FREEPORT MCMORAN COPPER & GOLD INC
Form 424B3
March 01, 2007

Table of Contents

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3).
Registration Statement File No. 333-140997

Subject to completion, dated March 1, 2007

Prospectus supplement
(To Prospectus dated March 1, 2007)

Freeport-McMoRan Copper & Gold Inc.
$6,000,000,000
$ % Senior Notes due 2015
$ % Senior Notes due 2017

Interest payable and

Issue price: % and %, respectively

The % Senior Notes due 2015 (the 2015 notes) will mature on , 2015, and the % Senior Notes due 2017 (the 2017 notes) will mature on , 2017. Interest will accrue from , 2007, and the first interest payment date will be , 2007.

We may redeem some or all of the 2015 notes at any time prior to , 2011, at a price equal to 100% of the principal amount of the 2015 notes plus a make-whole premium. In addition, we may redeem some or all of the 2015 notes at any time on or after , 2011, at the redemption prices set forth in this prospectus supplement. We may redeem some or all of the 2017 notes at any time prior to , 2012 at a price equal to 100% of the principal amount of the 2017 notes plus a make-whole premium. In addition, we may redeem some or all of the 2017 notes at any time on or after , 2012, at the redemption prices set forth in this prospectus supplement. Prior to , 2010, we may also redeem up to 35% of each series of the notes using the proceeds of certain equity offerings at the redemption prices set forth in this prospectus supplement. If we sell certain of our assets or experience specific kinds of changes in control, we must offer to purchase the notes of each series.

The notes will be unsecured, will rank equally with all our existing and future unsecured senior debt and rank senior to all our future subordinated debt. The notes will be effectively subordinated to all of our existing and future secured debt to the extent of the collateral securing that debt, including our new senior credit facilities and certain of our outstanding debt securities. The notes will be effectively subordinated to all indebtedness and other obligations, including trade payables, of our subsidiaries. The notes will not be guaranteed by any of our subsidiaries.

See Risk factors beginning on page S-22 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Per 2015 note	Total	Per 2017 note	Total
Public offering price[(1)]	%	$	%	$
Underwriting discounts and commissions	%	$	%	$
Proceeds to us before expenses	%	$	%	$

(1) Plus accrued interest from , 2007, if settlement occurs after that date.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company, Euroclear or Clearstream on or about , 2007.

Joint book-running managers

JPMorgan **Merrill Lynch & Co.**

Co-managers

HSBC **Scotia Capital** **UBS Investment Bank**

, 2007

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the underwriters have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. You should not assume that the information contained or incorporated by reference in this prospectus supplement is accurate as of any date other than the date on the front cover of this prospectus supplement or that the information contained or incorporated by reference in the accompanying prospectus is accurate as of any date other than the date on the front cover of the accompanying prospectus. We and the underwriters are offering to sell the notes only in places where offers and sales are permitted.

Table of contents

Prospectus supplement

	Page
Cautionary statement regarding forward-looking statements	S-ii
Prospectus supplement summary	S-1
Risk factors	S-22
Use of proceeds	S-41
Capitalization	S-42
Unaudited pro forma condensed combined financial statements	S-43
Selected consolidated historical financial and operating data of Freeport-McMoRan	S-54
Selected consolidated historical financial and operating data of Phelps Dodge	S-57
Ratio of earnings to fixed charges	S-60
Overview of financial condition, liquidity and capital resources of the combined company	S-61
Management s discussion and analysis of financial condition and results of operations of Freeport-McMoRan	S-64
Management s discussion and analysis of financial condition and results of operations of Phelps Dodge	S-107
Business of the combined company	S-200
Business of Freeport-McMoRan	S-202
Business of Phelps Dodge	S-238
Description of certain indebtedness	S-301
Description of the notes	S-307
Book-entry, delivery and form	S-352
Material United States federal tax considerations	S-354
Underwriting	S-358
Legal matters	S-360
Experts	S-360
Reserves	S-360
Where you can find more information	S-361

Prospectus

	Page
About this prospectus	1
Freeport-McMoRan Copper & Gold Inc.	1
Use of proceeds	1
Ratio of earnings to fixed charges	2
Description of securities	2
Description of Freeport-McMoRan capital stock	2
Description of debt securities	6
Description of warrants	6
Description of purchase contracts	6
Description of units	7
Forms of securities	7
Plan of distribution	9
Where you can find more information	10
Information concerning forward-looking statements	11
Legal opinions	12
Experts	12
Reserves	13

Except as otherwise described herein or the context otherwise requires, all references to (i) the combined company, we, us, our and ours in this prospectus supplement mean Freeport-McMoRan Copper & Gold Inc. and all entities owned or controlled by Freeport-McMoRan Copper & Gold Inc. (including Phelps Dodge Corporation and its subsidiaries on a pro forma basis after giving effect to the acquisition of Phelps Dodge by Freeport-McMoRan and the other transactions described herein), (ii) Freeport-McMoRan refer to Freeport-McMoRan Copper & Gold Inc. and its subsidiaries prior to the acquisition and (iii) Phelps Dodge refer to Phelps Dodge Corporation and its subsidiaries.

Table of Contents

Cautionary statement regarding forward-looking statements

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Such forward-looking information about Freeport-McMoRan, Phelps Dodge and the combined company after completion of the transactions is intended to be covered by the safe harbor to forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this prospectus supplement or the accompanying prospectus or may be incorporated in this prospectus supplement or the accompanying prospectus by reference to other documents and may include statements for the period following the completion of this transaction. Representatives of Freeport-McMoRan and Phelps Dodge may also make forward-looking statements. When used in this document, the words anticipates, may, can, plans, feels, believe estimates, expects, projects, intends, likely, will, should, to be and any similar expressions and any othe that are not historical facts, in each case as they relate to Freeport-McMoRan or Phelps Dodge, the management of either such company or the transactions are intended to identify those assertions as forward-looking statements. In making any of those statements, the person making them believes that its expectations are based on reasonable assumptions. However, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected or anticipated. These forward-looking statements are subject to numerous risks and uncertainties, including the risks described in this prospectus supplement under Risk factors, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Some other risks and uncertainties include, but are not limited to:

- risks related to our substantial indebtedness and ability to service the notes;
- our holding company structure and its potential effect on your ability to receive dividends or payments on the notes;
- macroeconomic conditions and general industry conditions, such as the competitive environment of the mining industry;
- unanticipated mining, milling and other processing problems;
- accidents that lead to personal injury or property damage;
- persistent commodity price reductions;
- changes in political, social or economic circumstances in areas where Freeport-McMoRan and Phelps Dodge operate or plan to operate;
- expropriation;
- variances in ore grades;
- labor relations;
- adverse weather conditions and natural disasters, such as earthquakes;

Table of Contents

- the speculative nature of mineral exploration;
- increases in energy and production costs;
- fluctuations in interest rates or foreign currency exchange rates and other adverse financial market conditions;
- regulatory and litigation matters and risks;
- changes in tax and other laws;
- the risk that a regulatory approval that may be required for the transactions is not obtained or is obtained subject to conditions that are not anticipated; and
- other risks to consummation of the transactions.

