

FREEPORT MCMORAN COPPER & GOLD INC

Form 8-K

April 24, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 24, 2003

FREEPORT-McMoRan COPPER & GOLD INC.

Delaware

1-9916

74-2480931

(State or other

(Commission

(IRS Employer

jurisdiction of

File Number)

Identification

incorporation or

Number)

organization)

1615 Poydras Street

New Orleans, Louisiana 70112

Registrant's telephone number, including area code: (504) 582-4000

Item 5. Other Events and Regulation FD Disclosure.

The following information is being provided by Freeport-McMoRan Copper & Gold Inc. to comply with Securities and Exchange Commission rules, which became effective on March 28, 2003. The new rules require us to reconcile certain financial measures provided in our Annual Report on Form 10-K for the year ended December 31, 2002, to the most directly comparable measures in our audited financial statements. Our reconciliations cover PT Freeport Indonesia's product revenues and production costs, and cathode cash production costs per pound of copper for Atlantic Copper and PT Smelting for the five years ended December 31, 2002.

PT FREEPORT INDONESIA PRODUCT REVENUES AND PRODUCTION COSTS

Net cash production costs per pound of copper is a measure intended to provide investors with information about the cash generating capacity of our mining operations in Indonesia. This measure is presented by other copper and gold mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

We calculate gross profit per pound of copper under a by-product method, while the copper, gold and silver contained within our concentrates are treated as co-products in our financial statements. We use the by-product method in our presentation of gross profit per pound of copper because (1) we believe the market views us as a copper company, (2) we produce and sell one product, concentrates, which contains all three metals and (3) there is no objective basis for specifically assigning our costs to revenues from the copper, gold and silver we produce in concentrates. In the co-product method presentation below, we have allocated costs to the different products based on their relative revenue values for each period presented. Presentations under both methods are presented below along with a reconciliation to amounts reported in FCX's consolidated financial statements.

**Year Ended December
31, 2002**

| (In Thousands) | By-Product Method | | Co-Product Method | | Total |
|--|-------------------|--------------|-------------------|-----------|--------------|
| | | Copper | Gold | Silver | |
| Revenues | \$ 1,077,277 | \$ 1,077,277 | \$ 715,940 | \$ 18,408 | \$ 1,811,625 |
| Site production and delivery | 547,753 | 325,720 | 216,467 | 5,566 | 547,753 |
| Gold and silver credits | (734,348) | - | - | - | - |
| Treatment charges | 278,504 | 165,611 | 110,063 | 2,830 | 278,504 |
| Royalty on metals | 24,532 | 14,588 | 9,695 | 249 | 24,532 |
| Net cash production costs | 116,441 | 505,919 | 336,225 | 8,645 | 850,789 |
| Depreciation and amortization | 218,716 | 130,059 | 86,435 | 2,222 | 218,716 |
| Total production costs | 335,157 | 635,978 | 422,660 | 10,867 | 1,069,505 |
| Adjustments to prior period sales and for silver hedging | 10,421 | 9,591 | - | 830 | 10,421 |
| Gross profit | \$ 752,541 | \$ 450,890 | \$ 293,280 | \$ 8,371 | \$ 752,541 |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| Pounds of copper sold (000) | 1,522,300 | 1,522,300 | | |
| Ounces of gold sold | | | 2,293,200 | |
| Ounces of silver sold | | | | 4,116,100 |
| Gross profit per pound of copper (cents)/ per ounce of gold and silver (\$): | | | | |
| Revenues | 70.6 | 70.6 | 311.97 | 4.66 |
| Site production and delivery | 36.0 | 21.4 | 94.40 | 1.35 |
| Gold and silver credits | (48.2) | - | - | - |
| Treatment charges | 18.3 | 10.9 | 48.00 | 0.69 |
| Royalty on metals | 1.6 | 1.0 | 4.23 | 0.06 |
| Net cash production costs | 7.7 | 33.3 | 146.63 | 2.10 |
| Depreciation and amortization | 14.4 | 8.5 | 37.69 | 0.54 |
| Total production costs | 22.1 | 41.8 | 184.32 | 2.64 |
| Adjustments to prior period sales | 0.9 | 0.8 | 0.24 | 0.01 |
| Gross profit per pound/ounce | 49.4 | 29.6 | 127.89 | 2.03 |

