ANACONDA COPPER MINING COMPANY

FOR THE [illegible]

[illegible]

THE AMERICAN BRASS COMPANY

LOCATION OF MANUFACTURING PLANTS

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

SOME OF THE INDUSTRIES SERVED

Chemical
Electrical Equipment
Petroleum
Pulp and Paper
Railroads
Refrigeration
Textiles

PNYC 00010094

Anaconda Copper Mining Company

CAPITAL STOCK

December 31, 1937

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

OFFICERS

President	Cornelius F. Kelley
Executive Vice-President	James R. Hobbins
Vice-President and Treasurer	Robert E. Dwyer
Vice-President	Daniel M. Kelly
Assistant to the President	Elbert O. Sowerwine
Secretary and Assistant Treasurer	David B. Hennessy
Comptroller	James Dickson
General Auditor	W. Kenneth Daly
Assistant Secretary	Kenneth B. Frazer

DIRECTORS

John A. Coe
Robert E. Dwyer
E. Roland Harriman
James R. Hobbins
Cornelius F. Kelley
Harry H. Moore
James H. Perkins
William C. Potter
William D. Thornton

OFFICES

Anaconda, Montana
Butte, Montana
25 Broadway, New York

To the Shareholders of

Anaconda Copper Mining Company

THE improved demand for metals and metal products which characterized the close of 1936 continued to increase rapidly during the first quarter of the year, and in the foreign markets continued at a satisfactory level throughout the year. In the domestic market, however, the rapid increase in demand halted in April and from thence to the close of the year volume in the non-ferrous metal industries experienced the same precipitous decline that characterized all the other heavy industries, as evidenced by the drop in deliveries from 95,884 short tons in April to 18,103 tons in December.

World production of primary blister copper totalled 2,475,410 tons, of which 1,607,407 tons were foreign and 868,003 tons, including approximately 14,393 tons imported from the Philippine Islands, Cuba, and in fluxing ores, were domestic duty free, an increase of approximately 37% over 1936. Foreign production established a new high record, approximately 34% over that of the prior year. World production of primary refined copper was 2,411,382 tons, of which 850,134 tons were duty free and 1,561,248 tons were foreign.

World consumption of primary copper amounted to 2,293,362 tons, the largest on record, an increase of 19.4% over 1936 and exceeded by 16.75% the previous record made in 1929. Deliveries in the domestic market were 689,053 tons, an increase of 3.8% over 1936 and amounted to 80.3% of 1929. Foreign consumption amounted to 1,604,309 tons, an increase of 27.6% over 1936, exceeding deliveries in 1929 by 45%. Including secondary copper retreated by primary refineries, domestic deliveries amounted to 803,095 tons, an increase of 5% over the prior year.

Stocks of duty-free refined copper in the United States were reduced from 161,068 tons on January 1st to 99,576 tons on April 30th, but thereafter increased to 259,351 tons on December 31st, notwithstanding curtailment of production due to decreased demand and declining prices. Foreign refined stocks increased from 192,255 tons on January 1st to 211,844 tons at the close of the year.

Production of zinc in the United States was 589,932 tons, an increase of 12.8% compared with the prior year, and consumption amounted to 570,111 tons, an increase of 1.4%. Stocks of zinc on hand at the close of the year totalled 64,776 tons.

The continually increasing demand in all markets was accompanied by widespread speculation, (chiefly foreign), in all commodities, including the non-ferrous metals, causing a rapid advance in prices. The situation as affecting copper was met by increasing production as rapidly as possible and by liberal forward selling, with the result that actual consumers of copper were able to cover their requirements at average prices below the higher quotations, and comparatively little metal, particularly in the domestic market, was actually sold at the higher levels.

Although quoted at 16.775¢ per pound for a short period in March, the price of copper in the domestic market averaged 13.167¢ per pound for the year and closed at

9.9¢ per pound. Export copper reached a high of 17.150¢ in March, averaged 13.018¢, and closed the year at 9.5¢. Zinc advanced from 5.45¢ to 7.5¢ but dropped to 5.00¢ per pound. The price for silver mined in the United States in 1937 was unchanged at 77.57c per ounce. By the President's proclamation of December 30, 1937, the price for domestic silver mined on or after January 1, 1938, was fixed at approximately 64[illegible]c per ounce. There was practically no fluctuation in the price of foreign silver throughout the year. There was no change in the United States Treasury price of $35.00 per ounce for gold.