The actual results or performance by Freeport-McMoRan or Phelps Dodge, and issues relating to the transactions, could differ materially from those expressed in, or implied by, any forward-looking statements relating to those matters. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of Freeport-McMoRan or Phelps Dodge, the combined company or the transactions. Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Industry and other information

Unless we indicate otherwise, we base the information concerning the mining industry contained or incorporated by reference in this prospectus supplement and the accompanying prospectus on our general knowledge of and expectations concerning the industry. Our market positions and market shares are based on our estimates using data from various industry sources and assumptions that we believe to be reasonable based on our knowledge of the mining industry. We have not independently verified data from industry sources and cannot guarantee its accuracy or completeness. In addition, we believe that data regarding the mining industry and our market positions and market shares within such industry provide general guidance but are inherently imprecise. Further, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the Risk factors section of this prospectus supplement. The information regarding Freeport-McMoRan s reserves as of December 31, 2006, that is contained in this prospectus supplement or the accompanying prospectus, including the documents incorporated by reference herein or therein, has been verified by Independent Mining Consultants, Inc. as experts in mining, geology and reserve determination.

Table of Contents

Prospectus supplement summary

This summary highlights certain information contained elsewhere or incorporated by reference in this prospectus supplement. Because this is only a summary, it does not contain all the information that may be important to you. For a more complete understanding of our business and this offering, you should read the entire prospectus supplement and the accompanying prospectus and the documents incorporated herein and therein by reference, including the annual financial statements included elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should also carefully consider the matters discussed under Risk factors.

On November 18, 2006, Freeport-McMoRan Copper & Gold Inc. executed a definitive merger agreement pursuant to which, subject to the terms and conditions set forth therein, it expects to acquire all outstanding shares of Phelps Dodge Corporation (the acquisition). In this prospectus supplement, we refer to the issuance of the notes offered hereby and the borrowings under the new senior credit facilities as the financing and the acquisition and the related transactions, including the financing, as the transactions. The transactions are more fully described below under The transactions.

Overview

Freeport-McMoRan Copper & Gold Inc. is one of the world s largest producers of copper and gold. Freeport-McMoRan s Grasberg minerals district in Papua, Indonesia contains the world s single largest copper reserve and the world s single largest gold reserve. Phelps Dodge Corporation is one of the world s leading producers of copper and molybdenum. Phelps Dodge has mines in operation or under development in North and South America, and Africa, including the Tenke Fungurume development project in the Democratic Republic of Congo.

On November 19, 2006, Freeport-McMoRan and Phelps Dodge announced that they had signed a merger agreement pursuant to which Freeport-McMoRan will acquire Phelps Dodge for approximately $25.9 billion in cash and stock, based on Freeport-McMoRan s closing stock price on November 17, 2006, creating one of the world s largest publicly-traded copper companies and one of North America s largest mining companies. Freeport-McMoRan will use the proceeds from this offering to fund a portion of the cash consideration of the acquisition and to pay all transaction costs. This offering is conditioned upon the consummation of the acquisition.

Acquisition rationale

The combination of Freeport-McMoRan and Phelps Dodge will dramatically expand Freeport-McMoRan s operations, reserves and project pipeline, while diversifying both its geographic and commodity portfolio. The significant benefits of the acquisition include:

- our increased scale of operations, management depth and strengthened cash flows will provide an improved platform from which to capitalize on growth opportunities in the global market;
- we will be well-positioned to benefit from the positive copper market at a time when there is a scarcity of large-scale copper development projects combined with strong global demand for copper;

Table of Contents

we will have long-lived, geographically diverse ore reserves totaling 77.2 billion pounds of copper, 38.3 million ounces of gold and 1.8 billion pounds of molybdenum, net of minority interests of all joint venture partners and minority owners;

we expect to generate strong cash flows, which will enable significant debt reduction;

our future growth will be supported by a project pipeline with the potential to add nearly one billion pounds of copper production capacity on a consolidated basis by the end of 2009; and

we will have exploration rights with significant potential in copper regions around the world, including Freeport-McMoRan s prospective acreage in Papua, Indonesia, and Phelps Dodge s opportunities at its Tenke Fungurume concessions in the Democratic Republic of Congo.

Our business

The combined company will be a new industry leader with large, long-lived, geographically diverse assets and significant proven and probable reserves of copper, gold and molybdenum. For the year ended December 31, 2006, on a pro forma basis giving effect to the transactions, the combined company s revenues and Adjusted EBITDA (as defined under Summary unaudited pro forma condensed combined financial information) totaled $17.7 billion and $7.8 billion, respectively.

The combined company will have significant, geographically diverse ore reserves. At December 31, 2006, on a pro forma basis after giving effect to the transactions, the combined company s ore reserves on a consolidated basis totaled 93.6 billion pounds of copper, 42.4 million ounces of gold and 2.0 billion pounds of molybdenum, and the combined company s equity share of those ore reserves, net of the interests of all joint venture partners and minority owners, totaled 77.2 billion pounds of copper, 38.3 million ounces of gold and 1.8 billion pounds of molybdenum. The combined company s mines will have lives ranging from 6 years to 37 years based on current ore reserves and mine plans. The combined company s consolidated implied reserve lives, calculated by dividing ore reserves by estimated production rates, will be 21 years for copper, 22 years for gold and 25 years for molybdenum. The charts below illustrate the composition and diversity of the combined company s portfolio by geography and commodity:

Freeport-McMoRan conducts its operations primarily through its principal operating subsidiaries, PT Freeport Indonesia and Atlantic Copper, S.A., which operates a copper smelter and refinery in Huelva, Spain. In addition, Freeport-McMoRan holds exploration rights covering approximately 2.2 million acres in Papua, Indonesia. PT Freeport Indonesia s operations in Papua, Indonesia, involve mineral exploration and development, mining and milling of ore containing copper,

Table of Contents

gold and silver and the worldwide marketing of concentrates containing those metals. PT Freeport Indonesia s principal asset is the world-class Grasberg mine discovered in 1988. The Grasberg minerals district contains the world s largest single copper reserve and world s largest single gold reserve. PT Freeport Indonesia is also a 25 percent owner of PT Smelting, which operates a copper smelter and refinery in Gresik, Indonesia.

