PHELPS DODGE CORP
Form 10-Q/A
July 31, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

For the quarter ended June 30, 2003

Commission file number 1-82

PHELPS DODGE CORPORATION

(a New York corporation)

13-1808503

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

One North Central Avenue, Phoenix, AZ 85004

Registrant s telephone number: (602) 366-8100

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 x No o .

Indicate by a check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No o .

Number of Common Shares outstanding at July 24, 2003: 89,040,960 shares.

PHELPS DODGE CORPORATION

Quarterly Report on Form 10-Q

For the Quarter Ended June 30, 2003

Table of Contents

Explanatory Note

This Form 10-Q/A constitutes Amendment No. 1 to the Registrant s 10-Q for the fiscal quarter ended June 30, 2003. The following changes are reflected:

(1) The Section 302 certifications have been filed as Exhibit 31 in the form contained in the SEC s Release No. 33-8238 and the Section 906 certifications have been furnished as Exhibit 32; and
(2) Part I, Item 4 has been revised to indicate that management has reviewed the Registrant s internal disclosure controls and procedures as of the end of the period covered by the report.

There are no other changes to the Registrant s Form 10-Q, as amended by Amendment No. 1 thereto.

-1-

PHELPS DODGE CORPORATION AND SUBSIDIARIES

Part I. Financial Information

Item 1. Financial Statements

STATEMENT OF CONSOLIDATED OPERATIONS
(Unaudited; in millions except per share data)

	Second Quarter		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
		(As Restated)*		**(As Restated)***
Sales and other operating revenues	$ 962.2	966.8	1,940.2	1,885.3
Operating costs and expenses				
Cost of products sold (exclusive of items shown separately below)	787.0	804.6	1,594.3	1,570.4
Depreciation, depletion and amortization	107.2	103.1	208.8	206.0
Selling and general administrative expense	35.8	29.8	68.5	62.0
Exploration and research expense	12.9	9.2	22.5	17.9
Special items and provisions, net (see Note 5)	2.1	30.3	0.2	26.5
	945.0	977.0	1,894.3	1,882.8
Operating income (loss)	17.2	(10.2)	45.9	2.5
Interest expense	(37.0)	(49.2)	(73.0)	(102.0)
Capitalized interest	0.1		0.2	
Miscellaneous income (expense), net	12.3	(0.3)	13.2	1.7
Loss before taxes, minority interests, equity in net earnings of affiliated companies and cumulative effect of accounting change	(7.4)	(59.7)	(13.7)	(97.8)
Benefit (provision) for taxes on income (see Note 10)	(6.5)	27.5	(21.9)	64.5
Minority interests in consolidated subsidiaries	(1.9)	(2.7)	(4.0)	(4.0)
Equity in net earnings of affiliated companies	0.6	0.6	1.0	1.1
Loss before cumulative effect of accounting change	(15.2)	(34.3)	(38.6)	(36.2)
Cumulative effect of accounting change, net of tax of $(1.3) in 2003 and $10.1 in 2002			8.4	(22.9)
Net loss	$ (15.2)	(34.3)	(30.2)	(59.1)
Preferred stock dividends	(3.4)	(2.4)	(6.8)	(2.4)
Loss applicable to common shares	$ (18.6)	(36.7)	(37.0)	(61.5)
Average number of common shares outstanding basic	88.6	80.6	88.6	79.6
Basic loss per common share before cumulative effect of accounting change	$ (0.21)	(0.46)	(0.51)	(0.48)
Cumulative effect of accounting change			0.09	(0.29)
Basic loss per common share	$ (0.21)	(0.46)	(0.42)	(0.77)

Average number of common shares outstanding diluted**	88.6	80.6	88.6	79.6
Diluted loss per common share before cumulative effect of accounting change	$ (0.21)	(0.46)	(0.51)	(0.48)
Cumulative effect of accounting change			0.09	(0.29)
Diluted loss per common share**	$ (0.21)	(0.46)	(0.42)	(0.77)

* Refer to Note 2 to Consolidated Financial Information.

** Diluted loss per share would have been anti-dilutive if based on fully diluted shares adjusted to reflect the assumed conversion of mandatory convertible preferred shares to common shares and stock option exercises.

