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Anaconda Copper Mining Company

CAPITAL STOCK

December 31, 1931

Authorized,	12,000,000 shares, $50 each	. . . . . .	$600,000,000
Issued,	8,914,932 shares, $50 each	. . . . . .	445,746,600

OFFICERS

Chairman of the Board . . .	JOHN D. RYAN
President	CORNELIUS F. KELLEY
Vice-President	BENJAMIN B. THAYER
Vice-President	JAMES R. HOBBINS
Vice-President	ROBERT E. DWYER
Secretary and Treasurer . . .	ALBERT H. MELIN
General Auditor	JAMES DICKSON
Assistant Secretary	KENNETH B. FRAZER
Assistant Treasurer	DAVID B. HENNESSY

DIRECTORS

Percy A. Rockefeller
Benjamin B. Thayer
Charles E. Mitchell
James R. Hobbins
John D. Ryan
Cornelius F. Kelley
Charles T. Fisher
Andrew J. Miller
John A. Coe

OFFICES

ANACONDA, MONTANA
25 BROADWAY, NEW YORK

To the Shareholders of Anaconda Copper Mining Company:

The year 1931 witnessed a further decline in all non-ferrous metals and their products from the low prices that had been reached in the previous year. Efforts which had been made to bring production into line with declining consumption were only partially successful, resulting in a further accumulation of stocks. Owing to the discontinuance of the publication of monthly statistics by the American Bureau of Metal Statistics, complete data on production, consumption and stocks are not yet available, awaiting the publication of the American Bureau Year Book.

World production of copper for the first nine months of the year totalled 1,144,966 tons, as compared with 1,341,257 tons for the corresponding period of 1930, a decrease of 196,291 tons, or 14.63 percent. Monthly production declined from a high for the year in March of 136,958 tons to 120,689 tons in September. Present production is considerably below that of September.

World consumption of copper for the nine months as indicated by American Bureau statistics was 1,042,011 tons, as compared with 1,192,331 tons for the nine months of the year prior, a decrease of 150,320 tons, or 12.61 percent. Consumption of copper, after slight fluctuations for the first few months, reflected the prevailing world-wide conditions, and declined steadily to the end of the year.

For the second consecutive year, the price trend of all metals was downward, copper and silver selling at the lowest price in recorded history, lead since 1914, and zinc since 1895. The price of copper, as reported by the Engineering & Mining Journal was 10.275¢ on January 2nd, declined to a low of 6.150¢ on November 21st, and closed the year at 7.025¢, with average for the year 8.116¢, or 4.866¢ below 1930 average. The price of lead was 5.100¢ on January 2nd, declined to a low of 3.75¢, with year average of 4.243¢. Zinc declined steadily from 4.125¢ on January 2nd to 3.200¢, advanced for a period, then declined to a low of 3.125¢ on November 25th, and closed the year at 3.138¢, with year average of 3.640¢. The price of silver declined to a low of 25.750¢ on February 16th, advanced steadily to a high of 37.250¢ on November 10th, and again declined to 30.25¢ on December 31st, with year average 28.700¢, or 9.454¢ per ounce less than 1930.

Unfilled Orders

The rapid decline in the volume of business, accompanied by continued price-cutting of metals, resulted in a backing up of orders placed with the fabricating plants of The American Brass Company and the Anaconda Wire and Cable Company. The decreasing demand, accompanied by falling prices, resulted in customers delaying specifications of the products contracted for, increased the inventory of metals reserved to cover such orders, and is the principal reason for the excess inventory the Company is carrying. With but few exceptions, specifications are being received against these contracts and it is expected that practically all products covered by them will ultimately be delivered. The total unfilled contracts upon the books of The American Brass Company and the Anaconda Wire and Cable Company at the end of the year amounted to 199,871,316 pounds of copper and 28,625,652 pounds of zinc.

Inventory Adjustments

The practice was established in 1926 of carrying the fixed normal inventory at fixed prices, which were lower than metal prices that prevailed under ordinary business conditions. Inventories in excess of normal requirements were carried at cost. The fixed prices, although considered conservative when established, are higher than recent market levels. It is deemed inadvisable, in view of the extremely low metal prices now prevailing, to continue the former method of pricing inventories, and therefore, all inventories in the consolidated balance sheet at the close of the year, including the normal fixed inventory heretofore carried at fixed prices, are carried at market prices, allowance being made for metals sold under firm contracts. This change in pricing inventories necessitated an adjustment charged to surplus in the amount of $7,449,459.88.