Phelps Dodge conducts its operations primarily through its two divisions, Phelps Dodge Mining Company (PDMC) and Phelps Dodge Industries (PDI). PDMC is a fully integrated producer of copper and molybdenum, with mines and processing facilities in North America, South America and Europe and processing capabilities for other minerals as by-products, such as gold, silver and rhenium. PDI consists of Phelps Dodge Wire and Cable, which manufactures engineered products principally for the global energy sector.

Competitive strengths

Geographically diverse asset base. The combined company will have a geographically diverse portfolio of assets across four continents, which produce copper, gold and molybdenum for global sale and consumption. The combined company will have 15 mines in operation located in Chile, Indonesia, Peru and the United States and scheduled development projects in North and South America, Asia and Africa. On a pro forma basis after giving effect to the transactions, 38 percent of total 2006 mining revenues of $12.9 billion were generated from Indonesia, 35 percent from North America, 22 percent from Chile and 5 percent from Peru. While the combined company will derive the majority of its revenues from copper (78 percent of 2006 mining revenues on a pro forma basis after giving effect to the transactions), gold and molybdenum each represent important pieces of the production profile, representing 10 percent and 12 percent of 2006 mining revenues, respectively, on a pro forma basis after giving effect to the transactions. We believe the scope of operations and diversification should enable the combined company to perform well throughout periods of volatile commodity prices and demand fluctuations.

Table of Contents

Strong production and long-lived ore reserves. We believe that the combined company s geographically diverse asset base is characterized by large scale production, long reserve lives and strong future growth opportunities. The table below reflects our consolidated and net reserves and production.

	Consolidated	Net interest[(a)]
Production for year ended December 31, 2006:		
Copper (billion pounds)	3.6	3.1
Gold (million ounces)	1.8	1.7
Molybdenum (million pounds)	68.2	68.2
Ore reserves as of December 31, 2006:		
Copper (billion pounds)	93.6	77.2
Gold (million ounces)	42.4	38.3
Molybdenum (billion pounds)	2.0	1.8
Copper reserves as of December 31, 2006 by geographical region (billion pounds):		
Indonesia	38.8	35.2
United States	24.8	24.8
Chile	10.0	6.4
Peru	15.5	8.3
Democratic Republic of Congo	4.5	2.6
Implied ore reserve life (years)[(b)]:		
Copper	21	21
Gold	22	22
Molybdenum	25	25

(a) Reflects the combined company s equity share, net of the interests of all joint venture partners and minority owners.

(b) Calculated by dividing ore reserves by estimated production rates.

Attractive project pipeline. We believe that the combined company will have significant potential for growth through the development of its existing asset base, including replacing production at existing mines that would otherwise be depleted. The combined company has a number of projects that we believe will add nearly one billion pounds of copper production capacity on a consolidated basis by the end of 2009.

The Tenke Fungurume development project is considered to be one of the largest, highest grade, undeveloped copper/cobalt concessions in the world today, which we expect will commence production by early 2009. Initial production rates are expected to be approximately 250 million pounds of copper and 18 million pounds of cobalt on a consolidated basis. The Safford, Arizona project is currently under construction and is expected to be in production during the first half of 2008 and to initially produce approximately 240 million pounds of copper per year on a consolidated basis.

In South America, the combined company will have two mines with significant development potential: Cerro Verde and El Abra. Cerro Verde, in Peru, has recently been expanded and has the capacity to initially produce approximately 430 million pounds of additional copper per year on a consolidated basis. El Abra, in Chile, has completed a feasibility study for developing its sulfide ore reserves to produce approximately 325 million pounds of copper per year on a consolidated basis for approximately 10 years beginning as early as 2010.

Significant exploration potential. The combined company will have exploration rights with significant potential in copper regions around the world. Two of the key exploration areas are Freeport-McMoRan s 2.2 million acres in Papua, Indonesia, and Phelps Dodge s opportunities at

Table of Contents

its Tenke Fungurume development project in the Democratic Republic of Congo. The Papua acreage is located in highly prospective areas that we believe have the potential for major mine developments in the future. In recent years, exploration in Papua was suspended, but Freeport-McMoRan plans to resume exploration activities in certain prospective areas during 2007. See Risk factors Risks related to Freeport-McMoRan s business Any suspension of required activities under Freeport-McMoRan s Contracts of Work requires the consent of the Indonesian government. The Tenke Fungurume copper/cobalt deposits are located within four concessions totaling approximately 394,000 acres of mining claims. Substantial portions of these concessions have had only limited historical exploration and a major target definition and drilling program is now under way in this high potential copper/cobalt region.

Experienced management team. The combined company will have a highly experienced management team with a successful track record for finding and developing reserves and effectively managing large-scale operations. The team will include a combination of Freeport-McMoRan and Phelps Dodge management and will be complemented by a strong operating team with extensive mining experience.

Strategy

Continue to maximize free cash flows. Freeport-McMoRan and Phelps Dodge have proven track records for generating significant cash flows. We will continue to maintain active programs to improve efficiencies throughout the combined company s mining operations in order to optimize production.

Strengthen our financial profile. Strong cash flows have historically allowed both Freeport-McMoRan and Phelps Dodge to significantly reduce indebtedness. We plan to continue to use available cash flows to reduce indebtedness of the combined company. In addition, we will consider opportunities to reduce debt of the combined company shortly following the closing of the transactions through issuances of equity and equity-linked securities and possibly through asset sales. While copper, gold and molybdenum prices will play a significant role in determining the extent of the combined company s free cash flows, we will continue to strengthen our financial profile as well as maximize the cash flows from our ore bodies through production and aggressive cost management.

Actively pursue project pipeline and exploration. We manage our business to maximize the long-term value of our mineral deposits. We have been disciplined in managing and evaluating potentially attractive capital investments. The combined company will have significant potential for growth through the development of its existing asset base and exploration, which we plan to actively develop to grow our production and ore reserves.

Industry overview

Copper

Copper is an internationally traded commodity, and its price is effectively determined by the major metals exchanges the New York Commodity Exchange (COMEX), the London Metal Exchange (LME) and the Shanghai Futures Exchange (SHFE). Prices on these exchanges generally reflect the worldwide balance of copper supply and demand, but also are influenced significantly, from time to time, by speculative actions and by currency exchange rates.

Table of Contents

Copper s physical attributes include superior electrical conductivity, corrosion resistance, structural capability, efficient heat transfer and aesthetics. Other materials that compete with copper include aluminum, plastics, stainless steel and fiber optics. Despite recent higher prices, substitution of competing materials has been modest because it is difficult to duplicate copper s unique characteristics.

