

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS

Form SC 13D/A

May 30, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934**

**(Amendment No. 19)\***

OPEN JOINT STOCK COMPANY

VIMPEL-COMMUNICATIONS

---

**(Name of Issuer)**

Common Stock, nominal value 0.005 rubles per share

---

**(Title of Class of Securities)**

68370R109

---

**(CUSIP Number)**

Franz Wolf

Eco Telecom Limited

Suite 2

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form SC 13D/A

4 Irish Place

Gibraltar

(350) 41977

---

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

May 26, 2006

---

(Date of Event which Requires Filing of this Statement)

With a copy to:

Alexey Reznikovich

Altimo Holdings and Investments Limited

21 Novy Arbat

121019 Moscow, Russia

(7-495) 981-4449

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box. "

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page. The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (the Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No.: 68370R109

13D

Page 2 of 12

## 1. Name of Reporting Persons

I.R.S. Identification Nos. of above persons (entities only)

**Eco Telecom Limited****000-00-0000**

## 2. Check the Appropriate Box of a Member of a Group

(a) ..

(b) x

## 3. SEC Use Only

## 4. Source of Funds

**AF; OO**

## 5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

..

## 6. Citizenship or Place of Organization

**Gibraltar**

## 7. Sole Voting Power

Number of **12,563,782 shares of Common Stock\***

Shares

## 8. Shared Voting Power

Beneficially

Owned by

**0**

Each

## 9. Sole Dispositive Power

Reporting

Person

With

**12,563,782 shares of Common Stock\***

## 10. Shared Dispositive Power

**0**

## 11. Aggregate Amount Beneficially Owned by Each Reporting Person

**12,563,782 shares of Common Stock\***

## 12. Check If the Aggregate Amount in Row (11) Excludes Certain Shares

..

## 13. Percent of Class Represented by Amount in Row (11)

**24.5% of Common Stock\***

## 14. Type of Reporting Person

**OO, HC**

\* Eco Telecom is also the direct beneficial owner of 6,426,600 (100%) shares of the Issuer's type-A voting preferred stock, which, together with the total number of shares of the Issuer's common stock owned by Eco Telecom, represents approximately 32.9% of the Issuer's outstanding voting capital stock. See Item 5.

CUSIP No.: 68370R109

13D

Page 3 of 12

## 1. Name of Reporting Persons

I.R.S. Identification Nos. of above persons (entities only)

**Altimo Holdings and Investments Limited****000-00-0000**

## 2. Check the Appropriate Box of a Member of a Group

(a) ..

(b) x

## 3. SEC Use Only

## 4. Source of Funds

**OO**

## 5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

..

## 6. Citizenship or Place of Organization

**British Virgin Islands**

## 7. Sole Voting Power

Number of **12,563,782 shares of Common Stock\***

Shares

## 8. Shared Voting Power

Beneficially

Owned by

**0**

Each

## 9. Sole Dispositive Power

Reporting

Person

With

**12,563,782 shares of Common Stock\***

## 10. Shared Dispositive Power

**0**

## 11. Aggregate Amount Beneficially Owned by Each Reporting Person

**12,563,782 shares of Common Stock\***

## 12. Check If the Aggregate Amount in Row (11) Excludes Certain Shares

..

## 13. Percent of Class Represented by Amount in Row (11)

**24.5% of Common Stock\***

## 14. Type of Reporting Person

**OO, HC**

\* The Reporting Person may be deemed to beneficially own 6,426,600 (100%) shares of the Issuer's type-A voting preferred stock, which, together with the total number of shares of the Issuer's common stock that the Reporting Person may be deemed to beneficially own, represents approximately 32.9% of the Issuer's outstanding voting capital stock. See Item 5.

CUSIP No.: 68370R109

13D

Page 4 of 12

## 1. Name of Reporting Persons

I.R.S. Identification Nos. of above persons (entities only)

**CTF Holdings Limited****000-00-0000**

## 2. Check the Appropriate Box of a Member of a Group

(a) ..

(b) **x**

## 3. SEC Use Only

## 4. Source of Funds

**AF; OO**

## 5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

..

## 6. Citizenship or Place of Organization

**Gibraltar**

## 7. Sole Voting Power

Number of **12,563,782 shares of Common Stock\***

Shares

## 8. Shared Voting Power

Beneficially

Owned by

**0**

Each

## 9. Sole Dispositive Power

Reporting

Person

With

**12,563,782 shares of Common Stock\***

## 10. Shared Dispositive Power

**0**

## 11. Aggregate Amount Beneficially Owned by Each Reporting Person

**12,563,782 shares of Common Stock\***

## 12. Check If the Aggregate Amount in Row (11) Excludes Certain Shares

..