The prices of the principal metals as reported by the Engineering & Mining Journal were as follows:

	Jan. 2	*High*	*Low*	*Dec. 31*	*Average*
COPPER–Duty Free f.o.b. Refinery–per lb.	11.775¢	16.775¢	9.900¢	9.900¢	13.167c
COPPER–Export f.o.b. Refinery–per lb.	11.625	17.150	9.325	9.500	13.018
LEAD –New York–per lb.	6.000	7.750	4.750	4.750	6.009
ZINC –St. Louis–per lb.	5.450	7.500	5.000	5.000	6.519
SILVER –New York (not covered by President's Proclamations)–per oz.	45.000	46.750	44.750	44.750	44.883

FINANCIAL

The gross sales and earnings of the Company upon a consolidated basis, (after elimination of inter-company items), totalled $233,916,532.07, an increase of $73,033,797.92 or 45.4%, compared with the prior year. The larger sales volume of metals and metal products and higher average prices account for this increase.

The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses, and all taxes except income and undistributed profits taxes, amounted to $181,739,984.57.

The income from operations was	$52,176,547.50
Other Income, including Dividends from non-consolidated subsidiaries, was	2,551,617.91
Total Income was	$54,728,165.41
Deductions from Income for Interest on Bonds and Current Obligations $3,041,675.72, Expenses pertaining to Non-operating units $415,479.37, United States and Foreign Income Taxes $8,575,529.81, and Discount, etc., on Bonds and Debentures retired through sinking fund operations $390,118.13, amounted to	12,422,803.03
Leaving a Balance of	$42,305,362.38
Provision for Depreciation and Obsolescence and for Depletion of Coal Mines, Timber Lands, and Phosphate Deposits was $9,214,029.83, Reduction to market quotations of excess inventory at fabricating and secondary metal plants $1,191,185.28, and Current Discount and Expenses on Bonds and Debentures was $168,108.09, a total of	10,573,323.20
Net Income, without deduction for depletion of metal mines, was	$31,732,039.18
Of which Minority Share amounted to	344,177.23
Leaving Consolidated Net Income of	$31,387,861.95

The net income reflects sales of metals and manufactured products invoiced to customers. Forward sales contracts are not reflected in the income account. Metals accumulated by fabricating plants under purchase contracts and by refineries from secondary metal intake, which were unsold at the close of the year, were written down to market quotations resulting in a deduction of $1,191,185.28 from income. Silver and gold were carried at market prices. Other metals were inventoried at cost, which was below market price.

The funded debt of the Company and its subsidiaries was reduced $9,780,000 during the year. $3,962,000 par value of the 4½% Sinking Fund Debentures of the Company were retired through the operation of the sinking fund (for which $3,196,129 was on deposit with the Trustee on December 31, 1936); $320,000 par value were purchased and held in the treasury; $4,000,000 of the serial notes of Chile Exploration Company were paid; and $1,498,000 First Mortgage 5% Sinking Fund Bonds of Butte, Anaconda & Pacific Railway Company outstanding at the beginning of the year were redeemed on August 1, 1937.

Funds for the redemption of the Twenty-Year 5% Debentures of Chile Copper Company remaining outstanding at December 31, 1936 in the amount of $9,077,500 par value had been deposited with the Trustee prior to December 31, 1936, for the redemption of said bonds as of January 1, 1937.

Under the terms of the Indenture covering the 4½% Sinking Fund Debentures of the Company, there will be paid into the sinking fund on August 15, 1938, an amount equivalent to the sum of $1,000,000, plus 20% of the consolidated net income of the Company as therein defined, for the year ended December 31, 1937, or approximately $7,277,000, or in lieu thereof, in whole or in part, debentures at cost. Debentures held in the treasury at the close of the year to apply against this sum amount to $320,000 par value.

No payments were made by Inspiration Consolidated Copper Company on principal of notes of $7,643,000 due from that company but all current interest payments have been made.

Capital expenditures during the year amounted to $8,622,564.10, summarized as follows:

Mines, Mining Claims and Lands	$ 321,211.71
Buildings, Machinery and Equipment at the Mines, Smelting, Refining and Manufacturing Plants of the Company and its subsidiaries	6,972,810.86
Miscellaneous—Including subscription to stock of National Tunnel & Mines Company and acquisition of shares of stock of other subsidiary companies	1,328,541.53

Current assets at the close of the year amounted to $99,859,662.11 compared with $82,268,579.93 at the close of the prior year, and current liabilities to $20,074,990.72 compared with $15,442,097.08. The increase in current liabilities is accounted for by accrued taxes which amounted to $10,768,944.40 compared with $4,584,115.49 at the close of the prior year.

Charges to surplus for the year totalled $1,058,736.12, accounted for by that portion of the discount and premium applicable to 5% Debentures of Chile Copper

Company redeemed on January 1, 1937, and discount and premium on First Mortgage 5% Sinking Fund Bonds of Butte, Anaconda & Pacific Railway Company redeemed on August 1, 1937, in the amount of $907,336.12; and loss of $151,400.00 on investment in Anaconda Copperclad Company, whose properties were sold and whose affairs were liquidated during the year.