Financial

The gross income of the Company upon a consolidated basis totalled $96,387,705.50. The cost of sales, including all operating expenses, development, maintenance, repairs, selling and general expenses and taxes, and carrying directly against operating income all expenses incurred by curtailed and non-operating units, amounted to $89,978,278.14, leaving a net operating income of $6,409,427.36. Other income added resulted in a total of $7,208,838.38. Charges for depreciation and obsolescence, interest on current obligations, and interest and discount on bonds amount to $10,360,565.27, resulting in a net loss for the year, after all charge-offs on operating account, of $3,151,726.89.

Capital Expenditures

Construction expenditures made by all companies during the year totalled $2,969,226.65.

Copper Operations

The production of metals by the Anaconda Company and its subsidiary companies from copper operations for the year 1931 was as follows:

	Copper lbs.	Silver ozs.	Gold ozs.
Anaconda Copper Mining Company	173,440,855	3,640,066.11	19,486.201
Andes Copper Mining Company	83,710,880	79,651.56	4,790.809
Chile Copper Company	171,627,952	....	....
Greene Cananea Copper Company	41,872,903	278,231.01	8,446.596
International Smelting Company	90,518,883	927,329.30	32,164.248
Total	561,171,473	4,925,277.98	64,887.854

Of the above, 92,715,747 pounds copper, 1,028,960.76 ounces silver, and 42,342.915 ounces gold were produced from custom ores and ores treated on toll.

Zinc Operations

The production of electrolytic zinc at the Anaconda and Great Falls plants during 1931 amounted to 125,983,883 pounds.

In addition, metals in residue produced amounted to 4,391,680 pounds lead, 1,216,108 pounds copper, 451,344.57 ounces silver, and 5,210.621 ounces gold. Of this amount 948,260 pounds copper, 25,138.75 ounces silver and 73.700 ounces gold were treated through operations of the Copper Plant.

Lead Operations

The Lead Plant of the International Smelting Company, Tooele, Utah, produced from custom ores 52,190,356 pounds lead, 2,027,790.58 ounces silver, and 10,808.662 ounces gold.

Miscellaneous Products

Miscellaneous production consisted of:

50,934,116	feet	lumber.
26,289	tons	treble superphosphate and phosphoric acid.
10,485	"	arsenic.
50,114,585	pounds	zinc oxide.
9,566,789	"	white lead.
281,320	"	cadmium.
636,650	"	nickel sulphate.
2,274,925	"	copper sulphate.

Fabricating Plants

The output of manufactured products of the plants of The American Brass Company amounted to 315,869,932 pounds, and of the Anaconda Wire and Cable Company to 199,340,251 pounds, or a combined output of 515,210,183 pounds.

Silesian-American Corporation

The principal amount of outstanding bonds was reduced to $9,363,500 at December 31, 1931.

The London Price of zinc was lower than in the previous year, declining to 2.52¢ per pound, as compared with 1930 average of 3.65¢. At December 31, 1931, average price for spot and future had declined to equivalent of 2.19¢ per pound.

Principal production for the year was as follows:

Zinc	118,772,527	pounds
Lead	20,590,103	"
Coal	2,816,436	metric tons
Sulphuric Acid	44,947	" "
Superphosphate	8,348	" "

During the year $157,885.44 was expended for construction.

There is attached hereto a Consolidated Balance Sheet showing the financial condition of the Company and its subsidiary companies at the close of business December 31, 1931, together with an Income Statement for the year, certified to by Messrs. Pogson, Peloubet & Company, Certified Public Accountants.

JOHN D. RYAN,
Chairman of the Board.

CORNELIUS F. KELLEY,
President.

New York, N. Y., April 14, 1932.