## 13. Percent of Class Represented by Amount in Row (11)

**24.5% of Common Stock\***

## 14. Type of Reporting Person

**OO, HC**

\* The Reporting Person may be deemed to beneficially own 6,426,600 (100%) shares of the Issuer's type-A voting preferred stock, which, together with the total number of shares of the Issuer's common stock that the Reporting Person may be deemed to beneficially own, represents approximately 32.9% of the Issuer's outstanding voting capital stock. See Item 5.

CUSIP No.: 68370R109

13D

Page 5 of 12

## 1. Name of Reporting Persons

I.R.S. Identification Nos. of above persons (entities only)

**Crown Finance Foundation****000-00-0000**

## 2. Check the Appropriate Box of a Member of a Group

(a) ..

(b) **x**

## 3. SEC Use Only

## 4. Source of Funds

**AF; OO**

## 5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)

..

## 6. Citizenship or Place of Organization

**Liechtenstein**

## 7. Sole Voting Power

Number of **12,563,782 shares of Common Stock\***

Shares

## 8. Shared Voting Power

Beneficially

Owned by

**0**

Each

## 9. Sole Dispositive Power

Reporting

Person

With

**12,563,782 shares of Common Stock\***

## 10. Shared Dispositive Power

**0**

## 11. Aggregate Amount Beneficially Owned by Each Reporting Person

**12,563,782 shares of Common Stock\***

## 12. Check If the Aggregate Amount in Row (11) Excludes Certain Shares

..

## 13. Percent of Class Represented by Amount in Row (11)

**24.5% of Common Stock\***

## 14. Type of Reporting Person

**OO**

\* The Reporting Person may be deemed to beneficially own 6,426,600 (100%) shares of the Issuer's type-A voting preferred stock, which, together with the total number of shares of the Issuer's common stock that the Reporting Person may be deemed to beneficially own, represents approximately 32.9% of the Issuer's outstanding voting capital stock. See Item 5.

**Item 1. Security and Issuer.**

This Amendment No. 19 (this Amendment) to the Statement on Schedule 13D relates to the common stock, nominal value 0.005 rubles per share (the Common Stock), of Open Joint Stock Company Vimpel-Communications (VimpelCom). The initial Statement on Schedule 13D, previously filed jointly by Eco Telecom Limited (Eco Telecom), Eco Holdings Limited, CTF Holdings Limited (CTF Holdings) and Crown Finance Foundation (Crown Finance) on June 11, 2001 (as amended and supplemented by Amendment Nos. 1 through 18, the Statement), is hereby amended and supplemented with respect to the items set forth in this Amendment. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Statement.

**Item 2. Identity and Background.**

This Amendment is being filed on behalf of each of the following persons (each, a Reporting Person and, collectively, the Reporting Persons):

- (i) Eco Telecom;
- (ii) Altimo Holdings and Investments Limited (formerly known as Alfa Telecom Limited) (Altimo);
- (iii) CTF Holdings; and
- (iv) Crown Finance.

The Statement, as amended hereby, relates to the shares of Common Stock held for the account of Eco Telecom.

**The Reporting Persons**

Eco Telecom is a Gibraltar company, with its principal business address at 10/8 International Commercial Centre, Casemates Square, Gibraltar. The principal business of Eco Telecom is to function as a holding company. Current information concerning the identity and background of the directors and officers of Eco Telecom is set forth in Annex A hereto, which is incorporated by reference in response to this Item 2.

Altimo is a British Virgin Islands company, with its principal address at P.O. Box 3339, Geneva Place, Second Floor, 333 Waterfront Drive, Road Town, Tortola, British Virgin Islands. The principal business of Altimo is to function as a holding company. Altimo is the sole shareholder of Eco Telecom and, in such capacity, may be deemed to be the beneficial owner of the shares of Common Stock held for the account of Eco Telecom. Current information concerning the identity and background of the directors and officers of Altimo is set forth in Annex A hereto, which is incorporated by reference in response to this Item 2.

CTF Holdings is a Gibraltar limited liability company, with its principal address at Suite 2, 4 Irish Place, Gibraltar. The principal business of CTF Holdings is to function as a holding company. CTF Holdings indirectly owns a majority of the shares of Altimio and, in such capacity, may be deemed to be the beneficial owner of the shares of Common Stock held for the account of Eco Telecom. Current information concerning the identity and background of the directors and officers of CTF Holdings is set forth in Annex A hereto, which is incorporated by reference in response to this Item 2.

