

FREEPORT MCMORAN COPPER & GOLD INC  
Form 10-Q  
November 02, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

to

Commission File Number: 001-11307-01

Freeport-McMoRan Copper & Gold Inc.

(Exact name of registrant as specified in its charter)

Delaware

74-2480931

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

333 North Central Avenue

Phoenix, AZ

85004-2189

(Address of principal executive offices)

(Zip Code)

(602) 366-8100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

On October 31, 2012, there were issued and outstanding 949,318,834 shares of the registrant's common stock, par value \$0.10 per share.

---

FREEPORT-McMoRan COPPER & GOLD INC.

TABLE OF CONTENTS

	Page
<u>Part I. Financial Information</u>	<u>3</u>
<u>Item 1. Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Income (Unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	<u>6</u>
<u>Consolidated Statement of Equity (Unaudited)</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>21</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>68</u>
<u>Item 4. Controls and Procedures</u>	<u>68</u>
<u>Part II. Other Information</u>	<u>68</u>
<u>Item 1. Legal Proceedings</u>	<u>68</u>
<u>Item 1A. Risk Factors</u>	<u>69</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>69</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>69</u>
<u>Item 6. Exhibits</u>	<u>69</u>
<u>Signature</u>	<u>70</u>
<u>Exhibit Index</u>	<u>E-1</u>



Table of Contents

## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

FREEPORT-McMoRan COPPER & GOLD INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2012	December 31, 2011
	(In millions)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$3,727	\$4,822
Trade accounts receivable	1,424	892
Other accounts receivable	242	250
Inventories:		
Mill and leach stockpiles	1,595	1,289
Materials and supplies, net	1,465	1,354
Product	1,374	1,226
Other current assets	353	214
Total current assets	10,180	10,047
Property, plant, equipment and development costs, net	20,294	18,449
Long-term mill and leach stockpiles	1,871	1,686
Long-term receivables	1,004	675
Intangible assets, net	321	325
Other assets	847	888
Total assets	\$34,517	\$32,070
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$2,531	\$2,297
Dividends payable	299	240
Current portion of reclamation and environmental obligations	259	236
Accrued income taxes	59	163
Current portion of debt	2	4
Total current liabilities	3,150	2,940
Long-term debt, less current portion	3,521	3,533
Deferred income taxes	3,378	3,255
Reclamation and environmental obligations, less current portion	2,194	2,138
Other liabilities	1,531	1,651
Total liabilities	13,774	13,517
Equity:		
FCX stockholders' equity:		
Common stock	107	107
Capital in excess of par value	19,094	19,007
Retained earnings	1,953	546
Accumulated other comprehensive loss	(439)	(465)
Common stock held in treasury	(3,576)	(3,553)
Total FCX stockholders' equity	17,139	15,642

Edgar Filing: FREEPORT MCMORAN COPPER & GOLD INC - Form 10-Q

Noncontrolling interests	3,604	2,911
Total equity	20,743	18,553
Total liabilities and equity	\$34,517	\$32,070

The accompanying notes are an integral part of these consolidated financial statements.

3

---

Table of ContentsFREEPORT-McMoRan COPPER & GOLD INC.  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In millions, except per share amounts)			
Revenues	\$4,417	\$5,195	\$13,497	\$16,718
Cost of sales:				
Production and delivery	2,592	2,570	7,642	7,504
Depreciation, depletion and amortization	298	257	856	756
Total cost of sales	2,890	2,827	8,498	8,260
Selling, general and administrative expenses	110	102	311	323
Exploration and research expenses	79	78	214	194
Environmental obligations and shutdown costs	(73 )	38	18	98
Total costs and expenses	3,006	3,045	9,041	8,875
Operating income	1,411	2,150	4,456	7,843
Interest expense, net	(42 )	(78 )	(148 )	(250 )
Losses on early extinguishment of debt	—	—	(168 )	(68 )
Other (expense) income, net	(15 )	28	23	40
Income before income taxes and equity in affiliated companies' net earnings	1,354	2,100	4,163	7,565
Provision for income taxes	(215 )	(808 )	(1,128 )	(2,698 )
Equity in affiliated companies' net earnings	1	2	—	14
Net income	1,140	1,294	3,035	4,881
Net income attributable to noncontrolling interests	(316 )	(241 )	(737 )	(961 )
Net income attributable to FCX common stockholders	\$824	\$1,053	\$2,298	\$3,920
Net income per share attributable to FCX common stockholders:				
Basic	\$0.87	\$1.11	\$2.42	\$4.14
Diluted	\$0.86	\$1.10	\$2.41	\$4.10
Weighted-average common shares outstanding:				
Basic	949	948	949	947
Diluted	953	955	953	955
Dividends declared per share of common stock	\$0.3125	\$0.25	\$0.9375	\$1.25

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

## FREEPORT-McMoRan COPPER &amp; GOLD INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30, 2012		September 30, 2011	
			(In millions)	
Net income	\$1,140	\$1,294	\$3,035	\$4,881
Other comprehensive income, net of taxes:				
Unrealized gains (losses) on securities arising during the period	1	(1	) —	(1
Translation adjustments arising during the period	—	(2	) (1	) (1
Defined benefit plans:				
Amortization of unrecognized amounts included in net periodic benefit costs	7	5	22	11
Adjustment to deferred tax valuation allowance	—	—	5	—
Other comprehensive income	8	2	26	9
Total comprehensive income	1,148	1,296	3,061	4,890
Total comprehensive income attributable to noncontrolling interests	(315	) (241	) (737	) (961
Total comprehensive income attributable to FCX common stockholders	\$833	\$1,055	\$2,324	\$3,929

The accompanying notes are an integral part of these consolidated financial statements.



Table of ContentsFREEPORT-McMoRan COPPER & GOLD INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30,	
	2012	2011
	(In millions)	
Cash flow from operating activities:		
Net income	\$3,035	\$4,881
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	856	756
Stock-based compensation	77	92
Pension plans contributions	(114	) (29
Net charges for reclamation and environmental obligations, including accretion	64	144
Payments for reclamation and environmental obligations	(148	) (131
Losses on early extinguishment of debt	168	68
Deferred income taxes	223	419
Increase in long-term mill and leach stockpiles	(184	) (174
Other, net	71	(26
(Increases) decreases in working capital and other tax payments:		
Accounts receivable	(603	) 1,034
Inventories	(581	) (266
Other current assets		