

PHELPS DODGE CORP
Form 10-Q
November 14, 2001

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarter ended September 30, 2001

Commission file number 1-82

PHELPS DODGE CORPORATION

(a New York corporation)

13-1808503

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

2600 North Central Avenue, Phoenix, AZ 85004-3089

Registrant's telephone number: (602) 234-8100

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

Number of Common Shares outstanding at November 8, 2001: 78,699,734 shares.

TABLE OF CONTENTS

Part I. Financial Information

Item 1. Financial Statements

STATEMENT OF CONSOLIDATED OPERATIONS

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY

FINANCIAL DATA BY BUSINESS SEGMENT

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

REVIEW BY INDEPENDENT ACCOUNTANTS

Report of Independent Accountants

Item 2. Management's Discussion and Analysis

RESULTS OF OPERATIONS

RESULTS OF PHELPS DODGE MINING COMPANY

RESULTS OF PHELPS DODGE INDUSTRIES

OTHER MATTERS RELATING TO THE STATEMENT OF CONSOLIDATED OPERATIONS

CHANGES IN FINANCIAL CONDITION

Part II. Other Information

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K

Signatures

Index to Exhibits

EX-3.2

EX-12

EX-15

Table of Contents

PHELPS DODGE CORPORATION

Quarterly Report on Form 10-Q

For the Quarter Ended September 30, 2001

Table of Contents

	Page
Part I. Financial Information	
Item 1. Financial Statements (unaudited)	
Statement of Consolidated Operations	1
Consolidated Balance Sheet	2
Consolidated Statement of Cash Flows	3
Consolidated Statement of Common Shareholders' Equity	4
Financial Data by Business Segment	5
Notes to Consolidated Financial Information	6
Review by Independent Accountants	12
Report of Independent Accountants	13
Item 2. Management's Discussion and Analysis	
Results of Operations	14
Results of Phelps Dodge Mining	

Edgar Filing: PHELPS DODGE CORP - Form 10-Q

Company	15
Results of Phelps Dodge Industries	17
Other Matters Relating to the Statement of Consolidated Operations	18
Changes in Financial Condition	19
Part II. Other Information	
Item 1. Legal Proceedings	20
Item 6. Exhibits and Reports on Form 8-K	20
Signatures	21
Index to Exhibits	21

Table of Contents

PHELPS DODGE CORPORATION AND SUBSIDIARIES

Part I. Financial Information

Item 1. Financial Statements

STATEMENT OF CONSOLIDATED OPERATIONS

(Unaudited; in millions except per share data)

	Third Quarter		First Nine Months	
	2001	2000	2001	2000
Sales and other operating revenues	\$937.0	1,193.4	3,101.2	3,426.0
Operating costs and expenses				
Cost of products sold	841.3	932.5	2,672.5	2,701.1
Depreciation, depletion and amortization	108.6	111.0	346.4	349.5
Selling and general administrative expense	25.9	32.7	89.6	99.7
Exploration and research expense	14.3	12.6	46.2	39.8
Non-recurring items, net (see Note 2)	(0.2)	3.3	(17.8)	49.6
	989.9	1,092.1	3,136.9	3,239.7
Operating income (loss)	(52.9)	101.3	(35.7)	186.3

Interest expense
 (58.7) (54.4) (167.6) (163.8)
 Capitalized interest
 2.2 0.6 3.5
 Miscellaneous income and expense, net
 3.2 4.8 17.8 16.2

**Income (loss) before taxes, minority interests,
 equity in net earnings (loss) of affiliated
 companies and cumulative effect of
 accounting change**

(108.4) 53.9 (184.9) 42.2
 (Provision) benefit for taxes on income
 8.4 (12.0) (5.7) (17.3)
 Minority interests in consolidated subsidiaries
 (0.6) (2.3) (3.5) (5.2)
 Equity in net earnings (loss) of affiliated
 companies
 0.2 (0.3) (0.6) 1.2

**Income (loss) before cumulative effect of
 accounting change**

(100.4) 39.3 (194.7) 20.9
 Cumulative effect of accounting change
 (2.0)

Net income (loss)

\$(100.4) 39.3 (196.7) 20.9

Average number of shares outstanding basic
78.5 78.4 78.5 78.4
**Basic earnings (loss) per share before
cumulative effect of accounting change**
\$ (1.28) 0.50 (2.48) 0.27
Cumulative effect of accounting change
(0.03)

Basic earnings (loss) per share
\$ (1.28) 0.50 (2.51) 0.27

**Average number of shares outstanding
diluted**
78.5 78.7 78.5 78.8
**Diluted earnings (loss) per share before
cumulative effect of accounting change**
\$ (1.28) 0.50 (2.48) 0.27
Cumulative effect of accounting change
(0.03)

Diluted earnings (loss) per share
\$ (1.28) 0.50 (2.51) 0.27

See Notes to Consolidated Financial Information.