Crown Finance is a Liechtenstein foundation, with its principal address at Am Schragen Weg 14, P.O. Box 1618, FL-9490, Vaduz, Liechtenstein. The principal business of Crown Finance is investment and management of the assets and capital of the foundation. Crown Finance is the sole shareholder of CTF Holdings and, in such capacity, may be deemed to be the beneficial owner of the shares of Common Stock held for the account of Eco Telecom. Current information concerning the identity and background of the directors and officers of Crown Finance is set forth in Annex A hereto, which is incorporated by reference in response to this Item 2.

The Supervisory Board coordinates the strategic development of a group of affiliated entities, often referred to as the Alfa Group Consortium, which group includes the Reporting Persons. In certain instances, the Supervisory Board issues recommendations regarding strategic business decisions to the entities that are members of the Alfa Group Consortium. Current information regarding the identity and background of the members of the Supervisory Board is set forth in Annex A hereto, which is incorporated by reference in response to this Item 2.

During the past five years, none of the Reporting Persons and, to the best of the Reporting Persons' knowledge, no other person identified in response to this Item 2, has been (a) convicted in a criminal proceeding or (b) a party to any civil proceeding or a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws, or finding any violation with respect to such laws.

### **Item 3. Source and Amount of Funds or Other Consideration.**

No material change.

### **Item 4. Purpose of Transaction.**

Item 4 is hereby supplemented as follows:

On May 26, 2006, Altimio sent a letter to VimpelCom's shareholders, a copy of which is attached hereto as Exhibit 99.2 (the May 26 Letter to VimpelCom's Shareholders), accompanied by a proxy card, a copy of which is attached hereto as Exhibit 99.3.



**Item 5. Interest in Securities of the Issuer.**

Item 5 is hereby supplemented as follows:

- (a) No material change.
- (b) No material change.
- (c) To the best of the Reporting Persons' knowledge, there have been no transactions effected with respect to shares of Common Stock during the past 60 days by any of the persons named in response to Item 2.
- (d) No material change.
- (e) Not applicable.

**Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.**

Item 6 is hereby supplemented as follows:

On November 14, 2005, Telenor ASA ( "Telenor" ) commenced an arbitration proceeding in Geneva, Switzerland, against Eco Telecom, Eco Holdings Limited and CTF Holdings, alleging that Eco Telecom breached the shareholders agreement between Telenor and Eco Telecom by nominating more than four persons for election to the Board of Directors of VimpelCom in 2005.

**Item 7. Material to be Filed as Exhibits.**

The Index of Exhibits attached hereto is incorporated herein by reference.

SIGNATURES

After reasonable inquiry and to the best of his or her knowledge and belief, each of the undersigned certifies that the information in this Amendment is true, complete and correct.

Date: May 26, 2006

ECO TELECOM LIMITED

By: /s/ Pavel Volitsky

Name: Pavel Volitsky

Title: Director

Date: May 26, 2006

ALTIMO HOLDINGS AND INVESTMENTS LIMITED

By: /s/ Franz Wolf

Name: Franz Wolf

Title: Director

Date: May 26, 2006

CTF HOLDINGS LIMITED

By: /s/ Franz Wolf

Name: Franz Wolf

Title: Director

Date: May 26, 2006

CROWN HOLDINGS LIMITED

By: /s/ Franz Wolf

Name: Franz Wolf

Title: Attorney-in-Fact

**ANNEX A****Directors and Officers of Eco Telecom Limited**

<b>Name/Citizenship</b>	<b>Principal Occupation</b>	<b>Business Address</b>
Pavel Volitskiy,	Manager, CTF Holdings Limited	Suite 2
Director (Russia)		4 Irish Place, Gibraltar

**Directors and Officers of Altimo Holdings and Investments Limited**

<b>Name/Citizenship</b>	<b>Principal Occupation</b>	<b>Business Address</b>
Geoffrey Piers Hemy,	Director, Grand Financial Holding S.A.	11 Boulevard Royale
Director (United Kingdom)		L-2449 Luxembourg
Georgia Karydes,	Director, Feldmans Management (Overseas) Ltd.	6 Nikou Georgiou Street
Director (Cyprus)		Block C, Office 704
		Nicosia 1098, Cyprus
Alla Kudryavtseva,	Director, CTF Holdings Limited	Suite 2,
Director (Russia)		4 Irish Place, Gibraltar
Alexey Reznikovich,	Chief Executive Officer, AT Consulting Limited	21 Novy Arbat Street
Chief Executive Officer (Russia)		121019 Moscow, Russia
Pavel Volitskiy,	Manager, CTF Holdings Limited	Suite 2
Director (Russia)		4 Irish Place, Gibraltar
Franz Wolf,	Director, CTF Holdings Limited	Suite 2
Director (Germany)		4 Irish Place, Gibraltar