The dividends declared and paid during the year on the capital stock of your Company amounted to $15,180,091.50, or $1.75 per share.

There has been no change in the list of principal subsidiary companies included in the consolidated report.

CORPORATE TRANSACTIONS

On March 15, 1937, Utah-Delaware Mining Company, a wholly-owned subsidiary of International Smelting and Refining Company, was consolidated with Utah Apex Mining Company, the name of the consolidated corporation being National Tunnel & Mines Company. International Smelting and Refining Company received in exchange for its interest in Utah-Delaware Mining Company 328,200 shares of stock of the consolidated corporation, and Anaconda Copper Mining Company received 200,000 shares in exchange for 200,000 shares of Utah-Delaware Mining Company stock subscribed for by it at $5 per share. To December 31, 1937 $650,000 had been paid upon this subscription, the balance of $350,000 being payable upon demand, but not later than December 31, 1938. The combined holdings, 528,200 shares, represent 50% of the total authorized and issued stock of National Tunnel & Mines Company. That company is now constructing a tunnel from a point near the Tooele smelter in Utah to its Bingham properties, to more thoroughly prospect its mining claims, to reduce the costs of pumping, hoisting and transportation and to provide a conduit for delivery of water for irrigation, industrial and domestic use. The tunnel will have an approximate length of 23,000 feet, of which 5,103 feet had been driven at December 31, 1937.

During 1937, the Company increased its ownership in the stock of Anaconda Wire and Cable Company from 279,222 shares to 281,822 shares, or 66.78% of total issue of 421,981 shares outstanding; and of Mountain City Copper Company from 1,457,134 shares to 1,462,234 shares, or 61.66% of total issue of 2,371,427 shares.

OPERATIONS

To meet the increased demand, production of copper by the Company and its consolidated subsidiaries was increased progressively until in May an output of approximately 85,000,000 pounds, an increase of more than 100% above the production of the same month in the previous year, was reached. The general recession of business thereafter in the United States forced a curtailment in the production of its domestic mines. During the month of January operations at the zinc plants at Anaconda and Great Falls were suspended as the result of the extremely cold weather which prevailed, causing a shortage of water available for power. These operations were resumed in February and the mines, reduction, refining and fabricating plants of the Company operated continuously thereafter during the year, with the exception that due to a further shortage of water the operations of the electrolytic copper plant at Great Falls were suspended for the period, July 29, to August 31, 1937, and the operations of the zinc plants were drastically curtailed during the months of July, August and September. In order to fill the commitments that had been made for the delivery of copper and zinc it was necessary for the Company during this period to purchase the required metals on the outside market. This resulted in a diminution of earnings during the third quarter, and likewise caused an accumulation of metal at the end of the year.

The Polson Power Project of the Montana Power Company, having a continuous capacity of 56,000 Kilowatts, will be ready for operation during the early Summer of the current year and no further shortage of power is anticipated, even under the most unfavorable weather conditions.

Copper:

The total output of copper by the plants of the Company aggregated 1,211,791,560 pounds. The metallic copper production, after deduction of 447,011 pounds (of which 129,132 pounds were from Company mines) contained in by-product materials sold to others, was 1,211,344,549 pounds obtained from the following sources: 270,077,227 pounds were treated on toll for the account of others; 97,645,160 pounds were produced from purchased ores, concentrates and secondary metals; leaving a net production from the mines of your Company and its consolidated subsidiary mining companies through copper plant operations of 843,622,162 pounds, compared with 552,807,952 pounds in 1936, an increase of 52.6%. This copper production exceeded by more than 39,000,000 pounds, or 4.9%, the previous record production of the properties made in 1929.

Total deliveries of copper from all sources including purchased copper for the year in both the domestic and foreign markets amounted to 1,072,289,658 pounds.

Zinc:

Total zinc production was 209,335,808 pounds of which 180,513,935 pounds were from purchased materials and 28,821,873 pounds from the mines of the Company. Of total production 10,811,431 pounds were contained in by-product materials sold to other companies; 4,645,486 pounds were in the form of zinc dross; 1,770,821 pounds retort zinc produced for our account by other companies; and 192,108,070 pounds were electrolytic zinc produced by the plants of the Company. Deliveries of zinc (produced and purchased) amounted to 213,454,581 pounds including zinc delivered to the manufacturing and zinc oxide plants of the Company.