Copper is a critical component of the world s infrastructure. The demand for copper ultimately reflects the rate of underlying world economic growth, particularly in industrial production and construction. Copper s end-use markets reflect its fundamental role in the world economy. Copper s end-use markets (and their estimated shares of total consumption based on Brook Hunt s estimate of 2006 Western world copper consumption) are (a) construction (38 percent), (b) electrical applications (28 percent), (c) industrial machinery (13 percent), (d) transportation (11 percent) and (e) consumer products (10 percent). Since 1990, refined copper consumption grew by an estimated compound annual growth rate of 3.1 percent to 17.6 million tons in 2006, according to published 1990 data by the World Bureau of Metals Statistics (WBMS) and our estimates for 2006. This rate of increase was slightly higher than the growth rate of 2.9 percent for world industrial production over the same period. Asian copper consumption, led by China, has been particularly strong, increasing by a compound annual rate of approximately 6 percent from 1990. Asia now represents approximately half of the world s refined copper consumption, compared with approximately 22 percent for Western Europe and approximately 20 percent for the Americas.

From 1990 through 2006, refined copper production has grown at an average annual rate of approximately 3 percent, based on published 1990 data by the WBMS and our estimates for 2006. Absent major new discoveries of copper reserves, which have been rare in the last decade, the industry is expected to face the challenge of depleting reserves going forward. While a number of expansion projects are currently being pursued, development of major new mines requires long lead times as a result of, among other things, technical challenges, limited availability of equipment and experienced operators and political and regulatory issues.

Copper consumption is closely associated with industrial production and, therefore, tends to follow economic cycles. During an expansion, demand for copper tends to increase thereby driving up the price. As a result, copper prices are volatile and cyclical. During the past 15 years, the LME price of copper averaged $1.13 per pound and ranged from a high annual average price of $3.05 per pound in 2006 to a low annual average price of $0.71 per pound in 2002. In addition, during the past 15 years, the COMEX price of copper averaged $1.14 per pound, and has ranged from a high annual average price of $3.09 per pound in 2006 to a low annual average price of $0.72 per pound in 2002. The closing 3-month LME and active-month COMEX copper prices on February 27, 2007 were $2.83 per pound and $2.81 per pound, respectively.

Gold

Gold continues to represent a significant portion of the international reserve assets for most national central banks. Due to its value as a currency and historical monetary role, investment demand has played a significantly larger role in determining the gold price than market fundamentals.

During 2006, the relative weakness in the U.S. dollar, a low global interest rate environment, global political instability and the establishment of exchange-traded funds all contributed to increased investment demand for gold. Jewelry is the largest single component of gold usage, comprising approximately 67 percent of 2006 demand in dollar terms, according to the World Gold Council. In 2006 demand for jewelry reached a new record in dollar terms, while demand for gold in electronics and dental applications rose to a new volume record. Despite an approximate 10 percent decline in total volume demand in 2006, total dollar demand for gold reached a new record, increasing by approximately 22 percent over 2005.

Gold supply is comprised of mine production, gold scrap and central bank sales. According to World Gold Council data, global mine production, net of producer hedging, accounted for approximately 60 percent of total gold supply. Gold scrap is the second-largest source of gold, providing approximately 30 percent of 2006 supply. The remainder of gold supply comes from central bank sales. The total gold supply in terms of volume declined by 13 percent in 2006 according to the World Gold Council. A decrease in central banks sales accounted for a majority of the supply decrease. Mine supply fell approximately 2 percent in 2006, and has remained flat over the past three years due to a lack of new large-scale gold mining projects.

Investment demand and record gold jewelry and industrial demand, combined with constrained supply, created a favorable gold price environment in 2006. The average gold price of $604 per ounce in the 2006 London spot market represents a 36 percent increase over the 2005 average price of $444 per ounce. Gold hit a 26-year high of $726 per ounce in mid-May 2006. The closing London PM Fix gold spot price on February 27, 2007 was $676 per ounce.

Molybdenum

Molybdic oxide, derived from molybdenum, is used primarily in the steel industry for corrosion resistance, strengthening and heat resistance. Molybdenum chemicals are used in a number of diverse applications such as lubricants, additives for water treatment, feedstock for the production of pure molybdenum metal and catalysts used for petroleum refining. Pure molybdenum metal powder products are used in a number of diverse applications, such as lighting, electronics, and specialty steel alloys.

Molybdenum demand is heavily dependent on the worldwide steel industry, which comprises approximately 80 percent of molybdenum demand. The balance is used in specialty chemical applications. There are no terminal exchanges or forward markets for molybdenum products.

The metallurgical market for molybdenum is characterized by cyclical and volatile prices, little product differentiation and strong competition. The chemical market is more diverse and contains more specialty products and segments. In both markets, prices are influenced by, among other things, production costs of domestic and foreign competitors, worldwide economic conditions, world and regional supply/demand balances, inventory levels, governmental regulatory actions and currency exchange rates. Molybdenum prices also are affected by the demand for end-use products in, for example, the construction, transportation and durable goods markets. A substantial portion of world molybdenum is produced as a by-product of copper mining, which is relatively insensitive to molybdenum price levels. Materials that compete with molybdenum include other metals and alloys, graphite and plastics, depending upon the application. Despite recent high prices, substitution of competing materials has been modest for the metallurgical segment. Certain chemical segments have experienced some substitution, however, it has not significantly impacted overall chemical demand.

During 2006, primary mine production increased in both North America and China, although production in China remains difficult to estimate. By-product molybdenum production decreased from 2005 levels primarily due to lower production in South America. Tight supplies of Western, high-quality materials continued throughout the first half of 2006, but eased in the second half as demand slowed in the metallurgical segment. Western roaster capacity constraints were reduced in 2006 as increased capacity was realized and by-product supply decreased. Overall, market fundamentals shifted from a supply deficit in the first half of 2006 to a slight surplus late in the year, with the overall year being relatively balanced.

During the past 15 years, *Metals Week* molybdenum Dealer Oxide prices have ranged from a high of $40.00 per pound to a low of $1.82 per pound. In 2006, the *Metals Week* molybdenum Dealer Oxide mean price decreased 22 percent from the 2005 mean price of $31.73 per pound to $24.75 per pound. Although price levels were lower than those experienced in 2005, 2006 molybdenum prices remained at historically high levels. Strong demand, which has outpaced supply over the past several years, has continued and inventory levels throughout the industry remain low. The *Metals Week* molybdenum Dealer Oxide price on February 26, 2007 was $26.00 per pound.