**Directors and Officers of CTF Holdings Limited**

<b>Name/Citizenship</b>	<b>Principal Occupation</b>	<b>Business Address</b>
Alla Kudryavtseva,	Director, CTF Holdings Limited	Suite 2
Director (Russia)		4 Irish Place, Gibraltar
Franz Wolf,	Director, CTF Holdings Limited	Suite 2
Director (Germany)		4 Irish Place, Gibraltar

**Directors and Officers of Crown Finance Foundation**

# Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form SC 13D/A

<b>Name/Citizenship</b>	<b>Principal Occupation</b>	<b>Business Address</b>
Christian Rosenow,	Financial Adviser	Talacker 35, 8001
Director (Switzerland)		Zurich, Switzerland
Dr. Norbert Seeger,	Attorney,	Am Schragen Weg 14
Director (Liechtenstein)	Arcomm Trust Company	P.O. Box 1618 FL-9490
		Vaduz, Liechtenstein
Dr. Christian Zangerle,	Attorney,	Am Schragen Weg 14
Director (Austria)	Law Office of Dr. Norbert Seeger	P.O. Box 1618 FL-9490
		Vaduz, Liechtenstein

**Members of the Supervisory Board of Alfa Group Consortium**

<b>Name/Citizenship</b>	<b>Principal Occupation</b>	<b>Business Address</b>
Peter Aven,	President, OJSC Alfa Bank	11 Mashy Poryvayevoy Street
Director (Russia)		107078 Moscow, Russia
Alexandr Fain,	Chief Executive Officer, Alfa Eco LLC	21 Novy Arbat Street
Director (Russia)		121019 Moscow, Russia
Mikhail Fridman,	Chairman of the Board of Directors, OJSC Alfa Bank	9 Mashy Poryvayevoy Street
Director (Russia)		107078 Moscow, Russia
Michail Gamzin,	Director General, OAO Russian Technologies	3 rd Golutvinsky Pereulok
Director (Russia)		10 Building 6
		109180 Moscow, Russia
German Khan,	Executive Director, TNK-BP Management	18/2, Schipok Street
Director (Russia)		115093 Moscow, Russia
Alexander Kosiyanenko,	Chief Executive Officer, JSC Perekrestok	14817 Moscow Region
Director (Russia)		District of Mytishy
		Paveltsevo Village, Russia
Alexey Kuzmichev,	Chairman of Board of Directors, Alfa Eco LLC	21 Novy Arbat Street
Director (Russia)		121019 Moscow, Russia
Nigel John Robinson,	Director of Corporate Development, Finance and Control, Alfa Group Consortium	6 Sechenovskiy Pereulok
Director (United Kingdom)		Building 3, Floor 3
		119034 Moscow, Russia
Alexey Reznikovich,	Chief Executive Officer, AT Consulting Limited	21 Novy Arbat Street
Director (Russia)		121019 Moscow, Russia
Alexander Savin,	Chief Executive Officer, Alfa Eco LLC	12 Krasnopresenskaya Nab.
Director (Russia)		International Trade Center 2,
		Entrance 7
		123610 Moscow, Russia

To the best of the Reporting Persons knowledge:

- (a) None of the above persons holds any shares of Common Stock.
- (b) None of the above persons has any contracts, arrangements, understandings or relationships with respect to any shares of Common Stock.

**Index of Exhibits**

- Exhibit 24.1 A conformed copy of the Power of Attorney authorizing Franz Wolf to sign this Amendment on behalf of Crown Finance Foundation, incorporated herein by reference to Exhibit 24.1 to Amendment No. 14 to the Statement on Schedule 13D, filed by Eco Telecom Limited *et al.* with the Securities and Exchange Commission on August 17, 2005.
- Exhibit 99.1 A conformed copy of the joint filing agreement, dated August 19, 2004, by and among the Reporting Persons, *inter alia*, incorporated herein by reference to Exhibit 99.1 to Amendment No. 7 to the Statement on Schedule 13D, filed by the Reporting Persons, *inter alia*, with the Securities and Exchange Commission on August 23, 2004.
- Exhibit 99.2 Letter to VimpelCom's shareholders, dated May 26, 2006.
- Exhibit 99.3 Form of proxy card.

align="center">

147

---

Table of Contents

PT Freeport Indonesia Plan. PT Freeport Indonesia has a defined benefit pension plan denominated in Indonesian rupiah covering substantially all of its Indonesian national employees. PT Freeport Indonesia funds the plan and invests the assets in accordance with Indonesian pension guidelines. The pension obligation was valued at an exchange rate of 10,850 rupiah to one U.S. dollar on December 31, 2008, and 9,390 rupiah to one U.S. dollar on December 31, 2007. Indonesian labor laws enacted in 2003 require that companies provide a minimum level of benefits to employees upon employment termination based on the reason for termination and the employee's years of service. PT Freeport Indonesia's pension benefit disclosures include benefits related to this law. PT Freeport Indonesia's expected rate of return on plan assets is evaluated at least annually, taking into consideration its historical yield and the long range estimated return for the plan based on the asset mix.