Lead:

The total production of lead was 107,908,357 pounds. Of this amount 505,272 pounds were treated on toll for the account of others; 97,557,707 pounds were produced from purchased ores, concentrates, etc., and 9,845,378 pounds from the mines of the Company. Of the aggregate production 24,643,873 pounds were included in by-products sold to other companies and 83,264,484 pounds were produced in metallic form by the plants of the Company. Deliveries of lead during the year, including that used in the manufacture of white lead, were 95,976,461 pounds.

Silver:

The Company produced 17,825,832 ounces of silver, of which 1,758,547 ounces were treated on toll for account of others, 7,531,830 ounces were produced from purchased ores and concentrates, and 8,535,455 ounces were produced from Company ores. Of the above total 2,246,236 ounces were contained in by-product materials sold to other companies.

Gold:

Gold production amounted to 197,844 ounces, of which 42,402 ounces were contained in materials treated on toll for the account of others, 109,615 ounces came from purchased materials, and 45,827 ounces from the mines of the Company. Of this amount 6,699 ounces were sold in the form of various by-product materials to other companies.

Miscellaneous:

Miscellaneous products consisted of 108,062,552 feet of lumber; 45,861 tons treble-superphosphate and phosphoric acid; 8,177 tons arsenic; 891,357 pounds cadmium; 145,925 pounds nickel sulphate; and 299,315 pounds copper sulphate.

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 744,661,851 pounds, an increase of 9% over those of the prior year.

Non-Consolidated Subsidiary Mining Companies:

The Mountain City Copper Company produced 32,993,769 pounds of recoverable copper from ores and concentrates shipped. The Walker Mining Company produced 9,823,851 pounds of recoverable copper from concentrates shipped.

SILESIAN-AMERICAN CORPORATION

The Silesian-American Corporation and its subsidiaries continue to be adversely affected by exchange restrictions in Poland and Germany and by the maintenance of Polish currency on a gold basis whereas the major portion of products must be sold in World markets in competition with other companies operating in countries with depreciated currencies.

The principal amount of bonds of Silesian-American Corporation outstanding at the end of the year was $4,309,000, a reduction of $1,036,000 during the year 1937.

EMPLOYEES

During the year 1937 the average number of employees of the Company and its consolidated subsidiary companies was 44,148, of which 29,769 were within the United States. The average number of employees in the United States increased from 27,944 in January to 32,213 in June, but dropped to 25,025 in December.

GROUP INSURANCE

The Group Insurance in force at the close of the year amounted to $40,719,250, covering 27,234 employees.

The amount of insurance paid to beneficiaries during the year was $511,500.

NUMBER OF SHAREHOLDERS

The number of registered shareholders appearing on the transfer books of the Company at December 31, 1937, was 107,596 as compared with 106,745 at the close of the prior year.

The Directors regret to record the deaths during the year of Col. Grayson M.-P. Murphy, who served as a Director of the Company from June, 1933, to the date of his death, October 18, 1937; and of Andrew J. Miller, who served as a Director of the Company from May 19, 1915, until the date of his death, October 31, 1937.

The vacancies caused by the decease of the above Directors have been filled by the election of Mr. E. Roland Harriman and Mr. Harry H. Moore, respectively.

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, 1937, 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,
President.

New York, N. Y., March 26, 1938.

POGSON, PELOUBET & CO.

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

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 made an examination of the Consolidated Balance Sheet as of December 31st, 1937, of Anaconda Copper Mining Company and of 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 of their Consolidated Income and Surplus Accounts for the calendar year 1937.

In connection with our audit we examined or tested the accounting records of Anaconda Copper Mining Company and its consolidated subsidiaries together with other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the calendar year 1937, but we did not make a detailed audit of the transactions.

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 others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, based on our examination, such Balance Sheet, Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, fairly present, in accordance with accepted accounting principles and procedures appropriately applied and consistently maintained (except that metals accumulated under purchase contracts by fabricating plants and from secondary metal intake which were unsold at December 31st, 1937 were written down to market quotations at that date by a charge to income) the consolidated position of the Company and its consolidated subsidiaries as of December 31st, 1937 and the combined results of their operations for the calendar year 1937.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 18th, 1938.