See Notes to Consolidated Financial Information

CONSOLIDATED BALANCE SHEET
(Unaudited; in millions except per share prices)

	June 30, 2003	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 298.2	349.8
Accounts receivable, less allowance for doubtful accounts (2003 - $15.4; 2002 - $14.1)	492.1	391.1
Mill and leach stockpiles	32.6	48.9
Inventories	385.4	398.5
Supplies	142.2	142.8
Prepaid expenses and other current assets	22.9	26.5
Deferred income taxes	72.2	70.6
Current assets	1,445.6	1,428.2
Investments and long-term receivables	134.1	132.3
Property, plant and equipment, net (see Note 3)	4,740.9	4,813.7
Long-term mill and leach stockpiles	77.3	64.3
Deferred income taxes	8.5	11.0
Goodwill	99.6	90.7
Intangible assets (see Note 3)	334.6	345.9
Other assets and deferred charges	117.3	142.9
	$6,957.9	7,029.0
Liabilities		
Current liabilities:		
Short-term debt	$ 61.5	35.2
Current portion of long-term debt	134.7	127.0
Accounts payable and accrued expenses	562.9	609.1
Dividends payable	3.4	3.4
Accrued income taxes	22.0	9.4
Current liabilities	784.5	784.1
Long-term debt	1,864.9	1,948.4
Deferred income taxes	434.7	430.8
Other liabilities and deferred credits	983.0	986.8
	4,067.1	4,150.1
Minority interests in consolidated subsidiaries	71.8	65.3
Shareholders equity		
Common shares, par value $6.25; 200.0 shares authorized; 89.0 outstanding in 2003 and 88.9 outstanding in 2002	556.2	555.6
Cumulative preferred shares, par value $1.00; 6.0 shares authorized; 2.0 outstanding in 2003 and 2002	2.0	2.0
Capital in excess of par value	1,554.6	1,552.1
Retained earnings	1,136.3	1,173.3
Accumulated other comprehensive loss	(418.3)	(458.5)
Other	(11.8)	(10.9)

	2,819.0	2,813.6
	$6,957.9	7,029.0

See Notes to Consolidated Financial Information

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited; in millions)

	Six Months Ended June 30,	
	2003	**2002**
		(As Restated)*
Operating activities		
Net loss	$ (30.2)	(59.1)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	208.8	206.0
Deferred income taxes	3.5	(3.1)
Equity earnings (losses), net of dividends received	(0.3)	1.2
Special items and provisions	(6.2)	27.7
Cumulative effect of accounting change	(9.7)	33.0
Changes in current assets and liabilities:		
Accounts receivable	(86.8)	(24.2)
Proceeds from sale of accounts receivable	(5.3)	4.7
Mill and leach stockpiles	16.3	11.5
Inventories	18.8	37.4
Supplies	1.6	(0.3)
Prepaid expenses	(2.7)	(9.9)
Interest payable	0.5	(7.5)
Other accounts payable	(9.2)	(29.7)
Accrued income taxes	13.9	1.5
Other accrued expenses	(47.9)	(15.6)
Other adjustments, net	(28.1)	6.1
Net cash provided by operating activities	37.0	179.7
Investing activities		
Capital outlays	(76.7)	(48.9)
Capitalized interest	(0.2)	
Investment in subsidiaries, net of cash received	(0.6)	(1.9)
Proceeds from asset dispositions	13.1	24.6
Other investing, net	3.4	(28.7)
Net cash used in investing activities	(61.0)	(54.9)
Financing activities		
Proceeds from issuance of debt	23.2	16.8
Payment of debt	(78.3)	(246.7)
Preferred dividends	(6.8)	
Issuance of shares		592.2
Other financing, net	34.3	(3.7)
Net cash provided by (used in) financing activities	(27.6)	358.6
(Decrease) increase in cash and cash equivalents	(51.6)	483.4
Cash and cash equivalents at beginning of period	349.8	386.9
Cash and cash equivalents at end of period	$298.2	870.3

* Refer to Note 2 to Consolidated Financial Information.

See Notes to Consolidated Financial Information

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
(Unaudited; in millions)

	Common Shares		Preferred Shares				Accumulated		
	Number of Shares	At Par Value	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings	Other Comprehensive Income (Loss)	Other	Shareholders Equity
Balance at December 31, 2002	88.9	$555.6	2.0	$2.0	$1,552.1	$1,173.3	$ (458.5)	$(10.9)	$2,813.6
Stock options exercised					0.1				0.1
Restricted shares issued/cancelled, net	0.1	0.6			2.4			(0.9)	2.1
Dividends on preferred shares						(6.8)			(6.8)
Comprehensive income (loss):									
Net loss						(30.2)			(30.2)
Other comprehensive income (loss), net of tax:									
Translation adjustment							35.7		35.7
Net gain on derivative instruments							4.1		4.1
Other investment adjustments							(0.2)		(0.2)
Unrealized gains on securities							0.6		0.6
Other comprehensive income							40.2		40.2
Comprehensive loss									10.0
Balance at June 30, 2003	89.0	$556.2	2.0	$2.0	$1,554.6	$1,136.3	$ (418.3)	$(11.8)	$2,819.0

See Notes to Consolidated Financial Information

FINANCIAL DATA BY BUSINESS SEGMENT
(Unaudited; in millions)