Atlantic Copper Plan. Atlantic Copper has a contractual obligation denominated in euros to supplement amounts paid to certain retired Spanish national employees. As required by Spanish law, beginning in August 2002, Atlantic Copper began funding 7.2 million euros (\$10 million based on a December 31, 2008, exchange rate of \$1.39 per euro) annually for 15 years to an approved insurance company for its estimated 72 million euro contractual obligation to the retired employees. The insurance company invests the plan assets in accordance with Spanish regulations, and Atlantic Copper has no control over these investments. Atlantic Copper is amortizing the unrecognized net actuarial loss over the remaining eight-year funding period.

Plan Information. FCX uses a measurement date of December 31 for its plans. In some plans, the plan assets exceed the accumulated benefit obligations, while in the remainder, the accumulated benefit obligations exceed the plan assets. The following table presents the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for those plans where the accumulated benefit obligations exceed the plan assets:

		December 31, 2008	2007
Projected benefit obligation	\$	1,486	\$ 230
Accumulated benefit obligation		1,403	259
Fair value of plan assets		968	66

Information as of December 31, 2008 and 2007, on the FCX (including FMC's plans; FCX's SERP, director and excess benefits plans; and FM Services Company's plans), PT Freeport Indonesia and Atlantic Copper plans follows:

	FCX		PT Freeport Indonesia		Atlantic Copper	
	2008	2007	2008	2007	2008	2007
Change in benefit obligation:						
Benefit obligation at beginning of year	\$ 1,342	\$ 50	\$ 65	\$ 54	\$ 87	\$ 83
Acquisition of Phelps Dodge	—	1,370	—	—	—	—
Service cost	29	24	6	5	—	—
Interest cost	80	62	6	5	4	5
Amendments	(6)	—	—	—	—	—
Actuarial (gains) losses	62	(78)	(5)	7	1	—
Divestitures	—	(5)	—	—	—	—
Foreign exchange (gain) loss	(4)	2	(9)	(3)	(3)	8
Curtailments <sup>a</sup>	(19)	—	—	—	—	—
Special retirement benefits <sup>a</sup>	39	—	—	—	—	—
Benefits paid	(111)	(83)	(4)	(3)	(8)	(9)



Benefit obligation at end of												
year	\$	1,412	\$	1,342	\$	59	\$	65	\$	81	\$	87

148

---

Table of Contents

	FCX		PT Freeport Indonesia		Atlantic Copper	
	2008	2007	2008	2007	2008	2007
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 1,442	\$ 13	\$ 38	\$ 30	\$ 15	\$ 14
Acquisition of Phelps Dodge	–	1,374	–	–	–	–
Actual return on plan assets	(390)	113	(2)	4	–	–
Employer contributions <sup>b</sup>	21	24	15	8	12	10
Foreign exchange gain (loss)	(3)	1	(6)	(1)	–	–
Benefits paid	(111)	(83)	(3)	(3)	(8)	(9)
Fair value of plan assets at end of year	959	1,442	42	38	19	15
Funded status	\$ (453)	\$ 100	\$ (17)	\$ (27)	\$ (62)	\$ (72)
Accumulated benefit obligation	\$ 1,329	\$ 1,252	\$ 37	\$ 39	\$ 81	\$ 87
Weighted-average assumptions used to determine benefit obligations:						
Discount rate <sup>c</sup>	6.10%	6.30%	12.00%	10.25%	6.77%	6.77%
Rate of compensation increased	4.25%	4.25%	8.00%	8.00%	N/A	N/A
Balance sheet classification of funded status:						
Other assets	\$ 3	\$ 195	\$ –	\$ –	\$ –	\$ –
Accounts payable and accrued liabilities	(5)	(7)	–	(1)	–	–
Other liabilities	(451)	(88)	(17)	(26)	(62)	(72)
Total	\$ (453)	\$ 100	\$ (17)	\$ (27)	\$ (62)	\$ (72)