Anaconda Copper Mining Company
and Subsidiary Companies

Consolidated Balance Sheet—December 31st, 1937

ASSETS

FIXED ASSETS:			
Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note G		$290,153,909.77	
Coal mines, timber lands and phosphate deposits—see note G	$ 9,545,269.67		
Less reserve for depletion	2,143,911.03	7,401,358.64	
Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks, steamships and railroads (including railroad concessions to the extent of $945,122.66)—see note G	$289,344,000.65		
Less reserve for depreciation	148,389,906.44	140,954,094.21	
Patents		6,105.00	
Investments:			
Securities of subsidiaries not consolidated—see notes C and F	$ 15,684,234.10		
Other security investments—see note F	15,252,436.34		
Indebtedness of subsidiaries not consolidated—not current	770,719.88	31,707,390.32	$470,222,857.94
DEFERRED CHARGES:			
Stripping and development		$ 6,782,194.79	
Prepaid expenses		327,571.41	
Deferred expenses		368,192.31	
Discount and expense on debentures		2,016,834.87	9,494,793.38
CURRENT AND OTHER ASSETS:			
Current assets:			
Supplies on hand—see note E page 13	$ 15,687,282.05		
Metals and manufactured products:			
In process—see note D page 13	7,774,819.50		
Finished—see note D page 13	51,364,458.85		
Accounts and notes receivable—trade, less reserve	7,147,572.58		
Indebtedness of subsidiaries not consolidated—current	3,250,122.20		
Marketable securities—at cost (market value $515,997.84)	943,531.37		
Cash	13,691,875.56	$99,859,662.11	
Other assets:			
Installment house and land sales and other accounts receivable, less reserve	$ 1,106,230.28		
Advances to sundry mining companies, including advances on ores, less reserve	122,118.86		
Ores produced during development operations held for future treatment—see note H	1,329,298.51		
Cupriferous material held for future treatment—see note I	3,047,069.54		
Notes receivable of Inspiration Consolidated Copper Company secured by First Mortgage Bonds of that company in the principal amount of $7,645,000 (being total amount of said bonds issued)	7,645,000.00	13,247,717.19	113,107,[illegible]
			$592,[illegible]

See explanatory notes, pages 13 and 14.

PNYC 00010104

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—December 31st, 1937

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:			
Authorized—12,000,000 shares of the par value of $50.00 each			
Issued	8,919,086 shares		$445,954,300.00
Held in treasury or through subsidiaries	244,748 shares		12,237,400.00
Outstanding	8,674,338 shares		$433,716,900.00
CAPITAL STOCK AND SURPLUS of subsidiary companies owned by minority interest			4,625,444.44
DEBENTURES AND NOTES OUTSTANDING:			
Anaconda Copper Mining Company—4½% Sinking Fund Debentures due 1950—see note J		$ 47,909,000.00	
Less held in treasury		320,000.00	
		$ 47,589,000.00	
Chile Exploration Company—Serial Notes—payable to banks, due December 10th, 1939 to December 10th, 1941, interest 2½% to 3½% (guaranteed as to both principal and interest by Anaconda Copper Mining Company)		19,000,000.00	66,589,000.00
RESERVES:			
For repairs, renewals and replacements		$ 350,561.02	
For workmen's compensation insurance, etc.		845,262.04	
For contingencies		275,000.00	1,470,823.06
CURRENT LIABILITIES:			
Chile Exploration Company—Serial Notes—payable to banks, due December 10th, 1938 (guaranteed as to both principal and interest by Anaconda Copper Mining Company)		$ 2,000,000.00	
Accounts payable—trade		4,920,463.41	
Wages payable		1,078,988.87	
Accrued taxes		10,768,944.40	
Accrued interest		574,763.06	
Other accrued liabilities		195,436.26	
Other accounts payable		536,394.72	20,074,990.72
DEFERRED CREDITS TO INCOME			245,041.20
SURPLUS			66,102,331.20
			$592,823,030.62

See explanatory notes, pages 13 and 14.

Anaconda Copper Mining Company

and Subsidiary Companies

Consolidated Income Account—Year Ended December 31st, 1937

Gross Sales and Earnings		$233,916,332.07
Cost of Sales—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes except income taxes—sales to the extent of current production being applied at current cost		191,739,984.57
Income from operations of mining, smelting, refining and manufacturing plants, before deducting depreciation and depletion		$ 52,176,347.50
Other Income—Dividends from subsidiaries not consolidated—see note D page 14	$ 1,741,190.10	
—Other dividends and interest—see note E page 14	597,232.62	
—Miscellaneous income	213,195.19	2,551,617.91
		$ 54,728,165.41
Interest on bonds, debentures and serial notes	$ 3,041,675.72	
Expenses pertaining to non-operating units	415,479.37	
United States and foreign income and excess profits taxes—estimated (including $256,139.81 estimated surtaxes on undistributed income)	8,575,329.81	
Discount, premium and expense on bonds and debentures retired through sinking fund operations	390,118.13	12,422,303.03
		$ 42,305,362.38
Provision for depreciation and obsolescence	$ 9,114,734.77	
Provision for depletion of coal mines, timber lands and phosphate deposits (without deduction for depletion of metal mines)	99,275.06	
Reduction to market quotations of excess metal inventory at fabricating and secondary metal plants	1,191,185.28	
Current discount and expense on bonds and debentures	168,108.09	10,573,323.20
Net Income, without deduction for depletion of metal mines		$ 31,732,039.18
Minority share of income		344,177.23
Consolidated Net Income, without deduction for depletion of metal mines		$ 31,387,861.95

See explanatory notes, page 14.