Table of Contents**CONSOLIDATED BALANCE SHEET**

(Unaudited; in millions)

	September 30, 2001	December 31, 2000
Assets		
Cash and cash equivalents		
\$423.2	250.0	
Accounts receivable, net		
479.6	528.7	
Inventories and supplies		
582.9	602.7	
Prepaid expenses and other current assets		
138.8	126.2	
<hr/>		
<hr/>		
Current assets		
1,624.5	1,507.6	
Net property, plant and equipment and other assets		
6,097.6	6,278.1	
Non-current deferred income taxes		
55.8	45.1	
<hr/>		
<hr/>		
	\$7,777.9	7,830.8
<hr/>		
<hr/>		
Liabilities		
Short-term debt		
\$64.3	518.2	
Current portion of long-term debt		
374.6	206.5	
Accounts payable and accrued expenses		

672.1 669.8
 Accrued income taxes
 12.6 23.4

Current liabilities
 1,123.6 1,417.9
 Long-term debt
 2,555.0 1,963.0
 Deferred income taxes
 452.8 439.0
 Other liabilities and deferred
 credits
 833.9 814.2

4,965.3 4,634.1

**Minority interests in
 consolidated subsidiaries**
 59.9 91.7

Common shareholders equity

Common shares, par value
 \$6.25; 200.0 shares authorized;
 78.7 outstanding in 2001 and
 2000
 491.9 491.9
 Capital in excess of par value
 1,017.0 1,017.7
 Retained earnings
 1,575.9 1,831.7
 Accumulated other
 comprehensive loss
 (324.8) (226.4)
 Other
 (7.3) (9.9)

2,752.7 3,105.0

\$7,777.9 7,830.8

See Notes to Consolidated Financial Information.

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited; in millions)

	Nine Months Ended September 30,	
	2001	2000
Operating activities		
Net income (loss)		
\$(196.7) 20.9		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	346.4	349.5
Deferred income taxes	1.0	13.2
Equity earnings net of dividends received	1.9	
Non-recurring items and provisions (see Note 2)	(21.6)	56.7
Changes in current assets and liabilities:		
Accounts receivable	29.1	(103.4)
Inventories	15.8	39.6
Supplies	(4.0)	(2.8)
Prepaid expenses	(12.5)	0.8
Deferred income taxes	(0.1)	
Interest payable	52.7	20.7
Other accounts payable	(5.1)	6.9
Accrued income taxes	(9.5)	(38.1)
Other accrued expenses	(26.0)	(55.5)
Other adjustments, net	5.7	4.7

Net cash provided by operating
activities
177.2 313.1

Investing activities

Capital outlays
(201.9) (277.6)
Capitalized interest
(0.6) (3.0)
Investment in subsidiaries and
other
(47.7) (13.4)
Proceeds from asset dispositions
and other, net
0.8 152.4

Net cash used in investing
activities
(249.4) (141.6)

Financing activities

Increase in debt
1,178.3 69.2
Payment of debt
(885.2) (112.0)
Common dividends
(59.1) (118.1)
Other, net
11.4 1.1

Net cash provided by (used in)
financing activities
245.4 (159.8)

**Increase in cash and cash
equivalents**
173.2 11.7
**Cash and cash equivalents at
beginning of period**
250.0 234.2

**Cash and cash equivalents at
end of period**
\$423.2 245.9

See Notes to Consolidated Financial Information.

Table of Contents

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY

(Unaudited; in millions)

	Common Shares				Accumulated		
	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings	Other Comprehensive Income (Loss)	Other	Common Shareholders' Equity
Balance at December 31, 2000	78.7	\$491.9	\$1,017.7	\$1,831.7	\$(226.4)	\$(9.9)	\$3,105.0
Stock options exercised	0.4	0.4					
Restricted shares issued, net	(1.1)	2.6	1.5				
Dividends on common shares	(59.1)	(59.1)					
Comprehensive income (loss):							
Net loss		(196.7)	(196.7)				
Other comprehensive income (loss), net of tax:							
Translation adjustment							