ANACONDA COPPER MINING COMPANY

and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1931

ASSETS

FIXED:		
Mines and Mining Claims, Coal Mines, Timber Lands, Phosphate Deposits, Water Rights and Lands for Metal Producing and Manufacturing Plants	$297,783,089.30	
Buildings and Machinery at Mines, Reduction Works, Refineries, Manufacturing Plants, Sawmills, Foundries, Waterworks, Steamships and Railroads	264,721,972.68	
Investments in Sundry Companies	26,376,923.22	$588,881,985.20
DEFERRED CHARGES:		
Stripping and Development	$7,580,780.19	
Discount on bonds	4,290,042.28	11,870,822.47
CURRENT:		
Supplies on hand, advances on Ores and Expenses prepaid	$28,318,883.52	
Metals and Manufactured Products in process and on hand—Sold at Sales Price; Unsold at Market	64,797,633.84	
Accounts Receivable	11,161,858.78	
Marketable Securities	2,708,829.91	
Cash	6,362,551.04	113,349,757.09
		$714,102,564.76

We have examined into the affairs of Anaconda Copper Mining Company and of its Subsidiary Companies and have verified the Assets and Liabilities shown above and the relative Surplus and Income Accounts. The Net Loss is after deducting all Development expenditure of the year, Depletion of Coal and Timber Lands and Depreciation of Plants and Equipment. We hereby certify that this Balance Sheet shows the financial condition at 31st December, 1931, of the companies as an aggregate whole and that the accompanying Surplus and Income Accounts for the year ended that date are correct as stated.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York and Butte, 5th April, 1932.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Balance Sheet—31st December, 1931

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:		
Authorized, 12,000,000 shares of $50.00 each		
Issued, 8,914,932 shares		$445,746,600.00
Held through Subsidiaries, 238,016 shares		11,900,800.00
		$433,845,800.00
CAPITAL STOCK AND SURPLUS of Subsidiary Companies owned by Minority Interest		5,177,270.71
BONDS OUTSTANDING:		
Chile Copper Co. Twenty Year 5% Gold Debentures, due 1947	$35,000,000.00	
Butte, Anaconda & Pacific Railway Co., First Mortgage 5% Sinking Fund Gold Bonds, due 1944	2,034,000.00	37,034,000.00
RESERVES:		
For Depreciation	$95,116,048.70	
For Insurance, Renewals and Contingencies	1,976,893.92	97,092,942.62
CURRENT:		
Notes Payable	$61,500,000.00	
Taxes and Interest Accrued	2,097,803.94	
Accounts and Wages Payable	7,741,185.11	71,338,989.05
SURPLUS		69,613,562.38
		$714,102,564.76

NOTE—In order to comply with the Government Income Tax requirements for the purpose of computing depletion, additional valuations of the mining properties have been recorded upon the books of the companies; but, for the sake of uniformity, the result of those entries has been omitted from the current statements.

ANACONDA COPPER MINING COMPANY

and Subsidiary Companies

Consolidated Surplus Account—Year Ended 31st December, 1931

Surplus 31st December, 1930		$87,442,900.95
Add, Minority Interest:		
Balance 31st December, 1930	$257,845.44	
Less acquired during year	2,294.57	255,550.87
		$87,698,451.82
Net Loss of the year 1931, per Income Account:		
Anaconda Copper Mining Company loss	$3,168,523.35	
Minority Interest profit	16,796.46	3,151,726.89
		$84,546,724.93
Deduct, Dividends:		
By Subsidiary Companies on stock owned by Minority Interest at 31st December, 1931	$84,637.25	
By Subsidiary Companies on stock acquired by Anaconda Copper Mining Company in 1931—Amount paid prior to acquisition	362.51	
By Anaconda Copper Mining Company—Dividends Nos. 111 and 112	6,680,656.66	6,765,656.42
		$77,781,068.51
Inventory adjustment to reduce all unsold metals to market	$7,449,459.88	
Sundry adjustments applicable to prior years	538,928.54	7,988,388.42
		$69,792,680.09
Deduct, Minority Interest		179,117.71
Surplus 31st December, 1931, per Balance Sheet		**$69,613,562.38**

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ended 31st December, 1931

Gross Sales and Earnings		$96,387,705.50
Cost of Sales—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and all taxes, including all expenses incurred by non-operating units		89,978,278.14
Operating Income		$6,409,427.36
Other Income—interest, dividends and miscellaneous income		799,411.02
		$7,208,838.38
Deductions from Income:		
Amount charged off this year for depreciation and obsolescence	$5,891,902.80	
Interest, including discount on bonds	4,468,662.47	10,360,565.27
Net Loss, carried to Surplus Account		$3,151,726.89