	U.S. Mines					South American Mines			
	Morenci	Bagdad/ Sierrita	Miami/ Bisbee	Chino/ Cobre	Tyrone	Candelaria	Cerro Verde	El Abra	Primary Molybdenum
Second Quarter 2003									
Sales and other operating revenues:									
Unaffiliated customers				0.1		60.0	9.0	30.0	93.4
Intersegment	138.1	119.4	9.2	8.4	21.9	7.1	28.4	20.8	
Depreciation, depletion and amortization	20.3	7.8	1.5	2.0	3.5	9.7	7.3	17.1	6.8
Operating income (loss) before special items and provisions	4.9	18.3	(2.6)	(2.8)	(4.5)	13.6	8.6	5.2	0.4
Special items and provisions			(0.5)						
Operating income (loss)	4.9	18.3	(3.1)	(2.8)	(4.5)	13.6	8.6	5.2	0.4
Assets at June 30	1,051.2	749.0	122.0	297.1	164.3	643.6	433.4	539.9	784.3
Expenditures for segment assets	3.8	4.6	0.1	0.6		1.0	0.9	0.5	2.7
Second Quarter 2002 (as restated)									
Sales and other operating revenues:									
Unaffiliated customers				0.3		37.6	10.7	47.7	63.0
Intersegment	138.0	72.9	2.4	12.1	25.8	40.4	23.6	30.5	
Depreciation, depletion and amortization	19.9	6.6	1.3	2.7	3.1	9.4	7.6	16.2	6.2
Operating income (loss) before special items and provisions	12.9	4.5	(3.8)	1.3	0.6	13.2	6.8	0.2	0.5
Special items and provisions									
Operating income (loss)	12.9	4.5	(3.8)	1.3	0.6	13.2	6.8	0.2	0.5
Assets at June 30	1,121.0	767.5	129.0	407.4	145.9	646.9	441.0	542.8	792.5
Expenditures for segment assets	0.6	8.8	0.1	0.8	2.5	0.6	1.2	1.1	2.6

	Manufacturing and Sales	Other Mining	PDMC Elimi-nations	PDMC Subtotal	Specialty Chemicals	Wire & Cable	PDI Subtotal	Corporate, Other & Elimi-nations	Totals
Second Quarter 2003									
Sales and other operating revenues:									
Unaffiliated customers	443.4	5.7		641.6	166.1	154.5	320.6		962.2
Intersegment	70.1	17.7	(410.2)	30.9		0.1	0.1	(31.0)	
Depreciation, depletion and amortization	4.0	2.0		82.0	11.7	8.9	20.6	4.6	107.2
Operating income (loss) before special items and provisions	6.5	(21.3)		26.3	15.0	3.5	18.5	(25.5)	19.3
Special items and provisions				(0.5)				(1.6)	(2.1)
Operating income (loss)	6.5	(21.3)		25.8	15.0	3.5	18.5	(27.1)	17.2
Assets at June 30	486.2	1,490.6	(1,593.4)	5,168.2	737.0	518.2	1,255.2	534.5	6,957.9
Expenditures for segment assets	1.9	1.0		17.1	5.9	4.1	10.0	22.9	50.0
Second Quarter 2002 (as restated)									

Sales and other operating revenues:									
Unaffiliated customers	478.8	6.4		644.5	140.5	181.8	322.3		966.8
Intersegment	109.3	13.0	(430.7)	37.3				(37.3)	
Depreciation, depletion and amortization	6.0	0.6		79.6	10.7	10.7	21.4	2.1	103.1
Operating income (loss) before special items and provisions	(1.0)	(17.9)		17.3	17.0	3.3	20.3	(17.5)	20.1
Special items and provisions		20.9		20.9				(51.2)	(30.3)
Operating income (loss)	(1.0)	3.0		38.2	17.0	3.3	20.3	(68.7)	(10.2)
Assets at June 30	528.5	1,724.5	(1,831.5)	5,415.5	687.8	572.3	1,260.1	1,216.8	7,892.4
Expenditures for segment assets	1.5	0.9		20.7	3.2	2.6	5.8	1.5	28.0

FINANCIAL DATA BY BUSINESS SEGMENT
(Unaudited; in millions)