Consolidated Surplus Account—Year Ended December 31st, 1937

Surplus, December 31st, 1936	$ 31,315,365.88	
Minority interest	361,569.01	$ 30,953,796.87
Consolidated Net Income, without deduction for depletion of metal mines		31,387,861.95
		$ 82,341,658.82
Deduct:		
Dividends Nos. 117, 118, 119 and 120		15,180,091.50
		$ 67,161,567.32
Discount and premium on 5% Gold Debentures of Chile Copper Company due 1947 called on December 1st, 1936 for redemption January 1st, 1937, being that proportion applicable to debentures called for redemption January 1st, 1937 and not theretofore presented, and discount and premium on First Mortgage 5% Sinking Fund Gold Bonds of Butte, Anaconda & Pacific Railway Company, due 1944 called on June 15th, 1937 for redemption August 1st, 1937	$ 907,336.12	
Loss on investment in unconsolidated subsidiary whose properties were sold and whose affairs were liquidated during the year	131,400.00	1,038,736.12
Surplus, December 31st, 1937	$ 66,547,913.27	
Minority interest	445,082.07	
Consolidated Surplus, December 31st, 1937		$ 66,102,831.20

NOTES TO CONSOLIDATED BALANCE SHEET—DECEMBER 31st, 1937

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, 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—BALANCES IN FOREIGN CURRENCIES

Cash balances in foreign currencies (equivalent to $812,475.19 in United States currency) are converted into dollars at rates not more favorable than those effective at December 31st, 1937. Current assets and liabilities at the Toronto plant of Anaconda-American Brass, Ltd., are carried in Canadian currency and have been converted into U. S. dollars at rates not in excess of rates current at December 31st, 1937.

Contingent liabilities existed at December 31st, 1937 (a) for acceptances covering foreign sales of copper discounted in the ordinary course of business at various banks on the greater part of which payments have already been received and (b) for exchange commitments most of which have been liquidated.

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 Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A had decreased at December 31st, 1937, to the extent of $15,784.48, since the dates of acquisition as the result of profits, losses, distributions and surplus adjustments as shown by the books of said unconsolidated subsidiaries, but the cost thereof as shown in the Consolidated Balance Sheet has not been adjusted for such decrease.

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 or metallic content of such inventories.

Finished metals and manufactured products on hand at December 31st, 1937 (except silver, gold and molybdenite which are carried at market quotations or less), have been valued at cost on the last-in, first-out basis, and prices determined in accordance with this method were below market prices for the various metals and products at December 31st, 1937, except that metals accumulated under purchase contracts by fabricating plants and from secondary metal intake which were unsold at December 31st, 1937 were written down to market quotations at that date.

See Note C to Consolidated Income Account.

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, the cost of such property to the consolidated group after deducting depreciation to date of transfer, and do not indicate current values. Other security investments include 333,000 shares of Inspiration Consolidated Copper Company carried at $10,914,107.31.

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 subsidiaries (the accounts of which are included in this Consolidated Balance Sheet) are carried at the difference between (1) the investment basis for the respective subsidiary as set forth below, and (2) all net assets (other than property, plant and equipment) of such subsidiary at the time when its accounts were first included in the Consolidated Balance Sheet of the Company and subsidiaries, to which is added the 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, where the same was acquired by the group for cash, or where the same was acquired by the consolidated group for stock of the Company, the par value of the stock of the Company so issued, except as to properties of Andes Copper Mining Company and Santiago Mining Company acquired by said companies respectively for shares of their capital stock, which properties 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), amounting in the case of Andes Copper Mining Company to 1,000,000 shares and in the case of Santiago Mining Company to 70,568 shares. Of said stock of Andes Copper Mining Company issued for property 998,036 shares were acquired by the Company and subsidiaries at less than the original par value thereof and of said stock of Santiago Mining Company 65,431 shares were acquired (in 1930) by the Company at less than the original par value thereof. The 65,431 shares of Santiago Mining Company prior to their acquisition by the Company were carried in the consolidated financial statements as outstanding minority interest at par from the date when Santiago Mining Company was first included in such statements. Upon the acquisition of such shares by the Company in 1930 the difference of $1,519,565.66 between the par value thereof and the cost of such shares to the Company was transferred from minority interest to consolidated surplus. The total amount credited 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 $25,429,105.38.