The transactions

The boards of directors of Freeport-McMoRan and Phelps Dodge have approved a merger agreement pursuant to which Freeport-McMoRan will acquire Phelps Dodge. The acquisition is subject to certain closing conditions, including:

- approval of the merger agreement by the affirmative vote of the holders of at least two-thirds of the outstanding shares of Phelps Dodge common stock entitled to vote on the matter at a special meeting of shareholders scheduled to be held on March 14, 2007;
- approval of the issuance of Freeport-McMoRan common stock to be issued in the acquisition by the affirmative vote of the holders of a majority of shares of its common stock cast on the matter at a special meeting of shareholders scheduled to be held on March 14, 2007;
- the receipt of all governmental and regulatory approvals; and
- the absence of events or developments since the date of the merger agreement that would reasonably be expected to have a material adverse effect with respect to Freeport-McMoRan or Phelps Dodge.

The acquisition is expected to close shortly after the special meetings of shareholders.

At the effective time of the acquisition, each issued and outstanding Phelps Dodge common share will be converted into the right to receive a combination of 0.67 of a share of Freeport-McMoRan common stock and $88.00 in cash, without interest. Upon completion of the acquisition, we expect that Freeport-McMoRan shareholders will own approximately 59 percent of the combined company (62 percent on a fully diluted basis) and former Phelps Dodge shareholders will own approximately 41 percent of the combined company (38 percent on a fully diluted basis). Following the acquisition, Phelps Dodge will continue as a surviving corporation and become a wholly owned subsidiary of Freeport-McMoRan; accordingly, Phelps Dodge shares will no longer be publicly traded.

Freeport-McMoRan will have cash requirements of approximately $18,500 million in connection with the acquisition, including the cash consideration of the acquisition and transaction costs. In

Table of Contents

order to finance a portion of these cash requirements, the following financing transactions will occur in connection with the closing of the acquisition:

borrowings under a new $11,500 million senior credit facility, consisting of a $1,500 million revolving credit facility (which refers to our new $1,000 million revolving credit facility and our amended and restated $500 million revolving credit facility), a $2,500 million five-year Tranche A term loan facility and a $7,500 million seven-year Tranche B term loan facility; and

the issuance of the notes offered hereby.

The remainder of the cash requirements will be met from cash available at Freeport-McMoRan and Phelps Dodge. The offering of the notes will occur concurrently with, and is conditioned upon, the closing of the acquisition and the other transactions.

Sources and uses

The table below sets forth the estimated sources and uses for the transactions based on balances as of December 31, 2006:

(Dollars in millions)

Sources of funds		**Amount**	**Uses of funds**		**Amount**
Cash	$	2,500.0	Equity purchased[c]	$	25,791.0
New revolving credit facility[a]			Estimated fees and expenses[d]		500.0
New Tranche A term loan facility		2,500.0			
New Tranche B term loan facility		7,500.0			
Senior notes offered hereby		6,000.0			
Additional common equity[b]		7,791.0			
Total sources	$	26,291.0	Total uses	$	26,291.0

(a) Based on expected cash balances at closing, we do not expect to make any drawings under our new revolving credit facility. Availability under the new revolving credit facility will be reduced by outstanding letters of credit. Our availability under our revolving credit facility is anticipated to be approximately $1,400.0 million at closing after giving effect to outstanding letters of credit. Following the closing, we may be required to issue additional letters of credit in connection with financial assurances with respect to our reclamation obligations. See Risk factors Risks related to Phelps Dodge s business Mine closure regulations may impose substantial costs.

(b) Reflects the fair value of Freeport-McMoRan common stock to be issued to Phelps Dodge shareholders as a result of the acquisition calculated by using the weighted average market price of Freeport-McMoRan common stock from November 16, 2006 to November 21, 2006 multiplied by the estimated shares of Freeport-McMoRan stock to be issued to Phelps Dodge shareholders.

(c) Based on the weighted average market price of Freeport-McMoRan common stock from November 16, 2006 to November 21, 2006, the cash consideration to be paid in the acquisition, and the estimated Phelps Dodge common shares outstanding and issuable at December 31, 2006.

(d) Reflects our estimate of fees and expenses associated with the transactions, including financing fees, estimated change of control costs and related employee benefits and other transaction costs and professional fees.

Table of Contents

Corporate structure

Under the terms of the proposed transactions, a wholly owned subsidiary of Freeport-McMoRan will merge into Phelps Dodge. As a result, Phelps Dodge will continue as a surviving corporation and will become a wholly owned subsidiary of Freeport-McMoRan. The diagram below shows a summary of the corporate structure of the combined company.

Recent developments

On November 22, December 12 and December 14, 2006, putative class actions were filed on behalf of Phelps Dodge shareholders in Arizona state court, New York state court and Arizona state court, respectively. The class actions allege breaches of fiduciary duties by the Phelps Dodge board of directors in connection with the acquisition. The complaints allege, among other things, that the named defendants engaged in self-dealing, obtained for themselves personal benefits not shared equally by Phelps Dodge shareholders and failed to disclose all material information concerning the acquisition to Phelps Dodge shareholders. One of these complaints names Freeport-McMoRan as a defendant and alleges that Freeport-McMoRan aided and abetted such alleged violations of fiduciary duties. The plaintiffs seek, among other things, injunctive relief barring consummation of the acquisition and directing the defendants to obtain a transaction that is in the best interests of Phelps Dodge shareholders.

Phelps Dodge, Freeport-McMoRan and the other named defendants believe the allegations are without merit and intend to vigorously defend the actions.

Freeport-McMoRan Copper & Gold Inc. is a Delaware corporation. Our principal executive offices are located at 1615 Poydras Street, New Orleans, Louisiana 70112, and our telephone number at that address is (504) 582-4000. Our website is located at www.fcx.com. The information on our website is not part of this prospectus supplement or the accompanying prospectus.

Table of Contents

The offering

The following summary contains basic information about the notes and is not intended to be complete. It may not contain all of the information that may be important to you. For a more complete description of the notes, see Description of the notes. In this summary of the offering, the words company, we, us and our refer only to Freeport-McMoRan Copper & Gold Inc. and not to any of its subsidiaries. Unless otherwise required by the context, we use the term notes in this prospectus supplement to refer collectively to the % senior notes due 2015 and the % senior notes due 2017.