	U.S. Mines					South American Mines			
	Morenci	Bagdad/ Sierrita	Miami/ Bisbee	Chino/ Cobre	Tyrone	Candelaria	Cerro Verde	El Abra	Primary Molybdenum
Six Months Ended 2003									
Sales and other operating revenues:									
Unaffiliated customers				0.2		119.2	18.9	61.5	169.3
Intersegment	274.3	214.8	18.2	17.8	48.6	30.6	55.6	41.8	
Depreciation, depletion and amortization	39.0	15.1	3.4	4.0	6.8	20.5	14.6	31.6	12.9
Operating income (loss) before special items and provisions	17.3	25.0	(3.3)	(4.9)	(8.9)	36.7	16.1	10.8	0.5
Special items and provisions			(0.5)						
Operating income (loss)	17.3	25.0	(3.8)	(4.9)	(8.9)	36.7	16.1	10.8	0.5
Assets at June 30	1,051.2	749.0	122.0	297.1	164.3	643.6	433.4	539.9	784.3
Expenditures for segment assets	9.9	10.8	0.1	1.6	0.2	1.6	1.9	0.7	5.2
Six Months Ended 2002 (as restated)									
Sales and other operating revenues:									
Unaffiliated customers				0.5		85.4	19.2	85.5	124.3
Intersegment	268.5	172.4	11.9	34.0	50.1	59.7	48.4	48.3	
Depreciation, depletion and amortization	39.4	13.2	2.6	5.8	6.1	19.4	15.0	32.7	11.7
Operating income (loss) before special items and provisions	24.7	0.2	(8.3)	7.0	(1.1)	33.4	13.6	0.7	0.2
Special items and provisions									
Operating income (loss)	24.7	0.2	(8.3)	7.0	(1.1)	33.4	13.6	0.7	0.2
Assets at June 30	1,121.0	767.5	129.0	407.4	145.9	646.9	441.0	542.8	792.5
Expenditures for segment assets	2.3	16.4	0.1	0.9	2.6	1.0	3.4	2.6	4.5

	Manufactur-ing and Sales	Other Mining	PDMC Elimi-nations	PDMC Subtotal	Specialty Chemicals	Wire & Cable	PDI Subtotal	Corporate, Other & Elimi-nations	Totals
Six Months Ended 2003									
Sales and other operating revenues:									
Unaffiliated customers	916.8	10.7		1,296.6	328.2	315.4	643.6		1,940.2
Intersegment	155.4	34.0	(830.2)	60.9		0.1	0.1	(61.0)	
Depreciation, depletion and amortization	8.2	3.1		159.2	22.7	17.8	40.5	9.1	208.8
Operating income (loss) before special items and provisions	15.0	(42.3)		62.0	25.9	6.9	32.8	(48.7)	46.1
Special items and provisions				(0.5)	3.2		3.2	(2.9)	(0.2)
Operating income (loss)	15.0	(42.3)		61.5	29.1	6.9	36.0	(51.6)	45.9
Assets at June 30	486.2	1,490.6	(1,593.4)	5,168.2	737.0	518.2	1,255.2	534.5	6,957.9
Expenditures for segment assets	3.5	1.5		37.0	9.7	6.7	16.4	23.9	77.3
Six Months Ended 2002 (as restated)									

Sales and other operating revenues:									
Unaffiliated customers	932.5	8.8		1,256.2	269.8	359.3	629.1		1,885.3
Intersegment	205.5	28.7	(853.2)	74.3		0.2	0.2	(74.5)	
Depreciation, depletion and amortization	12.0	1.4		159.3	21.2	21.4	42.6	4.1	206.0
Operating income (loss) before special items and provisions	(2.7)	(36.9)		30.8	30.2	6.1	36.3	(38.1)	29.0
Special items and provisions		34.7		34.7				(61.2)	(26.5)
Operating income (loss)	(2.7)	(2.2)		65.5	30.2	6.1	36.3	(99.3)	2.5
Assets at June 30	528.5	1,724.5	(1,831.5)	5,415.5	687.8	572.3	1,260.1	1,216.8	7,892.4
Expenditures for segment assets	3.0	1.3		38.1	5.2	4.3	9.5	3.2	50.8

NOTES TO CONSOLIDATED FINANCIAL INFORMATION
(Unaudited)

1. *General Information*

The unaudited consolidated financial information of Phelps Dodge Corporation (the Company, which may be referred to as Phelps Dodge, PD, we, us or ours) presented herein has been prepared in accordance with the instructions to Form 10-Q and does not include all of the information and note disclosures required by generally accepted accounting principles. Therefore, this information should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2002. This information reflects all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the interim periods reported. Our business consists of two divisions, Phelps Dodge Mining Company (PDMC) and Phelps Dodge Industries (PDI).

The results of operations for the quarter and six-month periods ended June 30, 2003, are not necessarily indicative of the results to be expected for the full year.

2. *Restatements*

In Note 1, Summary of Significant Accounting Policies, and Note 22, Restatement of Consolidated Financial Statements, in the Company s Form 10-K for the year ended December 31, 2002, we identified certain accounting matters in the fourth quarter of 2002 that required restatement of our December 31, 2001 and 2000, Consolidated Financial Statements and our financial information for the quarterly periods ended March 31, 2001, through September 30, 2002. Additionally, our presentation of reportable segment information for PDMC for the quarter and six months ended June 30, 2002, has been revised to reflect additional segments.

