

FREEPORT-MCMORAN INC  
Form 10-Q  
May 08, 2015

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 March 31, 2015

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 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 April 30, 2015, there were issued and outstanding 1,040,044,809 shares of the registrant's common stock, par value \$0.10 per share.

---

FREEPORT-McMoRan 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 Operations (Unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive (Loss) 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>Review Report of Independent Registered Public Accounting Firm</u>	<u>26</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>69</u>
<u>Item 4. Controls and Procedures</u>	<u>69</u>
<u>Part II. Other Information</u>	<u>69</u>
<u>Item 1. Legal Proceedings</u>	<u>69</u>
<u>Item 1A. Risk Factors</u>	<u>69</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>70</u>
<u>Item 4. Mine Safety Disclosure</u>	<u>70</u>
<u>Item 6. Exhibits</u>	<u>70</u>
<u>Signature</u>	<u>71</u>
<u>Exhibit Index</u>	<u>E-1</u>



Table of Contents

## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## FREEPORT-McMoRan INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31, 2015 (In millions)	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 549	\$ 464
Trade accounts receivable	995	953
Other accounts receivable	1,401	1,610
Inventories:		
Materials and supplies, net	1,919	1,886
Mill and leach stockpiles	1,877	1,914
Product	1,442	1,561
Other current assets	671	657
Total current assets	8,854	9,045
Property, plant, equipment and mining development costs, net	26,595	26,220
Oil and gas properties, net - full cost method		
Subject to amortization, less accumulated amortization	6,713	9,187
Not subject to amortization	9,665	10,087
Long-term mill and leach stockpiles	2,261	2,179
Other assets	1,977	1,956
Total assets	\$ 56,065	\$ 58,674
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,111	\$ 3,653
Current portion of debt	558	478
Accrued income taxes	364	410
Current portion of environmental and asset retirement obligations	317	296
Dividends payable	60	335
Total current liabilities	4,410	5,172
Long-term debt, less current portion	19,754	18,371
Deferred income taxes	5,625	6,398
Environmental and asset retirement obligations, less current portion	3,678	3,647
Other liabilities	1,812	1,861
Total liabilities	35,279	35,449
Redeemable noncontrolling interest	755	751
Equity:		
Stockholders' equity:		
Common stock	117	117
Capital in excess of par value	22,307	22,281

Edgar Filing: FREEPORT-MCMORAN INC - Form 10-Q

(Accumulated deficit) retained earnings	(2,398	)	128	
Accumulated other comprehensive loss	(532	)	(544	)
Common stock held in treasury	(3,701	)	(3,695	)
Total stockholders' equity	15,793		18,287	
Noncontrolling interests	4,238		4,187	
Total equity	20,031		22,474	
Total liabilities and equity	\$56,065		\$58,674	

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

Table of Contents

## FREEPORT-McMoRan INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(In millions, except per share amounts)	
Revenues	\$4,153	\$4,985
Cost of sales:		
Production and delivery	2,912	2,737
Depreciation, depletion and amortization	939	966
Impairment of oil and gas properties	3,104	—
Total cost of sales	6,955	3,703
Selling, general and administrative expenses	154	135
Mining exploration and research expenses	33	30
Environmental obligations and shutdown costs	13	6
Net gain on sale of assets	(39)	) —
Total costs and expenses	7,116	3,874
Operating (loss) income	(2,963)	) 1,111
Interest expense, net	(146)	) (161)
Other income, net	7	33
(Loss) income before income taxes and equity in affiliated companies' net earnings	(3,102)	) 983
Benefit from (provision for) income taxes	695	(357)
Equity in affiliated companies' net earnings	1	—
Net (loss) income	(2,406)	) 626
Net income attributable to noncontrolling interests	(58)	) (106)
Preferred dividends attributable to redeemable noncontrolling interest	(10)	) (10)
Net (loss) income attributable to common stockholders	\$(2,474)	) \$510
Net (loss) income per share attributable to common stockholders:		
Basic	\$(2.38)	) \$0.49
Diluted	\$(2.38)	) \$0.49
Weighted-average common shares outstanding:		
Basic	1,040	1,038
Diluted	1,040	1,044
Dividends declared per share of common stock	\$0.05	\$0.3125

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

Table of Contents

## FREEPORT-McMoRan INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Net (loss) income	\$(2,406 )	\$626
Other comprehensive income, net of taxes:		
Defined benefit plans:		
Amortization of unrecognized amounts included in net periodic benefit costs	8	3
Foreign exchange gains	4	—
Other comprehensive income	12	3
Total comprehensive (loss) income	(2,394 )	629
Total comprehensive income attributable to noncontrolling interests	(58 )	(106 )
Preferred dividends attributable to redeemable noncontrolling interest	(10 )	(10 )
Total comprehensive (loss) income attributable to common stockholders	\$(2,462 )	\$513

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



Table of Contents

## FREEPORT-McMoRan INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Cash flow from operating activities:		
Net (loss) income	\$(2,406 )	\$626
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, depletion and amortization	939	966
Impairment of oil and gas properties	3,104	—
Net gain on sale of assets	(39 )	—
Net (gains) losses on crude oil and natural gas derivative contracts	(52 )	50
Net charges for environmental and asset retirement obligations, including accretion	53	46
Payments for environmental and asset retirement obligations	(42 )	(45 )
Deferred income taxes	(709 )	90
Increase in long-term mill and leach stockpiles	(82 )	(86 )
Other, net	37	(33 )
Decreases (increases) in working capital and changes in other tax payments, excluding amounts from disposition:		
Accounts receivable	316	179
Inventories	165	(180 )
Other current assets	(42 )	(34 )
Accounts payable and accrued liabilities	(402 )	(362 )
Accrued income taxes and other tax payments	(123 )	(16 )
Net cash provided by operating activities	717	1,201
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(107 )	(303 )
South America	(445 )	(423 )
Indonesia	(225 )	(236 )
Africa	(39 )	(31 )
Molybdenum mines	(3 )	(19 )
United States oil and gas operations	(1,018 )	(579 )
Other	(30 )	(21 )
Other, net	127	7
Net cash used in investing activities	(1,740 )	(1,605 )
Cash flow from financing activities:		
Proceeds from debt	2,273	1,149
Repayments of debt	(802 )	(987 )
Cash dividends and distributions paid:		
Common stock	(327 )	(326 )
Noncontrolling interests	(23 )	(77 )
Stock-based awards net (payments) proceeds, including excess tax benefit	(6 )	3
Debt financing costs and other, net	(7 )	(1 )
Net cash provided by (used in) financing activities	1,108	(239 )

Edgar Filing: FREEPORT-MCMORAN INC - Form 10-Q

Net increase (decrease) in cash and cash equivalents	85	(643	)
Cash and cash equivalents at beginning of year	464	1,985	
Cash and cash equivalents at end of period	\$549		