(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 1st, 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 included 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—ORES PRODUCED DURING DEVELOPMENT OPERATIONS

Ores produced during development operations, held for future treatment, are carried at cost of extraction which is less than a conservatively estimated realizable value.

NOTE I—CUPRIFEROUS MATERIAL

Cupriferous material held for future treatment is at a valuation assigned to a certain part thereof by United States Treasury Department for income tax purposes which is less than the value of the recoverable metals contained therein at current metal prices after deducting treatment costs, both as estimated by Metallurgists of the Company.

NOTE J—SINKING FUND REQUIREMENTS

Under the sinking fund provisions of the indenture providing for the issue of the 4½% Sinking Fund Debentures of Anaconda Copper Mining Company, due 1950, the Company will be obligated on August 15th, 1938 to pay to the Trustee under the indenture, for the purposes of the sinking fund for the retirement of debentures, an amount equal to $1,000,000 plus 20% of the consolidated net income of the Company (as defined in the indenture) for the period of twelve months ended December 31st, 1937 or in lieu of such payment, the Company may deliver to the Trustee under the indenture debentures to be received by the Trustee under the indenture in lieu of an amount of cash equal to the purchase price of such debentures paid by the Company in the acquisition thereof. The Company has made all payments required under the indenture and has satisfied all other requirements from the date of issue to December 31st, 1937.

NOTE K—FEDERAL INCOME TAXES

A determination of the amounts due for Federal income taxes for the taxable years up to and including that ended December 31st, 1933 has been made by the United States Treasury Department and any amounts due thereunder have been paid. Returns for subsequent years have either not been audited or final determination of additional tax liability, if any, has not been made.

NOTE L—SURPLUS

Included in Consolidated Surplus are: (a) a credit of $21,909,539.72 arising from inclusion in Consolidated Balance Sheet of assets and liabilities of Andes Copper Mining Company at the amounts shown on its books (see note G), (b) a credit of $1,519,365.66 arising from acquisition in 1930 of minority shares in Santiago Mining Company issued for property and carried at their par value, said amount representing the excess of par value over acquisition cost, (c) a credit of $20,816,158.49, being the excess of the proceeds of the issue of 3,109,598.54 shares of stock of Company over the par value thereof and (d) 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.

NOTES TO CONSOLIDATED INCOME ACCOUNT—YEAR ENDED DECEMBER 31st, 1937

NOTE A—BASIS

Principles applying to the Consolidated Income Account are the same as set forth in Note A to the Consolidated Balance Sheet. The equity of the Company in the income of four small unconsolidated subsidiaries more than 75% owned, the operations of which are not an integral part of the operations of the consolidated group, amounted for the year ended December 31st, 1937 to $14,481.72.

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 Income Account.

NOTE B—INTERCOMPANY SALES AND PROFITS

Sales to consolidated subsidiaries have been eliminated and the sales shown in the Consolidated Income Account include only sales to others than the Company and consolidated subsidiaries.

Intercompany profits, where these are material, have been eliminated in the Consolidated Income Account. The principal intercompany transactions are sales of copper and other metals to manufacturing subsidiaries. The inventories of manufacturing subsidiaries include, so far as is ascertainable, no intercompany profit.

Any intercompany profits resulting from transactions in connection with purchases and sales of supplies and furnishing of services and in connection with refining and smelting operations are not material in amount and have not been eliminated.

NOTE C—COST OF SALES

The general practice of inventory valuation followed in the year ended December 31st, 1937 was as follows:

In ascertaining consolidated income during the year 1937, the Consolidated Income Account was stated on the basis of last-in, first-out, that is, applying current cost of metal production to sales (see Note A) to the extent of current production. (See Note D to Consolidated Balance Sheet).

NOTE D—DIVIDENDS AND EARNINGS OF PRINCIPAL UNCONSOLIDATED SUBSIDIARIES

In the year 1937 the equity of the Company in the combined net current earnings of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A amounted to $2,029,957.64. Out of that equity there was paid to the Company the amount of $1,741,190.10 in dividends by said unconsolidated subsidiaries.

NOTE E—INTEREST—INSPIRATION CONSOLIDATED COPPER COMPANY

There is included in Income Account under the item "Other Dividends and Interest" interest on notes of Inspiration Consolidated Copper Company, in the amount of $387,457.62 for the year ended December 31st, 1937. All interest due or accrued on these notes at December 31st, 1937 has been paid.

ANACONDA COPPER MINING COMPANY

ANACONDA WIRE & 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.	OAKLAND, CALIF.	SYCAMORE, ILL.