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Reconciliation to Amounts Reported

| (In Thousands) | Revenues | Production and Delivery | Depreciation and Amortization |
|--|--------------|-------------------------|-------------------------------|
| Totals presented above | \$ 1,811,625 | \$ 547,753 | \$ 218,716 |
| Less: Treatment charges per above | (278,504) | N/A | N/A |
| Royalty per above | (24,532) | N/A | N/A |
| Other, primarily noncash costs | N/A | 7,117 | N/A |
| Adjustments per above | 10,421 | N/A | N/A |
| Mining and exploration segment | 1,519,010 | 554,870 | 218,716 |
| Smelting and refining segment | 768,680 | 729,789 | 27,652 |
| Eliminations and other | (377,228) | (346,197) | 14,078 |
| As reported in FCX consolidated financial statements | \$ 1,910,462 | \$ 938,462 | \$ 260,446 |

Year Ended December 31, 2001

By-Product

Co-Product Method

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| (In Thousands) | Method | Copper | Gold | Silver | Total |
|--|------------|------------|------------|-----------|--------------|
| Revenues | \$ 968,484 | \$ 968,484 | \$ 710,835 | \$ 15,995 | \$ 1,695,314 |
| Site production and delivery | 542,699 | 310,028 | 227,550 | 5,121 | 542,699 |
| Gold and silver credits | (726,830) | - | - | - | - |
| Treatment charges | 254,485 | 145,380 | 106,704 | 2,401 | 254,485 |
| Royalty on metals | 24,302 | 13,883 | 10,190 | 229 | 24,302 |
| Net cash production costs | 94,656 | 469,291 | 344,444 | 7,751 | 821,486 |
| Depreciation and amortization | 251,835 | 143,866 | 105,593 | 2,376 | 251,835 |
| Total production costs | 346,491 | 613,157 | 450,037 | 10,127 | 1,073,321 |
| Adjustments to prior period sales and for silver hedging | (2,413) | (4,528) | - | 2,115 | (2,413) |
| Gross profit | \$ 619,580 | \$ 350,799 | \$ 260,798 | \$ 7,983 | \$ 619,580 |
| Pounds of copper sold (000) | 1,399,100 | 1,399,100 | | | |
| Ounces of gold sold | | | 2,644,800 | | |
| Ounces of silver sold | | | | 3,782,600 | |
| Gross profit per pound of copper (cents)/ per ounce of gold and silver (\$): | | | | | |
| Revenues | 69.0 | 69.0 | 269.24 | 4.80 | |
| Site production and delivery | 38.8 | 22.2 | 86.04 | 1.35 | |
| Gold and silver credits | (51.9) | - | - | - | |
| Treatment charges | 18.2 | 10.4 | 40.34 | 0.63 | |
| Royalty on metals | 1.7 | 1.0 | 3.85 | 0.06 | |
| Net cash production costs | 6.8 | 33.6 | 130.23 | 2.04 | |
| Depreciation and amortization | 18.0 | 10.3 | 39.92 | 0.63 | |
| Total production costs | 24.8 | 43.9 | 170.15 | 2.67 | |
| Adjustments to prior period sales | 0.1 | - | (0.48) | (0.02) | |
| Gross profit per pound/ounce | 44.3 | 25.1 | 98.61 | 2.11 | |