- a. Resulted from revised mine operating plans and reductions in the workforce (see Note 2 for further discussion).
- b. Employer contributions for 2009 are expected to approximate \$6 million for the FCX plans, \$14 million for the PT Freeport Indonesia plan (based on a December 31, 2008, exchange rate of 10,850 Indonesian rupiah to one U.S. dollar) and \$10 million for the Atlantic Copper plan (based on a December 31, 2008, exchange rate of \$1.39 per euro).
- c. The discount rate shown in 2008 for the FCX plans relates to all plans except the SERP plan. The discount rate shown in 2007 for the FCX plans relates to the FMC plans and the excess benefit plan. The SERP plan's discount rate in 2008 and 2007 was 4.00 percent.
- d. The rate of compensation increase shown for the FCX plans only relates to the FMC plans.

Table of Contents

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's pension plans (including FMC's plans for the year ended December 31, 2008, and the period March 20, 2007, through December 31, 2007; FCX's SERP, director and excess benefits plans; and FM Services Company's plans) for the years ended December 31, 2008, 2007 and 2006, follow:

	2008	2007	2006
Weighted-average assumptions:			
Discount rate			
FCX SERP	4.00%	4.00%	6.00%
FMC plans	6.30%	5.78%	N/A
Expected return on plan assets <sup>a</sup>	8.50%	8.50%	N/A
Rate of compensation increase <sup>a</sup>	4.25%	4.25%	N/A
Service cost	\$ 29	\$ 24	\$ –
Interest cost	80	62	2
Expected return on plan assets	(118)	(90)	–
Amortization of prior service cost	4	4	4
Special retirement benefits <sup>b</sup>	39	–	–
Net periodic benefit cost	\$ 34	\$ –	\$ 6

a. The assumptions shown only relate to the FMC plans.

b. Resulted from revised mine operating plans and reductions in the workforce (see Note 2 for further discussion).

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for PT Freeport Indonesia's and Atlantic Copper's pension plans for the years ended December 31, 2008, 2007 and 2006, follow:

	PT Freeport Indonesia		
	2008	2007	2006
Weighted-average assumptions:			
Discount rate	10.25%	10.50%	12.00%
Expected return on plan assets	9.00%	10.00%	10.00%
Rate of compensation increase	8.00%	9.00%	10.00%
Service cost	\$ 6	\$ 5	\$ 4
Interest cost	6	5	5
Expected return on plan assets	(3)	(3)	(3)
Amortization of prior service cost	1	1	1
Amortization of net actuarial loss	1	1	1
Net periodic benefit cost	\$ 11	\$ 9	\$ 8

	Atlantic Copper		
	2008	2007	2006
Weighted-average assumption:			
Discount rate	6.77%	6.77%	6.77%
Interest cost	\$ 4	\$ 5	\$ 5

Amortization of net actuarial loss		2		—		1
Net periodic benefit cost	\$	6	\$	5	\$	6

Included in accumulated other comprehensive income (loss) are the following amounts that have not been recognized in net periodic pension cost: unrecognized prior service credits of \$3 million (\$2 million net of tax and minority interest share) and unrecognized actuarial losses of \$470 million (\$305 million net of tax and minority interest share) at December 31, 2008; and unrecognized prior service costs of \$9 million (\$7 million net of tax and minority interest share) and unrecognized actuarial gains of \$75 million (\$44 million net of tax and minority interest

150

Table of Contents

share) at December 31, 2007. The amounts expected to be recognized in net periodic pension cost for 2009 are less than \$1 million for prior service credits and \$33 million (\$20 million net of tax and minority interest share) for actuarial losses.

FCX does not expect to have any plan assets returned to it in 2009. The pension plan weighted-average asset allocations for the FCX and PT Freeport Indonesia plans at December 31, 2008 and 2007, follow:

	FCX		PT Freeport Indonesia	
	2008	2007	2008	2007
Equity securities	45%	55%	9%	19%
Fixed income	43	35	91	74
Real estate	8	7	—	—
Other	4	3	—	7
Total	100%	100%	100%	100%

Atlantic Copper's plan is administered by a third-party insurance company, and Atlantic Copper is not provided asset allocations.

The expected benefit payments for FCX's (including FMC's plans, and FCX's SERP, director and excess benefits plans), PT Freeport Indonesia's and Atlantic Copper's pension plans follow.

	FCX		PT Freeport Indonesiia	Atlantic Copperb
2009	\$	87	\$ 3	\$ 8
2010		85	11	8
2011		85	6	8
2012		136	7	8
2013		88	8	8
2014 through 2018		477	52	42

a. Based on a December 31, 2008, exchange rate of 10,850 Indonesian rupiah to one U.S. dollar.

b. Based on a December 31, 2008, exchange rate of \$1.39 per euro.

