

FREEPORT MCMORAN COPPER & GOLD INC
Form 10-Q
November 05, 2010

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, 2010

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
(State or other jurisdiction of
incorporation or organization)

74-2480931
(I.R.S. Employer Identification No.)

333 North Central Avenue
Phoenix, AZ
(Address of principal executive offices)

85004-4414
(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.

R Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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). R Yes o 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 R Accelerated filer o
Non-accelerated filer o Smaller reporting company o

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 29, 2010, there were issued and outstanding 470,879,306 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>	3
<u>Item 1. Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	3
<u>Consolidated Statements of Income (Unaudited)</u>	4
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	5
<u>Consolidated Statement of Equity (Unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	7
<u>Report of Independent Registered Public Accounting Firm</u>	20
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	66
<u>Item 4. Controls and Procedures</u>	66
<u>Part II. Other Information</u>	67
<u>Item 1. Legal Proceedings</u>	67
<u>Item 1A. Risk Factors</u>	67
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	67
<u>Item 5. Other Information</u>	67
<u>Item 6. Exhibits</u>	68
<u>Signature</u>	69
<u>Exhibit Index</u>	E-1

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 30, 2010	December 31, 2009
	(In Millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,720	\$ 2,656
Trade accounts receivable	1,860	1,517
Other accounts receivable	255	286
Inventories:		
Product	1,127	1,110
Materials and supplies, net	1,108	1,093
Mill and leach stockpiles	800	667
Other current assets	208	104
Total current assets	9,078	7,433
Property, plant, equipment and development costs, net	16,461	16,195
Long-term mill and leach stockpiles	1,395	1,321
Intangible assets, net	330	347
Other assets	687	700
Total assets	\$ 27,951	\$ 25,996
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,404	\$ 2,038
Accrued income taxes	356	474
Current portion of reclamation and environmental obligations	193	214
Dividends payable	143	99
Current portion of long-term debt and short-term borrowings	98	16
Rio Tinto share of joint venture cash flows	78	161
Total current liabilities	3,272	3,002
Long-term debt, less current portion	4,681	6,330
Deferred income taxes	2,846	2,503
Reclamation and environmental obligations, less current portion	2,045	1,981
Other liabilities	1,386	1,423
Total liabilities	14,230	15,239
Equity:		
FCX stockholders' equity:		
6¾% Mandatory Convertible Preferred Stock	–	2,875
Common stock	59	55
Capital in excess of par value	18,662	15,680

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

Accumulated deficit	(3,429)	(5,805)
Accumulated other comprehensive loss	(263)	(273)
Common stock held in treasury	(3,433)	(3,413)
Total FCX stockholders' equity	11,596	9,119
Noncontrolling interests	2,125	1,638
Total equity	13,721	10,757
Total liabilities and equity	\$ 27,951	\$ 25,996

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

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009

(In Millions, Except Per Share Amounts)

Revenues	\$	5,152	\$	4,144	\$	13,379	\$	10,430
Cost of sales:								
Production and delivery		2,269		1,715		6,239		5,086
Depreciation, depletion and amortization		268		252		788		740
Lower of cost or market inventory adjustments		-		-		-		19
Total cost of sales		2,537		1,967		7,027		5,845
Selling, general and administrative expenses		81		74		277		225
Exploration and research expenses		35		19		104		73
Restructuring and other charges		-		-		-		23
Total costs and expenses		2,653		2,060		7,408		6,166
Operating income		2,499		2,084		5,971		4,264
Interest expense, net		(103)		(162)		(370)		(451)
Losses on early extinguishment of debt		-		(31)		(77)		(31)
Other income (expense), net		(19)		(7)		2		(24)
Income before income taxes and equity in affiliated companies' net earnings		2,377		1,884		5,526		3,758
Provision for income taxes		(845)		(684)		(1,956)		(1,557)
Equity in affiliated companies' net earnings		1		3		10		21
Net income		1,533		1,203		3,580		2,222
Net income attributable to noncontrolling interests		(355)		(224)		(793)		(492)
Preferred dividends		-		(54)		(63)		(174)
Net income attributable to FCX common stockholders	\$	1,178	\$	925	\$	2,724	\$	1,556
Net income per share attributable to FCX common stockholders:								
Basic	\$	2.50	\$	2.23	\$	6.01	\$	3.80
Diluted	\$	2.49	\$	2.07	\$	5.88	\$	3.70
Weighted-average common shares outstanding:								
Basic		471		416		453		409
Diluted		474		472		474		428
Dividends declared per share of common stock								
	\$	0.30	\$	-	\$	0.75	\$	-