Reconciliation to Amounts Reported

| (In Thousands) | Revenues | Production and Delivery | Depreciation and Amortization |
|-----------------------------------|--------------|-------------------------|-------------------------------|
| Totals presented above | \$ 1,695,314 | \$ 542,699 | \$ 251,835 |
| Less: Treatment charges per above | (254,485) | N/A | N/A |
| Royalty per above | (24,302) | N/A | N/A |
| Other, primarily noncash costs | N/A | 3,159 | N/A |
| Adjustments per above | (2,413) | N/A | N/A |
| Mining and exploration segment | 1,414,114 | 545,858 | 251,835 |

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| | | | |
|--|--------------|------------|------------|
| Smelting and refining segment | 758,282 | 738,618 | 27,262 |
| Eliminations and other | (333,530) | (341,037) | 4,792 |
| As reported in FCX consolidated financial statements | \$ 1,838,866 | \$ 943,439 | \$ 283,889 |

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Year Ended December 31, 2000

| (In Thousands) | By-Product Method | Copper | Co-Product Method Gold | Silver | Total |
|--|-------------------|--------------|------------------------|-----------|--------------|
| Revenues | \$ 1,136,997 | \$ 1,136,997 | \$ 530,920 | \$ 17,030 | \$ 1,684,947 |
| Site production and delivery | 595,545 | 401,872 | 187,654 | 6,019 | 595,545 |
| Gold and silver credits | (547,950) | - | - | - | - |
| Treatment charges | 254,271 | 171,581 | 80,120 | 2,570 | 254,271 |
| Royalty on metals | 20,162 | 13,605 | 6,353 | 204 | 20,162 |
| Net cash production costs | 322,028 | 587,058 | 274,127 | 8,793 | 869,978 |
| Depreciation and amortization | 250,864 | 169,282 | 79,046 | 2,536 | 250,864 |
| Total production costs | 572,892 | 756,340 | 353,173 | 11,329 | 1,120,842 |
| Adjustments to prior period sales and for silver hedging | 2,585 | 1,977 | - | 608 | 2,585 |
| Gross profit | \$ 566,690 | \$ 382,634 | \$ 177,747 | \$ 6,309 | \$ 566,690 |
| Pounds of copper sold (000) | 1,393,700 | 1,393,700 | | | |
| Ounces of gold sold | | | 1,921,400 | | |
| Ounces of silver sold | | | | 3,542,300 | |
| Gross profit per pound of copper (cents)/ per ounce of gold and silver (\$): | | | | | |
| Revenues | 81.6 | 81.6 | 276.06 | 4.98 | |
| Site production and delivery | 42.7 | 28.8 | 97.67 | 1.70 | |
| Gold and silver credits | (39.3) | - | - | - | |
| Treatment charges | 18.2 | 12.3 | 41.70 | 0.73 | |
| Royalty on metals | 1.4 | 1.0 | 3.31 | 0.06 | |
| Net cash production costs | 23.0 | 42.1 | 142.68 | 2.49 | |
| Depreciation and amortization | 18.0 | 12.1 | 41.14 | 0.72 | |
| Total production costs | 41.0 | 54.2 | 183.82 | 3.21 | |
| Adjustments to prior period sales | 0.1 | 0.1 | 0.27 | 0.01 | |
| Gross profit per pound/ounce | 40.7 | 27.5 | 92.51 | 1.78 | |

Reconciliation to Amounts Reported

| (In Thousands) | Revenues | Production and Delivery | Depreciation and Amortization |
|--|--------------|-------------------------|-------------------------------|
| Totals presented above | \$ 1,684,947 | \$ 595,545 | \$ 250,864 |
| Less: Treatment charges per above | (254,271) | N/A | N/A |
| Royalty per above | (20,162) | N/A | N/A |
| Other, primarily noncash costs | N/A | 12,562 | N/A |
| Adjustments per above | 2,585 | N/A | N/A |
| Mining and exploration segment | 1,413,099 | 608,107 | 250,864 |
| Smelting and refining segment | 768,814 | 734,083 | 27,989 |
| Eliminations and other | (313,303) | (329,228) | 4,703 |
| As reported in FCX consolidated financial statements | \$ 1,868,610 | \$ 1,012,962 | \$ 283,556 |