Following are summaries of selected unaudited quarterly financial data, as restated for the quarter and six months ended June 30, 2002:
(Unaudited; $ in millions except per share data)

	Second Quarter 2002		
	As Previously Reported	**Adjust-ments**	**As Restated**
Sales and other operating revenues	$966.8		$966.8
Operating loss	(15.8)	5.6	(10.2)
Loss before cumulative effect of accounting change	(36.4)	2.1	(34.3)
Net loss	(36.4)	2.1	(34.3)
Basic and diluted loss per common share before cumulative effect of accounting change	(0.48)	0.02	(0.46)
Basic and diluted loss per common share	(0.48)	0.02	(0.46)

Adjustments comprise the following:

(1) To adjust the units-of-production depreciation rate calculation for PDMC s mining, smelting and refining operations. This change reduced our depreciation and amortization expense and reduced our operating loss by $3.0 million in the second quarter of 2002. Additionally, this change decreased our net loss by $2.4 million, or 3 cents per common share, in the second quarter of 2002.

(2) To adjust the acquired reclamation obligations assumed in the Cyprus Amax Minerals Company acquisition. This change increased our cost of products sold and our operating loss by $0.9 million in the second quarter of 2002. Additionally, this change increased our net loss by $0.7 million, or 1 cent per common share, in the second quarter of 2002.

(3)

To adjust the estimated reclamation obligation at our Tyrone mine in 2002 to exclude mineralized material from the determination of the unit reclamation and closure accrual rate. This change increased both our cost of products sold and our operating loss and increased our net loss by $2.1 million, or 3 cents per common share, in the second quarter of 2002.

(4) To capitalize costs associated with material in mill and leach stockpiles and the consequent in-process material being converted to salable copper products, which were stated at lower of cost or market. This change decreased both our cost of products sold and our operating loss by $5.6 million in the second quarter of 2002. Additionally, this change decreased our net loss by $5.1 million, or 7 cents per common share, in the second quarter of 2002.

(5) In 2001, a deferred tax asset valuation allowance of $57.9 million associated with our El Abra copper mine in Chile was established. The adjustment to the deferred tax asset caused an increase to our net loss by $2.2 million, or 3 cents per common share, in the second quarter of 2002.

(6) The overall effect of the aforementioned adjustments resulted in an incremental income tax expense that increased our net loss by $0.4 million, or 1 cent per common share, in the second quarter of 2002.

(Unaudited; $ in millions except per share data)

	Six Months Ended June 30, 2002		
	As Previously Reported	**Adjust-ments**	**As Restated**
Sales and other operating revenues	$1,885.3		$1,885.3
Operating income (loss)	(8.8)	11.3	2.5
Loss before cumulative effect of accounting change	(41.2)	5.0	(36.2)
Net loss	(64.1)	5.0	(59.1)
Basic and diluted loss per common share before cumulative effect of accounting change	(0.55)	0.07	(0.48)
Basic and diluted loss per common share	(0.84)	0.07	(0.77)

Adjustments comprise the following:

(1) To adjust the units-of-production depreciation rate calculation for PDMC s mining, smelting and refining operations. This change reduced our depreciation and amortization expense and decreased our operating loss by $5.7 million for the six months ended June 30, 2002. Additionally, this change decreased our net loss by $4.6 million, or 6 cents per common share, for the six months ended June 30, 2002.

(2) To adjust the acquired reclamation obligations assumed in the Cyprus Amax Minerals Company acquisition. This change increased both our cost of products sold and our operating loss by $1.8 million for the six months ended June 30, 2002. Additionally, this change increased our net loss by $1.5 million, or 2 cents per common share, for the six months ended June 30, 2002.

(3) To adjust the estimated reclamation obligation at our Tyrone mine in 2002 to exclude mineralized material from the determination of the unit reclamation and closure accrual rate. This change increased our cost of products sold and our operating loss and net loss by $4.2 million, or 5 cents per common share, for the six months ended June 30, 2002.

(4) To capitalize costs associated with material in mill and leach stockpiles and the consequent in-process material being converted to salable copper products, which were stated at lower of cost or market. This change decreased our cost of products sold and our operating loss by $11.6 million for the six months ended June 30, 2002. Additionally, this change decreased our net loss by $10.7 million, or 14 cents per common share, for the six months ended June 30, 2002.

(5) In 2001, a deferred tax asset valuation allowance of $57.9 million associated with our El Abra copper mine in Chile was established. The adjustment to the deferred tax asset caused an increase to our net loss by $4.2 million, or 5 cents per common share, for the six months ended June 30, 2002.