**Postretirement and Other Benefits.** FCX also provides postretirement medical and life insurance benefits for certain U.S. employees and, in some cases, employees of certain international subsidiaries. These postretirement benefits vary among plans, and many plans require contributions from retirees. The expected cost of providing such postretirement benefits is accrued during the years employees render service.

As a result of the acquisition of Phelps Dodge, FCX acquired postretirement obligations with a fair value of \$82 million (representing a benefit obligation of \$255 million less the fair value of plan assets of \$173 million). Assets for these plans consisted of two VEBA trusts. One trust was dedicated to funding postretirement medical obligations and the other to funding postretirement life insurance obligations for eligible U.S. retirees of FMC. During 2008, the VEBA trusts were amended to allow FCX to pay benefits for both active employees and retirees from the trusts. As a result, in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the VEBA trusts no longer qualify as plan assets for purposes of FCX's postretirement medical and life insurance benefit obligations.

The discount rate for FCX's postretirement medical and life insurance benefit plans was determined on the same basis as FCX's pension plans.

151

---

Table of Contents

Information as of December 31, 2008 and 2007, on the postretirement benefit plans follows:

	2008	2007
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 256	\$ 4
Acquisition of Phelps Dodge	—	255
Service cost	1	1
Interest cost	14	11
Actuarial (gains) losses	(8)	8
Curtailements <sup>a</sup>	23	—
Benefits paid, net of employee contributions and Medicare Part D subsidy	(29)	(23)
Benefit obligation at end of year	257	256
Change in plan assets:		
Fair value of plan assets at beginning of year	150	—
Acquisition of Phelps Dodge	—	173
Actual return on plans assets	3	5
Employer contributions <sup>b</sup>	2	2
Benefits paid	(40)	(30)
Transfer of plan assets <sup>c</sup>	(115)	—
Fair value of plan assets at end of year	—	150
Funded status	\$ (257)	\$ (106)
Discount rate assumption	6.30%	6.00%
Balance sheet classification of funded status:		
Accounts payable and accrued liabilities	\$ (32)	\$ (2)
Other liabilities	(225)	(104)
Total	\$ (257)	\$ (106)

- a. Resulted from revised mine operating plans and reductions in the workforce (see Note 2 for further discussion).
- b. Employer contributions for 2009 are expected to approximate \$32 million.
- c. During 2008, the VEBA trusts were amended to allow benefit payments for both active employees and retirees; therefore, the VEBA trusts no longer qualify as plan assets.

Expected benefit payments for these plans total \$32 million for 2009, \$30 million for 2010, \$29 million for 2011, \$27 million for 2012, \$25 million for 2013, and \$100 million for 2014 through 2018.

Table of Contents

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's postretirement benefits for the years ended December 31, 2008 and 2007, follow:

	2008	2007
Weighted-average assumptions:		
Discount rate – medical retiree	6.00%	5.62%
Discount rate – life retiree	6.00%	5.66%
Expected return on plan assets – medical retiree	3.30%	3.70%
Expected return on plan assets – life retiree	4.30%	4.50%
Service cost	\$ 1	\$ 1
Interest cost	14	11
Expected return on plan assets	(4)	(5)
Curtailments <sup>b</sup>	23	–
Net periodic benefit cost	\$ 34	\$ 7

a. The assumptions shown only relate to the FMC plans.

b. Resulted from revised mine operating plans and reductions in the workforce (see Note 2 for further discussion).

FCX's postretirement net periodic benefit costs were less than \$1 million for 2006.

Included in accumulated other comprehensive income (loss) are the following amounts that have not been recognized in net periodic benefit cost: unrecognized prior service credits of less than \$1 million and unrecognized actuarial gains of \$4 million (\$2 million net of tax and minority interest share) at December 31, 2008; and unrecognized prior service credits of \$1 million (\$1 million net of tax and minority interest share) and unrecognized actuarial losses of \$8 million (\$5 million net of tax and minority interest share) at December 31, 2007. The amount expected to be recognized in net periodic benefit cost for 2009 is less than \$1 million for prior service credits and actuarial losses.

The assumed medical-care trend rates at December 31, 2008 and 2007, follow:

	2008	2007
Medical-care cost trend rate assumed for the next year	9%	9%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2013	2012

The effect of a one percent increase or decrease in the medical-care cost trend rates assumed for postretirement medical benefits would result in increases or decreases of approximately \$1 million in the aggregate service and interest cost components; in the postretirement benefit obligation the effect of a one-percent increase is approximately \$8 million and the effect of a one-percent decrease is approximately \$7 million.