SOME OF THE INDUSTRIES SERVED

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

PRODUCTS

ELECTRICAL WIRE AND CABLE OF EVERY DESCRIPTION

Bare Wire and Cable	Hollow Conductor Cable	Parkway Cable
Cable Accessories	[illegible]	Rubber Covered Building Wires
Conduit	[illegible]	[illegible] Wires and Cables
Copper Rods	[illegible]	Varnished Cambric Wires and Cables
Cords	[illegible]	Weatherproof Wires and Cables

[illegible] and efficient

[illegible] both this [illegible] and distributor [illegible] A staff of qualified [illegible] economical nation- [illegible] are located in the fol- lowing [illegible]

Atlanta, [illegible]	[illegible], N. Y.
Boston, [illegible]	[illegible], Mo.
Cincinnati, [illegible]	[illegible], Calif.
Cleveland, Ohio	[illegible], Wash.
Dallas, Texas	[illegible], D. C.

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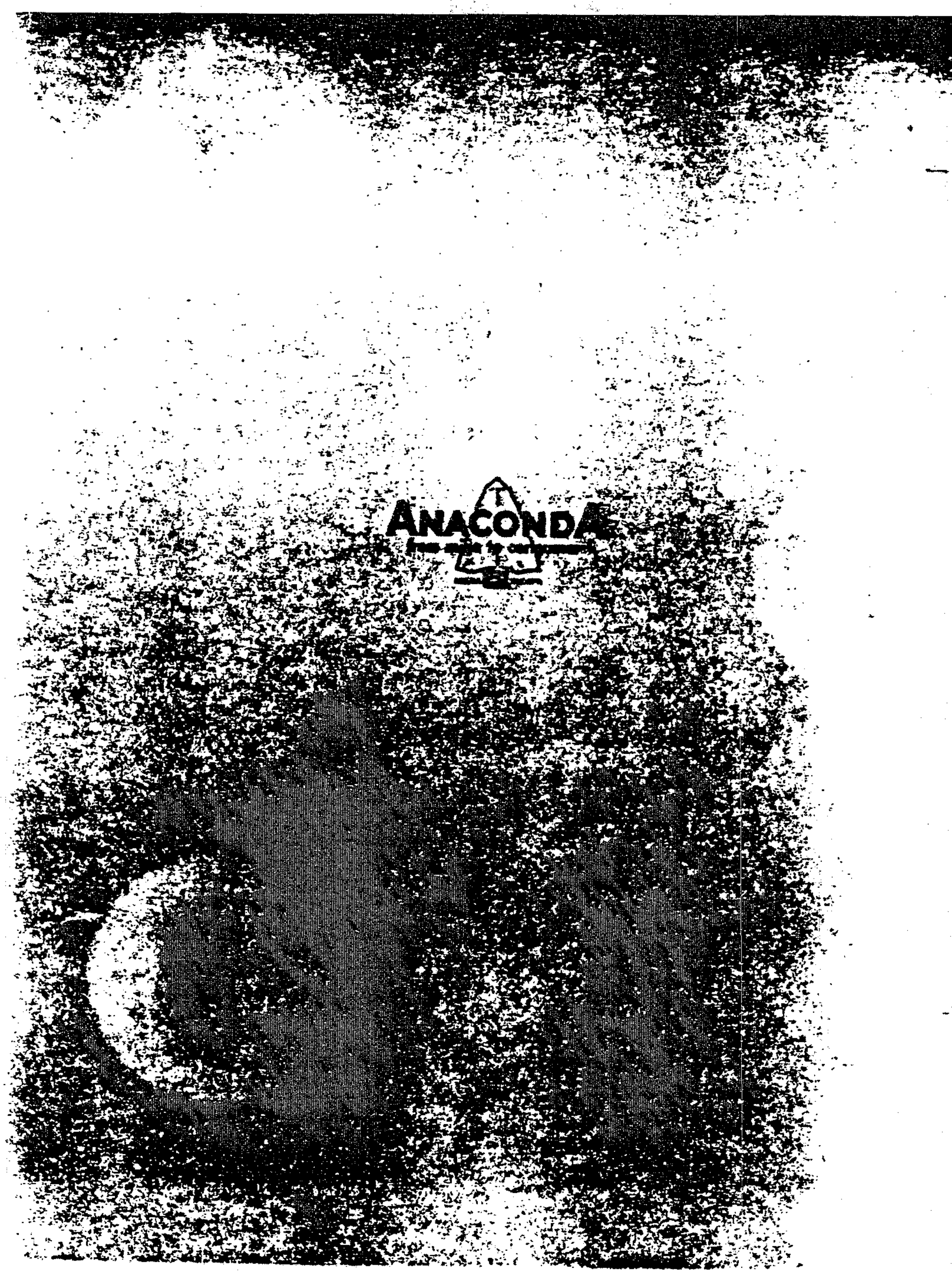

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