(6) The overall effect of the aforementioned adjustments resulted in an incremental income tax expense that increased our net loss by $0.4 million, or 1 cent per common share, for the six months ended June 30, 2002.

3. *Reclassification of Intangible Assets*

The Company has recently had discussions with the Staff of the Securities and Exchange Commission regarding the balance sheet classification of certain mining concessions, primarily mining concessions containing proven and probable ore reserves and mineralized material at the Company s South American mines, and whether such assets constitute tangible or intangible assets based upon certain guidance contained in Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. Historically the Company has classified such assets less the related accumulated depreciation, depletion and amortization, as Property, plant and equipment, net on its consolidated balance sheet. The Company has reclassified such mining concessions as intangible assets. Previously reported historical amounts also have been reclassified for comparative purposes. These assets will continue to be amortized over their respective useful lives. The reclassifications had no effect on the Company s net loss or shareholders equity.

The following table summarizes the gross and net carrying amount of intangible assets at December 31, 2002, and June 30, 2003:

(Unaudited; $ in millions)

	June 30, 2003	December 31, 2002
Gross carrying amount	$ 443.6*	439.5
Less accumulated amortization	(109.0)*	(93.6)
	$ 334.6	345.9

* Includes amounts for recording an asset retirement cost associated with the implementation of SFAS No. 143. (See Note 6, Accounting Standards, for further discussion.)

Amortization expense related to intangible assets was $6.2 million and $6.5 million for the three months ended June 30, 2003 and 2002, respectively, and $13.4 million and $13.1 million for the six months ended June 30, 2003 and 2002, respectively.

The estimated annual aggregate amortization expense for intangibles is as follows:

(Unaudited; $ in millions)

2004	$ 27.2
2005	27.3
2006	27.3
2007	27.4
2008	27.6

4. *Stock Compensation*

We account for our stock option plans by measuring compensation cost using the intrinsic-value-based method presented in Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No compensation cost is reflected in consolidated net loss, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of the grant. The following table presents the effect on net loss and loss per common share as if we had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, to compensation cost.

(Unaudited; $ in millions except per share data)

	Second Quarter	
	2003	**2002**
		(As Restated)*
Net loss as reported	$ (15.2)	(34.3)
Deduct:		
Total compensation cost determined under fair value based method for all awards, net of tax	(3.1)	(2.9)
Pro forma net loss	$ (18.3)	(37.2)
Loss per common share		
Basic as reported	$ (0.21)	(0.46)
Basic *pro forma*	$ (0.24)	(0.49)
Loss per common share		
Diluted as reported	$ (0.21)	(0.46)
Diluted *pro forma*	$ (0.24)	(0.49)

* Refer to Note 2, Restatements, for further discussion.

(Unaudited; $ in millions except per share data)

	Six Months Ended June 30,	
	2003	**2002**
		(As Restated)*
Net loss as reported	$ (30.2)	(59.1)
Deduct:		
	(6.5)	(6.9)

Total compensation cost determined under fair value based method for all awards, net of tax		
Pro forma net loss	$(36.7)	(66.0)
Loss per common share		
Basic as reported	$(0.42)	(0.77)
Basic *pro forma*	$(0.49)	(0.86)
Loss per common share		
Diluted as reported	$(0.42)	(0.77)
Diluted *pro forma*	$(0.49)	(0.86)

* Refer to Note 2, Restatements, for further discussion.

5. *Special Items and Provisions*

Special items and provisions are unpredictable and atypical of the Company s operations in a given period. We believe consistent identification, disclosure and discussion of such items, both favorable and unfavorable, provide additional information to assess the quality of our performance and our earnings or losses. In addition, management measures the performance of its reportable segments excluding special items. This supplemental information is not a substitute for any U.S. generally accepted accounting principles (GAAP) measure and should be evaluated within the context of our U.S. GAAP results.

Note: Supplemental Data

The following schedule summarizes the special items and provisions for the quarter and six months ended June 30, 2003:
(Unaudited; gains (losses) in millions except per share amounts)

	Second Quarter 2003		
Statement of Consolidated Operations Line Item	**Pre-tax Earnings**	**After-tax Earnings**	**$/Share After-tax**
Special items and provisions, net:			
PDMC			
Environmental provisions	$ (0.5)	(0.4)	
Corporate and Other			
Environmental provisions	(2.1)	(2.0)	(0.02)
Environmental insurance recoveries, net	0.5	0.5	
	(1.6)	(1.5)	(0.02)
	(2.1)	(1.9)	(0.02)
Miscellaneous income (expense), net:			
Sale of cost investment	6.4	6.4	0.07
	$ 4.3	4.5	0.05

(Unaudited; gains (losses) in millions except per share amounts)