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Year Ended December 31, 1999

| (In Thousands) | By-Product Method | Copper | Co-Product Method | | Total |
|--|-------------------|--------------|-------------------|-----------|--------------|
| Revenues | \$ 1,079,005 | \$ 1,079,005 | \$ 670,467 | \$ 17,611 | \$ 1,767,083 |
| Site production and delivery | 526,127 | 321,260 | 199,623 | 5,244 | 526,127 |
| Gold and silver credits | (688,078) | - | - | - | - |
| Treatment charges | 272,843 | 166,602 | 103,522 | 2,719 | 272,843 |
| Royalty on metals | 23,014 | 14,053 | 8,732 | 229 | 23,014 |
| Net cash production costs | 133,906 | 501,915 | 311,877 | 8,192 | 821,984 |
| Depreciation and amortization | 259,372 | 158,376 | 98,411 | 2,585 | 259,372 |
| Total production costs | 393,278 | 660,291 | 410,288 | 10,777 | 1,081,356 |
| Adjustments to prior period sales and for silver hedging | (8,928) | (9,483) | - | 555 | (8,928) |
| Gross profit | \$ 676,799 | \$ 409,231 | \$ 260,179 | \$ 7,389 | \$ 676,799 |
| Pounds of copper sold (000) | 1,441,000 | 1,441,000 | | | |
| Ounces of gold sold | | | 2,423,900 | | |
| Ounces of silver sold | | | | 3,479,600 | |

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Gross profit per pound of copper (cents)/ per ounce of gold and silver

| | | | | |
|-----------------------------------|--------|-------|--------|------|
| (\$): | | | | |
| Revenues | 74.7 | 74.7 | 276.53 | 5.21 |
| Site production and delivery | 36.5 | 22.3 | 82.36 | 1.51 |
| Gold and silver credits | (47.8) | - | - | - |
| Treatment charges | 18.9 | 11.6 | 42.71 | 0.78 |
| Royalty on metals | 1.6 | 1.0 | 3.60 | 0.07 |
| Net cash production costs | 9.2 | 34.9 | 128.67 | 2.36 |
| Depreciation and amortization | 18.0 | 11.0 | 40.60 | 0.74 |
| Total production costs | 27.2 | 45.9 | 169.27 | 3.10 |
| Adjustments to prior period sales | (0.5) | (0.4) | 0.08 | 0.01 |
| Gross profit per pound/ounce | 47.0 | 28.4 | 107.34 | 2.12 |

Reconciliation to Amounts Reported

| (In Thousands) | Revenues | Production and Delivery | Depreciation and Amortization |
|--|--------------|-------------------------|-------------------------------|
| Totals presented above | \$ 1,767,083 | \$ 526,127 | \$ 259,372 |
| Less: Treatment charges per above | (272,843) | N/A | N/A |
| Royalty per above | (23,014) | N/A | N/A |
| Other, primarily noncash costs | 2,513 | 7,992 | N/A |
| Adjustments per above | (8,928) | N/A | N/A |
| Mining and exploration segment | 1,464,811 | 534,119 | 259,372 |
| Smelting and refining segment | 764,466 | 723,966 | 29,373 |
| Eliminations and other | (341,949) | (323,536) | 4,468 |
| As reported in FCX consolidated financial statements | \$ 1,887,328 | \$ 934,549 | \$ 293,213 |

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Year Ended December 31, 1998

| (In Thousands) | By-Product Method | Copper | Co-Product Method Gold | Silver | Total |
|------------------------------|-------------------|--------------|------------------------|-----------|--------------|
| Revenues | \$ 1,033,221 | \$ 1,033,221 | \$ 634,852 | \$ 18,116 | \$ 1,686,189 |
| Site production and delivery | 456,828 | 279,924 | 171,996 | 4,908 | 456,828 |

