Account.

There is included in consolidated income $22,420,918.17 as Anaconda Copper Mining Company's proportion of the income of its domestic and foreign consolidated subsidiaries operating in Mexico and South America and $315,086.80 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 $1,449,582.13 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 1942 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, 1942. 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, 1942 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 1942, 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 except that it was found to be impracticable to obtain direct confirmation of balances owing by departments and agencies of the United States Government, but we have satisfied ourselves with respect to these balances by other means.

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, 1942 and the combined results of their operations for the calendar year 1942 in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 25, 1943.

ANACONDA COPPER MINING COMPANY

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 WIRE 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.

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.
Charlotte, N. C.	Detroit, Mich.	New Orleans, La.	San Francisco, Calif.
Cincinnati, Ohio	Kansas City, Mo.	Philadelphia, Pa.	Seattle, Wash.
Cleveland, Ohio	Los Angeles, Calif.	Pittsburgh, Pa.	Washington, D. C.
Dallas, Texas			

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

[redacted]