Issuer	Freeport-McMoRan Copper & Gold Inc., a Delaware corporation
Securities	$ million in aggregate principal amount of % senior notes due 2015.
	$ million in aggregate principal amount of % senior notes due 2017.
Maturity	The % senior notes will mature on , 2015.
	The % senior notes will mature on , 2017.
Interest	The senior notes due 2015 will accrue interest from , 2007 at a rate of % per annum, payable and of each year, beginning on , 2007.
	The senior notes due 2017 will accrue interest from , 2007 at a rate of % per annum, payable and of each year, beginning on , 2007.
Ranking	Each series of notes will be general unsecured obligations of the company and will:
	rank equally in right of payment with the notes of the other series and with all existing and future senior indebtedness of the company;
	be senior in right of payment to any future subordinated obligations of the company;
	be effectively subordinated to all secured indebtedness of the company, including secured indebtedness and the other obligations under the new senior credit facilities and certain of the company s existing debt securities, to the extent of the value of the assets securing such indebtedness; and
	be effectively subordinated to all liabilities (including trade payables) and preferred stock of each subsidiary of the company, including Phelps Dodge s existing debt securities.
	As of December 31, 2006, on a pro forma basis after giving effect to the transactions, the company would have had approximately $17,251.0 million aggregate principal amount of indebtedness (excluding intercompany debt), all of which would have been senior

	indebtedness, including $10,612.9 million of secured indebtedness ($10,000.0 million of which consists of indebtedness and guarantees under the company s new senior credit facilities and $612.9 million of which consists of secured indebtedness of certain of the company s existing debt securities), $631.0 million of guarantees of existing debt securities of the company s subsidiaries, $6,000.0 million of the notes offered hereby and $7.1 million of other senior indebtedness.
	As of December 31, 2006, on a pro forma basis after giving effect to the transactions, our subsidiaries would have had approximately $23,495.3 million of total liabilities (including trade payables).
	See Description of the notes Ranking.
Optional redemption	Beginning on , 2011, we may redeem the 2015 notes, in whole or in part, at the redemption prices listed under Description of the notes Optional redemption plus accrued and unpaid interest on the 2015 notes to the redemption date. Prior to , 2011, we may redeem the 2015 notes, in whole or in part, pursuant to a make-whole call, plus accrued and unpaid interest on the 2015 notes to the redemption date.
	Beginning on , 2012, we may redeem the 2017 notes, in whole or in part, at the redemption prices listed under Description of the notes Optional redemption plus accrued and unpaid interest on the 2017 notes to the redemption date. Prior to , 2012, we may redeem the 2017 notes, in whole or in part, pursuant to a make-whole call, plus accrued and unpaid interest on the 2017 notes to the redemption date.
	In addition, prior to , 2010, on one or more occasions, we may redeem up to 35% of the aggregate principal amount of each series of notes with the proceeds of one or more equity offerings at a redemption price equal to %, in the case of the 2015 notes, and %, in the case of the 2017 notes, of the principal amount thereof, in each case plus accrued and unpaid interest to the redemption date (as described under Description of the notes Optional redemption).
Change of control	Upon the occurrence of certain kinds of changes of control, you will have the right, as holders of the notes, to require us to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest to the repurchase date. See Description of the notes Change of control.
Basic covenants	The indenture governing the notes contains covenants that will impose significant restrictions on our business. The restrictions that these covenants will place on us and our restricted subsidiaries

	include limitations on our ability and the ability of our restricted subsidiaries to:
	incur additional indebtedness;
	pay dividends or make distributions in respect of our capital stock or make certain other restricted payments or investments;
	sell assets, including the capital stock of our restricted subsidiaries;
	consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
	incur liens;
	enter into sale/leaseback transactions; and
	designate our subsidiaries as unrestricted subsidiaries.
	Certain of these covenants will be suspended with respect to the notes of a series if one of the two specified rating agencies assigns such series of notes an investment grade credit rating in the future and no default or event of default exists under the indenture. Such covenants will be reinstated with respect to such series of notes to the extent a default or event of default with respect to such series of notes has occurred and is continuing or both of the specified ratings agencies assign such series of notes non-investment grade credit ratings. These covenants are also subject to other important exceptions and qualifications, which are described under Description of the notes Certain covenants.
No prior market	Both series of notes are new securities and there is currently no established trading market for the notes. Although the underwriters have informed us that they intend to make a market in the notes, they are not obligated to do so and they may discontinue market making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained.
Use of proceeds	We will use the net proceeds from the offering to fund a portion of the acquisition consideration and pay related fees and expenses. See Use of proceeds.
Conditions to the offering	Closing of this offering will occur concurrently with, and is conditioned upon, the closing of the transactions.
Risk factors	Investing in the notes involves substantial risks. You should carefully consider all the information in this prospectus supplement prior to investing in the notes. In particular, we urge you to carefully consider the factors set forth under Risk factors.

Table of Contents

Summary consolidated historical financial and operating data of Freeport-McMoRan

The following summary consolidated historical financial data as of and for the years ended December 31, 2004, 2005 and 2006, have been derived from the audited consolidated financial statements of Freeport-McMoRan incorporated by reference herein. The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read the table in conjunction with the sections entitled Use of proceeds, Capitalization, Unaudited pro forma condensed combined financial statements, Selected consolidated historical financial and operating data of Freeport-McMoRan, Management s discussion and analysis of financial condition and results of operations of Freeport-McMoRan and the consolidated financial statements of Freeport-McMoRan and the related notes incorporated by reference herein. See Where you can find more information.

	Years ended December 31,		
(Dollars in millions)	**2004**	**2005**	**2006**
Statement of income data:			
Revenues	$ 2,371.9	$ 4,179.1	$ 5,790.5
Costs and expenses	1,668.3	2,001.8	2,921.8
Operating income	703.6	2,177.3	2,868.7
Interest expense, net	148.1	131.6	75.6
Net income applicable to common stock	156.8	934.6	1,396.0
Balance sheet data at end of period:			
Cash and cash equivalents	$ 552.0	$ 763.6	$ 907.5
Working capital[(a)]	762.4	673.8	1,178.6
Total assets	5,087.0	5,550.2	5,389.8
Total debt[(b)]	1,951.9	1,255.9	680.1
Stockholders equity	1,163.6	1,843.0	2,445.1
Other financial data:			
EBITDA[(c)]	$ 842.0	$ 2,232.8	$ 2,900.4
Adjusted EBITDA[(c)]	823.0	2,428.7	3,096.4
Capital expenditures and investments in subsidiaries	142.9	143.0	257.1(d)
Depreciation and amortization	206.4	251.5	227.6
Cash flow from operating activities[(e)]	341.4	1,552.5	1,866.4
Cash flow used in investing activities	64.0	134.3	223.5
Cash flow used in financing activities	189.6	1,206.1	1,499.1

Table of Contents

		Years ended December 31,	
	2004	2005	2006
Operating data:			
PT Freeport Indonesia operating data, net of Rio Tinto s interest[f]:			
Copper (recoverable)			
Production (000s of pounds)	996,500	1,455,900	1,201,200
Sales (000s of pounds)	991,600	1,456,500	1,201,400
Average realized price per pound	$ 1.37	$ 1.85	$ 3.13
Net cash production cost per pound[g]	$ 0.40	$ 0.07	$ 0.60
Gold (recoverable ounces)			
Production	1,456,200	2,789,400	1,731,800
Sales	1,443,000	2,790,200	1,736,000
Average realized price per ounce	$ 412.32	$ 456.27	$ 566.51[h]
PT Freeport Indonesia, 100% operating data:			
Copper (recoverable) (000s of pounds)			
Production	1,098,600	1,688,900	1,299,500
Sales	1,092,700	1,689,400	1,300,000
Gold (recoverable ounces)			
Production	1,536,600	3,439,600	1,824,100
Ore milled (metric tons per day)	185,100	216,200	229,400
Average ore grade			
Copper (percent)	0.87	1.13	0.85
Gold (grams per metric ton)	0.88	1.65	0.85
Gold (ounce per metric ton)	0.028	0.053	0.027
Recovery rates (percent)			
Copper	88.6	89.2	86.1
Gold	81.8	83.1	80.9

(a) Working capital represents current assets less current liabilities.