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| | | | | | |
|-----------------------------------|------------|------------|------------|----------|------------|
| Gold and silver credits | (652,968) | - | - | - | - |
| Treatment charges | 333,598 | 204,414 | 125,600 | 3,584 | 333,598 |
| Royalty on metals | 18,800 | 11,520 | 7,078 | 202 | 18,800 |
| Net cash production costs | 156,258 | 495,858 | 304,674 | 8,694 | 809,226 |
| Depreciation and amortization | 241,312 | 147,865 | 90,854 | 2,593 | 241,312 |
| Total production costs | 397,570 | 643,723 | 395,528 | 11,287 | 1,050,538 |
| Adjustments to prior period sales | 17,332 | 17,332 | - | - | 17,332 |
| Gross profit | \$ 652,983 | \$ 406,830 | \$ 239,324 | \$ 6,829 | \$ 652,983 |

| | | | | |
|-----------------------------|-----------|-----------|-----------|-----------|
| Pounds of copper sold (000) | 1,419,500 | 1,419,500 | | |
| Ounces of gold sold | | | 2,190,300 | |
| Ounces of silver sold | | | | 3,412,300 |

Gross profit per pound of copper (cents)/ per ounce of gold and silver (\$):

| | | | | |
|-----------------------------------|--------|------|--------|------|
| Revenues | 72.8 | 72.8 | 290.57 | 5.29 |
| Site production and delivery | 32.2 | 19.7 | 78.53 | 1.44 |
| Gold and silver credits | (46.0) | - | - | - |
| Treatment charges | 23.5 | 14.4 | 57.34 | 1.05 |
| Royalty on metals | 1.3 | 0.8 | 3.23 | 0.06 |
| Net cash production costs | 11.0 | 34.9 | 139.10 | 2.55 |
| Depreciation and amortization | 17.0 | 10.4 | 41.48 | 0.76 |
| Total production costs | 28.0 | 45.3 | 180.58 | 3.31 |
| Adjustments to prior period sales | 1.2 | 1.2 | (0.72) | 0.02 |
| Gross profit per pound/ounce | 46.0 | 28.7 | 109.27 | 2.00 |

Reconciliation to Amounts Reported

| (In Thousands) | Revenues | Production and Delivery | Depreciation and Amortization |
|--|--------------|-------------------------|-------------------------------|
| Totals presented above | \$ 1,686,189 | \$ 456,828 | \$ 241,312 |
| Less: Treatment charges per above | (333,598) | N/A | N/A |
| Royalty per above | (18,800) | N/A | N/A |
| Other, primarily noncash costs | N/A | 4,416 | N/A |
| Adjustments per above | 17,332 | N/A | N/A |
| Mining and exploration segment | 1,351,123 | 461,244 | 241,312 |
| Smelting and refining segment | 753,957 | 667,904 | 31,711 |
| Eliminations and other | (347,948) | (329,821) | 4,384 |
| As reported in FCX consolidated financial statements | \$ 1,757,132 | \$ 799,327 | \$ 277,407 |

CATHODE CASH PRODUCTION COST PER POUND OF COPPER

Cathode cash production cost per pound of copper is a measure intended to provide investors with information about the costs associated with our smelting operations in Spain and with our 25 percent-owned smelting operations in Indonesia. Other smelting companies present this measure, although our measure may not be comparable to similarly titled measures reported by other companies.