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

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30,	
	2010	2009
	(In Millions)	
Cash flow from operating activities:		
Net income	\$ 3,580	\$ 2,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	788	740
Lower of cost or market inventory adjustments	–	19
Stock-based compensation	93	75
Charges for reclamation and environmental obligations, including accretion	117	150
Payments of reclamation and environmental obligations	(139)	(76)
Losses on early extinguishment of debt	77	31
Deferred income taxes	252	(32)
Intercompany profit on PT Freeport Indonesia sales to PT Smelting	3	47
Increase in long-term mill and leach stockpiles	(73)	(68)
Changes in other assets and liabilities	16	136
Other, net	33	53
(Increases) decreases in working capital:		
Accounts receivable	(391)	(754)
Inventories, and mill and leach stockpiles	(189)	(176)
Other current assets	(13)	88
Accounts payable and accrued liabilities	156	(518)
Accrued income and other taxes	(92)	913
Net cash provided by operating activities	4,218	2,850
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(140)	(121)
South America	(283)	(129)
Indonesia	(311)	(186)
Africa	(59)	(577)
Other	(84)	(125)
Proceeds from the sale of assets and other, net	20	(8)
Net cash used in investing activities	(857)	(1,146)
Cash flow from financing activities:		
Net proceeds from sale of common stock	–	740
Proceeds from debt	52	307
Repayments of debt	(1,678)	(1,066)
Cash dividends and distributions paid:		
Common stock	(272)	–
Preferred stock	(95)	(181)

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

Noncontrolling interests	(330)	(149)
Contributions from noncontrolling interests	24	54
Net payments for stock-based awards	(3)	(9)
Excess tax benefit from stock-based awards	5	2
Other	–	(5)
Net cash used in financing activities	(2,297)	(307)
Net increase in cash and cash equivalents	1,064	1,397
Cash and cash equivalents at beginning of year	2,656	872
Cash and cash equivalents at end of period	\$ 3,720	\$ 2,269

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

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.
CONSOLIDATED STATEMENT OF EQUITY (Unaudited)

	Mandatory		FCX Stockholders' Equity		Accumulated		Common		Total		Non-	Total
	Convertible Preferred Stock	Common Stock	Common Stock	Capital in Excess of Par	Other	Comprehensive	Stock Held in Treasury	FCX	Stockholders' Equity	controlling Interests		
	Number of Shares	At Par Value	Number of Shares	At Par Value	Value	Deficit	Loss	Shares	Cost	Equity	Interests	Equity
Balance at December 31, 2009	29	\$ 2,875	552	\$ 55	\$ 15,680	\$ (5,805)	\$ (273)	122	\$ (3,413)	\$ 9,119	\$ 1,638	\$ 10,757
Conversions of 6¾% Mandatory Convertible Preferred Stock	(29)	(2,875)	39	4	2,871	-	-	-	-	-	-	-
Conversions of 7% Convertible Senior Notes	-	-	-	-	1	-	-	-	-	1	-	1
Exercised and issued stock-based awards	-	-	2	-	17	-	-	-	-	17	-	17
Stock-based compensation	-	-	-	-	92	-	-	-	-	92	-	92
Tax benefit for stock-based awards	-	-	-	-	1	-	-	-	-	1	-	1
Tender of shares for stock-based awards	-	-	-	-	-	-	-	-	(20)	(20)	-	(20)
Dividends on common stock	-	-	-	-	-	(348)	-	-	-	-	-	-