(b) Includes current portion of debt and short term borrowings.

(c) EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA represents net income applicable to common stock plus (i) interest expense, net, (ii) provision for income taxes and (iii) depreciation and amortization. Adjusted EBITDA represents EBITDA further adjusted to reflect the impact of (i) preferred dividends, (ii) minority interests in net income of consolidated subsidiaries, (iii) losses on early extinguishment and conversion of debt, (iv) gains on sales of assets, (v) gain on insurance settlement, (vi) other income, net and (vii) equity in PT Smelting earnings.

EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors, lenders and others to evaluate companies performance, including, among other things, profitability before the effect of financing and similar decisions. Because securities analysts, investors, lenders and others use EBITDA and Adjusted

EBITDA, our management believes that our presentation of EBITDA and Adjusted EBITDA affords them greater transparency in assessing our financial performance. EBITDA and Adjusted EBITDA should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP. EBITDA and Adjusted EBITDA may not necessarily be comparable to similarly titled measures reported by other companies, as different companies calculate them differently.

Table of Contents

The following table reconciles net income applicable to common stock to EBITDA and to Adjusted EBITDA for each period presented:

(Dollars in millions)	Years ended December 31, 2004	2005	2006
Net income applicable to common stock	$ 156.8	$ 934.6	$ 1,396.0
Interest expense, net	148.1	131.6	75.6
Provision for income taxes	330.7	915.1	1,201.2
Depreciation and amortization	206.4	251.5	227.6
EBITDA	$ 842.0	$ 2,232.8	$ 2,900.4
Preferred dividends	45.5	60.5	60.5
Minority interests in net income of consolidated subsidiaries	41.4	126.7	168.2
Losses on early extinguishment and conversion of debt(1)	14.0	52.2	32.0
Gains on sales of assets(2)	(28.8)	(6.6)	(30.6)
Gain on insurance settlement(3)	(87.0)		
Other income, net(4)	(2.1)	(27.6)	(27.6)
Equity in PT Smelting earnings	(2.0)	(9.3)	(6.5)
Adjusted EBITDA	$ 823.0	$ 2,428.7	$ 3,096.4

(1) Amounts for 2004 primarily relate to induced conversions of 81/4% Convertible Notes due 2006; and amounts for 2005 and 2006 primarily relate to induced conversions of 7% Convertible Senior Notes due 2011 and purchases of 101/8% Senior Notes due 2010.

(2) Amounts for 2004 include a $20.4 million gain from the sale of a parcel of land in Arizona held by a joint venture, and a $7.5 million gain from Atlantic Copper s sale of its wire rod and wire assets; amounts for 2005 include a $4.9 million gain from the sale of a parcel of land in Arizona held by a joint venture; and amounts for 2006 include gains of $29.7 million at Atlantic Copper from the disposition of land and certain royalty rights.

(3) Gain on insurance settlement related to the fourth quarter 2003 slippage and debris flow events at the Grasberg open pit.

(4) Primarily relates to interest income and the impact of translating into U.S. dollars Atlantic Copper s euro-denominated net liabilities.

(d) Includes $4.6 million of Phelps Dodge acquisition costs.

(e) Cash flow from operating activities represents net income before non-cash charges including depreciation and amortization, losses on early extinguishment and conversion of debt, deferred income taxes, minority interests share of net income, equity (earnings) losses in PT Smelting and other non-cash costs. Changes in working capital also impact cash flow from operating activities.

(f) For a description of Rio Tinto s interests, see Business of Freeport-McMoRan General.

(g) For a reconciliation of unit net cash costs to production and delivery costs applicable to sales reported in Freeport-McMoRan s consolidated financial statements, refer to Product revenues and production costs included in Management s discussion and analysis of financial condition and results of operations of Freeport-McMoRan elsewhere in this prospectus supplement.

(h) Amount was $606.36 before a loss resulting from redemption of Freeport-McMoRan s Gold-Denominated Preferred Stock, Series II.

Table of Contents

Summary consolidated historical financial and operating data of Phelps Dodge

The following summary consolidated historical financial data as of and for the years ended December 31, 2004, 2005 and 2006, have been derived from the audited consolidated financial statements of Phelps Dodge incorporated by reference herein. The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read the table below in conjunction with the sections entitled Use of proceeds, Capitalization, Unaudited pro forma condensed combined financial statements, Selected consolidated historical financial and operating data of Phelps Dodge, Management s discussion and analysis of financial condition and results of operations of Phelps Dodge and the consolidated financial statements of Phelps Dodge and the related notes incorporated by reference herein. See Where you can find more information.

	Years ended December 31,		
(Dollars in millions)	**2004[(a)]**	**2005[(b)]**	**2006[(c)]**
Statement of income data:			
Sales and other operating revenues	$ 6,415.2	$ 8,287.1	$ 11,910.4
Operating costs and expenses	4,940.3	6,522.2	7,683.5
Operating income	1,474.9	1,764.9	4,226.9
Interest expense, net of capitalized interest	122.9	62.3	19.0
Net income applicable to common shares	1,032.8	1,549.6	3,017.8
Balance sheet data at end of period:			
Cash and cash equivalents	$ 1,200.1	$ 1,916.7	$ 4,947.4
Working capital[(d)]	1,493.7	2,461.4	4,338.0
Total assets	8,594.1	10,358.0	14,632.3
Total debt	1,096.9	694.5	891.9
Shareholders equity	4,343.1	5,601.6	7,690.4
Other financial data:			
EBITDA[(e)]	$ 1,808.3	$ 2,647.1	$ 4,501.2
Adjusted EBITDA[(e)]	2,037.4	2,719.7	4,769.2
Capital expenditures and investments, net	317.3	698.2	1,187.8
Depreciation, depletion and amortization	455.5	441.8	448.7
Net cash provided by operating activities	1,700.1	1,769.7	5,079.2
Net cash used in investing activities	291.0	368.0	844.2
Net cash used in financing activities	947.2	685.8	1,213.2