	Six Months Ended June 30, 2003		
Statement of Consolidated Operations Line Item	**Pre-tax Earnings**	**After-tax Earnings**	**$/Share After-tax**
Special items and provisions, net:			
PDMC			
Environmental provisions	$ (0.5)	(0.4)	
PDI			
Termination of a foreign postretirement benefit plan	$ 3.2	2.4	0.03

Corporate and Other			
Environmental provisions	(3.4)	(3.3)	(0.03)
Environmental insurance recoveries, net	0.5	0.5	
	(2.9)	(2.8)	(0.03)
	(0.2)	(0.8)	
Miscellaneous income (expense), net:			
Sale of cost investment	6.4	6.4	0.07
Cumulative effect of accounting change	9.7	8.4	0.09
	$ 15.9	14.0	0.16

In the 2003 second quarter, a special, net pre-tax gain of $4.3 million was recognized consisting of (i) a pre-tax gain of $6.4 million (before and after taxes) for the sale of a cost-basis wire and cable investment; (ii) a $2.6 million charge ($2.4 million after-tax) for environmental provisions (refer to Note 7, Environmental, and Reclamation and Closure Matters); and (iii) a $0.5 million net gain (before and after taxes) from recoveries associated with insurance settlements on historic environmental claims.

In the 2003 first quarter, a special, net pre-tax gain of $11.6 million was recognized consisting of (i) a pre-tax gain of $9.7 million ($8.4 million after-tax) for the cumulative effect of an accounting change (refer to Note 6, Accounting Standards, for further discussion); (ii) a $1.3 million charge (before and after taxes) for environmental provisions (refer to Note 7, Environmental, and Reclamation and Closure Matters); and (iii) a $3.2 million gain ($2.4 million after-tax) from the termina-

tion of a foreign postretirement benefit plan.
Note: Supplemental Data

The following schedule summarizes the special items and provisions for the quarter and six months ended June 30, 2002:
(Unaudited; gains (losses) in millions except per share amounts)

	Second Quarter 2002		
Statement of Consolidated Operations Line Item	Pre-tax Earnings	After-tax Earnings	$/Share After-tax
Special items and provisions, net:			
PDMC			
Environmental insurance recoveries, net	$ (1.7)	(1.5)	(0.02)
Sale of non-core real estate	22.6	22.6	0.28
	20.9	21.1	0.26
Corporate and Other			
Environmental provisions		2.4	0.03
Environmental insurance recoveries, net	6.5	5.0	0.06
Historic Cyprus Amax lawsuit settlement	(11.2)	(8.9)	(0.11)
Historic Cyprus Amax arbitration award with regard to Plateau Mining	(46.5)	(44.5)	(0.55)
	(51.2)	(46.0)	(0.57)
	(30.3)	(24.9)	(0.31)
Miscellaneous income (expense), net:			
Cost investment write-downs	(0.7)	(0.8)	(0.01)
Taxes:			
Release of taxes provided with regard to Plateau Mining		13.0	0.16
	$(31.0)	(12.7)	(0.16)

(Unaudited; gains (losses) in millions except per share amounts)

	Six Months Ended June 30, 2002		
Statement of Consolidated Operations Line Item	Pre-tax Earnings	After-tax Earnings	$/Share After-tax
Special items and provisions, net:			
PDMC			
Environmental insurance recoveries, net	$ 12.1	9.7	0.12
Sale of non-core real estate	22.6	22.6	0.28

	34.7	32.3	0.40
Corporate and Other			
Environmental provisions	(12.1)	(9.7)	(0.12)
Environmental insurance recoveries, net	8.6	6.9	0.08
Historic Cyprus Amax lawsuit settlement	(11.2)	(8.9)	(0.11)
Historic Cyprus Amax arbitration award with regard to Plateau Mining	(46.5)	(44.5)	(0.56)
	(61.2)	(56.2)	(0.71)
	(26.5)	(23.9)	(0.31)
Miscellaneous income (expense), net:			
Cost investment write-downs	(1.2)	(1.2)	(0.01)
Taxes:			
Release of taxes provided with regard to Plateau Mining		13.0	0.16
Tax benefit for 2001 net operating loss carryback		38.5	0.49
		51.5	0.65
Cumulative effect of accounting change	(33.0)	(22.9)	(0.29)
	$ (60.7)	3.5	0.04

In the 2002 second quarter, a special, net pre-tax loss of $31.0 million was recognized consisting of (i) pre-tax charges of $46.5 million ($44.5 million after-tax) associated with an award made in a binding arbitration proceeding filed against Cyprus Amax Minerals Company (Cyprus Amax) by Plateau Mining Corporation (a former subsidiary of Cyprus Amax); (ii) an $11.2 million charge including expenses ($8.9 million after-tax) for the settlement of a lawsuit related to Amax Oil & Gas acquired with the Cyprus Amax purchase; (iii) a $0.7 million loss on the write-off of a cost investment; (iv) a $22.6 million gain (before and after taxes) on the sale of a non-core parcel of real estate in New Mexico; and (v) a $4.8 million net gain ($3.8 million after-tax) from recoveries associated with insurance settlements on historic environmental claims. The taxes associated with special items were a net benefit of $18.3 million, including release of deferred taxes previously provided ($13.0 million) and year-to-date adjustments ($2.0 million) reflecting refinements in forecast estimates of U.S. net operating loss carrybacks prior to 2002 (refer to Note 10, Benefit (Provision) for Taxes on Income).