ATLANTIC COPPER. Below is a reconciliation of our smelting and refining segment production costs reported in FCX's consolidated financial statements to the production costs used to calculate our cathode cash production cost per pound of copper for Atlantic Copper (in thousands, except per pound amounts):

| | Years Ended December 31, | | | | |
|--|--------------------------|------------|------------|------------|------------|
| | 2002 | 2001 | 2000 | 1999 | 1998 |
| Smelting and refining segment production costs reported in FCX's consolidated financial statements | \$ 729,789 | \$ 738,618 | \$ 734,083 | \$ 723,966 | \$ 667,904 |
| Less: | | | | | |
| Raw material purchase costs | (330,516) | (355,241) | (424,798) | (361,036) | (332,645) |
| Production costs of wire rod and wire | (48,953) | (52,738) | (29,766) | (21,693) | (32,163) |
| Production costs of anodes sold | (9,264) | (10,522) | (6,450) | (8,426) | (9,501) |
| Currency hedging | (1,168) | (3,016) | (16,441) | (14,959) | 2,928 |
| Other | (5,211) | (5,295) | (2,202) | (5,097) | (3,937) |
| Add: | | | | | |
| Gold and silver revenues | (250,766) | (227,820) | (175,858) | (226,528) | (204,799) |
| Acid and other by-product revenues | (17,256) | (13,301) | (13,966) | (16,016) | (16,671) |
| Production costs used in calculating cathode cash production cost per pound | \$ 66,655 | \$ 70,685 | \$ 64,602 | \$ 70,211 | \$ 71,116 |
| Pounds of cathode produced | 552,200 | 518,700 | 567,900 | 556,600 | 544,800 |
| Cathode cash production cost per pound before hedging | \$0.12 | \$0.14 | \$0.11 | \$0.13 | \$0.13 |

PT SMELTING. Below is a reconciliation of the production costs used to calculate PT Smelting's cathode cash production cost per pound of copper to our equity in PT Smelting earnings (losses) reported in FCX's consolidated financial statements (in thousands, except per pound amounts):

| | Years Ended December 31, | | | |
|--|--------------------------|-----------|-----------|-------------|
| | 2002 | 2001 | 2000 | 1999 (1) |
| Production costs PT Smelting (100%) | \$ 64,108 | \$ 59,943 | \$ 49,544 | \$ 34,966 |
| Add: Gold and silver refining charges | 4,263 | 5,724 | 3,029 | 1,892 |
| Less: Acid and other by-product revenues | (5,275) | (7,915) | (5,713) | (3,330) |
| Production cost of anodes sold | (4,148) | (680) | (3,042) | (909) |
| Production costs during start-up | - | - | - | (11,491)(2) |
| Production cost used in calculating cathode cash production cost | \$ 58,948 | \$ 57,072 | \$ 43,818 | \$ 21,128 |
| Cathode production | 424,100 | 468,400 | 349,200 | 182,200(2) |
| Cathode cash production cost per pound | \$ 0.14 | \$ 0.12 | \$ 0.13 | \$ 0.12 |

Reconciliation to Amounts Reported

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Production costs per above | \$ (64,108) | \$ (59,943) | \$ (49,544) | \$ (34,966) |
| Other costs | (517,438) | (599,502) | (485,985) | (302,193) |
| Revenue and other income | 565,788 | 639,862 | 482,123 | 296,863 |
| PT Smelting net income (loss) | (15,758) | (19,583) | (53,406) | (40,296) |
| PT Freeport Indonesia's 25% equity interest | (3,940) | (4,896) | (13,352) | (10,074) |
| Amortization of excess investment cost | (241) | (241) | (241) | - |
| Equity in PT Smelting earnings (losses) per FCX consolidated financial statements | \$ (4,181) | \$ (5,137) | \$ (13,593) | \$ (10,074) |

(1)

Operations began in the fourth quarter of 1998 and amounts were insignificant for 1998.

(2)

Excludes 17.9 million pounds of cathodes produced during the start-up period from January through April 1999.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FREEPORT-McMoRan COPPER & GOLD INC.

By: \s\ C. Donald Whitmire, Jr.

C. Donald Whitmire, Jr.

Vice President and Controller -

Financial Reporting

(authorized signatory and

Principal Accounting Officer)

Date: April 24, 2003