	Years ended December 31,		
	2004	**2005**	**2006**
Operating data:			
Copper production (million pounds consolidated basis)[(f)]	2,521.2	2,456.0	2,437.4
Copper production (million pounds pro rata basis)[(g)]	2,163.4	2,084.6	2,012.6
Copper sales from Phelps Dodge s mines (million pounds consolidated basis)[(f)]	2,537.8	2,476.8	2,429.0

Copper sales from Phelps Dodge s mines (million pounds pro rata basis)[(g)]		2,178.2		2,103.2		2,006.2
COMEX copper price per pound[(h)]	$	1.29	$	1.68	$	3.09
LME copper price per pound[(i)]	$	1.30	$	1.67	$	3.05
Molybdenum production (million pounds)		57.5		62.3		68.2
Molybdenum sales from Phelps Dodge s mines (million pounds)		63.1		59.9		68.8
Purchased molybdenum (million pounds)		12.9		12.9		8.3
Total molybdenum sales (million pounds)		76.0		72.8		77.1
Metals Week molybdenum Dealer Oxide mean price per pound[(j)]	$	16.41	$	31.73	$	24.75

S-17

(a) Reported amounts for 2004 included after-tax, net special charges of $50.4 million, including $44.7 million for environmental provisions; $30.9 million (net of minority interests) for early debt extinguishment costs; $9.9 million for the write-down of two cost-basis investments; $9.6 million for taxes on anticipated foreign dividends; $9.0 million for a deferred tax asset valuation allowance at Phelps Dodge s Brazilian wire and cable operation; $7.6 million for Phelps Dodge Magnet Wire restructuring activities; $5.9 million for asset impairment charges (included $4.5 million for discontinued operations); and $0.7 million for interest on a Texas franchise tax matter; partially offset by after-tax net special gains of $30.0 million for the reversal of a U.S. deferred tax asset valuation allowance; $15.7 million (net of minority interest) for the reversal of an El Abra deferred tax asset valuation allowance; $10.1 million for the gain on the sale of uranium royalty rights; $7.4 million for environmental insurance recoveries; and $4.7 million for the settlement of historical legal matters.

(b) Reported amounts for 2005 included after-tax, net special charges of $54.1 million, including $331.8 million for asset impairment charges; tax expense of $88.1 million for foreign dividend taxes; $86.4 million for environmental provisions; $42.6 million associated with discontinued operations in connection with the sale of Columbian Chemicals Company, which is referred to in this document as Columbian, previously disclosed as PDI s Specialty Chemicals Segment; $41.3 million for early debt extinguishment costs; $34.5 million (net of minority interest) for tax on unremitted foreign earnings; $23.6 million for a tax charge associated with minimum pension liability reversal; $10.1 million for cumulative effect of accounting change; $5.9 million for transaction and employee-related costs associated with the sale of substantially all of Phelps Dodge s North American magnet wire assets; partially offset by after-tax, net special gains of $388.0 million for the sale of a cost-basis investment; $181.7 million for change in interest gains at Cerro Verde and Ojos del Salado; $15.6 million for legal matters; $11.9 million for the reversal of Phelps Dodge Brazil s deferred tax asset valuation allowance; $8.5 million for the sale of non-core real estate; $4.0 million for the reversal of U.S. deferred tax asset valuation allowance; $0.4 million for environmental insurance recoveries; and $0.1 million for Phelps Dodge Magnet Wire restructuring activities. The after-tax, net special charges of $42.6 million associated with discontinued operations consisted of $67.0 million (net of minority interests) for a goodwill impairment charge; taxes of $7.6 million associated with the sale and dividends paid in 2005; and $5.0 million for a loss on disposal of Columbian associated with transactions and employee-related costs, partially offset by a deferred income tax effect of $37.0 million.

(c) Reported amounts for 2006 included after-tax, net special gains of $344.2 million, including $330.7 million for the Inco termination fee; $127.5 million for the reversal of U.S. deferred tax asset valuation allowance; $2.0 million for legal matters; $0.4 million for sale of non-core real estate; and $0.2 million for the reversal of Minera PD Peru deferred tax asset valuation allowance; partially offset by after-tax, net special charges of $54.5 million for environmental provisions; $30.9 million for charges associated with discontinued operations in connection with the sale of Columbian; $9.6 million for asset impairment charges; $7.6 million (net of minority interest) for tax on unremitted foreign earnings; $5.1 million for transaction and employee-related charges and loss on disposal in connection with the sale of North American magnet wire assets; $4.7 million for transaction and employee-related charges and loss on the disposal in connection with the sale of HPC; $3.0 million for a lease termination settlement; and $1.2 million associated with the dissolution of an international wire and cable entity.

(d) Working capital represents current assets less current liabilities.

(e) EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA represents net income applicable to common shares plus (i) interest expense, net of capitalized interest, (ii) provision for taxes on income, (iii) depreciation, depletion and amortization and (iv) amounts included in discontinued operations. Adjusted EBITDA represents EBITDA further adjusted to reflect the impact of (i) preferred stock dividends, (ii) minority interests in consolidated subsidiaries, (iii) equity in net earnings of affiliated companies, (iv) special items and provisions, net, (v) early debt extinguishment costs, (vi) Inco termination fee, net of expenses, (vii) gain on sale of cost-basis investments, net of expenses, (viii) change in interest gains, net of expenses, (ix) miscellaneous income and expense, net and (x) other amounts included in discontinued operations.

EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors, lenders and others to evaluate companies performance, including, among other things, profitability before the effect of financing and similar decisions. Because securities analysts, investors, lenders and others use EBITDA and Adjusted EBITDA, our management believes that our presentation of EBITDA and Adjusted EBITDA affords them greater transparency in assessing our financial performance. EBITDA and Adjusted EBITDA should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP. EBITDA and Adjusted EBITDA may not necessarily be comparable to similarly titled measures reported by other companies, as different companies calculate them differently.

Table of Contents

The following table reconciles net income applicable to common shares to EBITDA and Adjusted EBITDA for each period presented:

	Years ended December 31,		
(Dollars in millions)	2004	2005	2006
Net income applicable to common shares	$ 1,032.8	$ 1,549.6	$ 3,017.8
Interest expense, net of capitalized interest	122.9	62.3	19.0
Provision for taxes on income	131.3	577.0	1,010.2
Depreciation, depletion and amortization	455.5	441.8	448.7
Amounts included in discontinued operations[1]	65.8	16.4	5.5
EBITDA	$ 1,808.3	$	