In the 2002 first quarter, a special, net pre-tax loss of $29.7 million was recognized consisting of (i) pre-tax charges of $33.0 million ($22.9 million after-tax) for the cumulative effect of an accounting change (refer to Note 6, Accounting Standards, for further discussion); (ii) a $12.1 million charge (before and after taxes) for environmental provisions; (iii) a $0.5 million ($0.4 million after-tax) write-off of a cost-basis investment; and (iv) a $15.9 million gain ($13.1 million after-tax), net of fees and expenses, from recoveries associated with insurance settlements reached with companies on historic environmental claims. In addition, the 2002 first quarter included a tax benefit of $38.5 million for net operating loss carryback prior to 2002 resulting from recent U.S. tax legislation (refer to Note 10, Benefit (Provision) for Taxes on Income).

In September 2002, we announced the temporary closure of two U.S. wire and cable plants and other actions to improve efficiencies and consolidate certain wire and cable operations. Refer to the Company s Form 10-K for the year ended December 31, 2002, for additional discussion.

The following schedule presents a roll-forward from December 31, 2002, of the liabilities incurred in connection with the September 2002 restructuring program, which were reflected as current liabilities in our consolidated balance sheet:

(Unaudited; $ in millions)

	12/31/02	Payments	6/30/03
PDI			
Wire and Cable			
Employee severance	$ 1.3	(1.1)	0.2

Note: In the 2003 second quarter, payments were $(0.2) million.

In the second quarter of 2001, we announced a restructuring of our professional, administrative and operational support functions, as well as various other operational improvement initiatives. Also in the fourth quarter of 2001, we announced a series of actions to address the then-current economic environment, including changes in copper operations that led us to curtail approximately 220,000 metric tons of copper production annually (including our partner s share) and to curtail 54,000 metric tons of North American carbon black production annually in 2002. Additionally, in the second quarter of 2000 and 1999, we announced plans to reduce operating costs and restructure operations at our PDMC division and our Wire and Cable segment. Refer to the Company s Form 10-K for the year ended December 31, 2002, for additional discussion.

The following schedules present a roll-forward from December 31, 2002 and 2001, of the liabilities incurred in connection with the 2001 restructuring programs, which were reflected as current liabilities in our consolidated balance sheet:

(Unaudited; $ in millions)

	12/31/02	Payments	6/30/03
PDMC			
U.S. Mines			
Morenci			
Employee severance	$0.1	(0.1)	—
Bagdad/Sierrita			
Mothballing/take-or-pay contracts	0.2	(0.2)	—
Miami/Bisbee			
Mothballing/take-or-pay contracts	0.1	(0.1)	—
Chino/Cobre			
Employee severance	0.1	(0.1)	—
	0.5	(0.5)	—
Manufacturing and Sales			
Employee severance	0.1	(0.1)	—
	$0.6	(0.6)	—

Note: All payments were made in the 2003 first quarter.

(Unaudited; $ in millions)

	12/31/01	Payments	6/30/02
PDMC			
U.S. Mines			
Morenci			
Employee severance	$ 0.3	(0.3)	—
Bagdad/Sierrita			
Employee severance	3.5	(1.0)	2.5
Mothballing/take-or-pay contracts	3.1	(1.4)	1.7
	6.6	(2.4)	4.2
Miami/Bisbee			
Employee severance	1.8	(1.0)	0.8
Mothballing/take-or-pay contracts	1.0	(0.4)	0.6
	2.8	(1.4)	1.4

Chino/Cobre			
Employee severance	1.2	(0.4)	0.8
Mothballing/take-or-pay contracts	0.2	(0.2)	
	1.4	(0.6)	0.8
Tyrone			
Employee severance	0.2	(0.2)	
	11.3	(4.9)	6.4
Manufacturing and Sales			
Employee severance	1.4	(0.4)	1.0
Mothballing/take-or-pay contracts	4.1	(2.9)	1.2
	5.5	(3.3)	2.2
Primary Molybdenum			
Employee severance	0.1	(0.1)	
Other Mining			
Employee severance	0.8	(0.5)	0.3
	$17.7	(8.8)	8.9

	12/31/01	Payments	6/30/02
PDI			