As a result of the Phelps Dodge acquisition, FCX has a number of postemployment plans covering severance, long-term disability income, continuation of health and life insurance coverage for disabled employees or other welfare benefits. The accumulated postemployment benefit consisted of a current portion of \$6 million (included in accounts payable and accrued liabilities) and a long-term portion of \$41 million (included in other liabilities) at



December 31, 2008, and a current portion of \$6 million and a long-term portion of \$43 million at December 31, 2007.

FCX also sponsors savings plans for the majority of its U.S. employees. The plans allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. These savings plans are principally qualified 401(k) plans for all U.S. salaried and non-bargained hourly employees. In these plans, participants exercise control and direct the investment of their contributions and account balances among a broad range of investment options. FCX matches a percentage of employee pre-tax deferral contributions up to certain limits, which varies by plan. In addition, the FMC principal savings plan includes a profit sharing feature for its non-bargained employees.

## Table of Contents

During 2000, FCX and FM Services Company enhanced their primary savings plan for substantially all their employees following their decision to terminate their defined benefit pension plans. Subsequent to the enhancement, FCX and FM Services Company contribute amounts to individual accounts totaling either 4 percent or 10 percent of each employee's pay, depending on a combination of each employee's age and years of service as of June 30, 2000. For employees whose eligible compensation exceeds certain levels, FCX provides an unfunded defined contribution plan. The balance of this liability totaled \$43 million on December 31, 2008, and \$32 million on December 31, 2007.

As a result of the acquisition of Phelps Dodge, FCX also has a defined contribution plan for eligible FMC employees hired on or after January 1, 2007. Under this plan, FCX contributes amounts to individual accounts depending on a combination of each employee's annual salary and years of service.

The costs charged to operations for FCX's, FM Services Company's, and FMC's employee savings plans and defined contribution plans totaled \$58 million in 2008, \$43 million in 2007 and \$7 million in 2006.

FCX has other employee benefit plans, certain of which are related to FCX's financial results, which are recognized in operating costs.

### NOTE 13. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

**Common Stock.** At the 2008 annual stockholder meeting, FCX's stockholders approved an increase in FCX's authorized shares of capital stock to 1.85 billion shares, consisting of 1.8 billion shares of common stock and 50 million shares of preferred stock.

In July 2008, FCX's Board of Directors approved an increase in the open-market share purchase program for up to 30 million shares, which replaced FCX's previous program. During 2008, FCX acquired 6.3 million shares for \$500 million (\$79.15 per share average) and 23.7 million shares remain available under this program. Under a previous 20 million share purchase program, FCX acquired 2.0 million shares for \$100 million (\$49.94 per share average) in 2006. The timing of future purchases of FCX's common stock is dependent on many factors, including FCX's operating results, cash flows and financial position; copper, molybdenum and gold prices; the price of FCX's common stock; and general economic and market conditions. During September 2008, because of the financial turmoil and the decline in copper and molybdenum prices, FCX suspended its purchases of shares under its open-market share purchase program.

In February 2009, FCX completed a public offering of 26.8 million shares of FCX common stock at an average price of \$28.00 per share, which generated gross proceeds of \$750 million (net proceeds of approximately \$740 million).

**Preferred Stock.** On March 28, 2007, FCX sold 28.75 million shares of 6¾% Mandatory Convertible Preferred Stock, with a liquidation preference of \$100 per share, for net proceeds of \$2.8 billion. The 6¾% Mandatory Convertible Preferred Stock will automatically convert on May 1, 2010, into shares of FCX common stock. The conversion rate is adjustable upon the occurrence of certain events, including the payment in any quarter of common stock dividends exceeding \$0.3125 per share; however, adjustments required as a result of dividends that do not exceed one percent are carried forward and must be made no later than August 1 of each year. As a result of the quarterly common stock dividends paid through December 31, 2008, each share of preferred stock is now convertible on May 1, 2010, into between 1.3654 and 1.6386 shares of FCX common stock, depending on the applicable market value of FCX's common stock. The conversion rate per \$100 face amount of the preferred stock will be 1.6386 when the FCX common stock price is at or below \$61.03 and 1.3654 when the FCX common stock price is at or above \$73.24. For FCX common stock prices between these levels, the conversion rate will be equal to \$100 divided by FCX's common stock price. Holders may elect to convert at any time prior to May 1, 2010, at a conversion rate equal to 1.3654 shares of FCX common stock, or an aggregate of approximately 39 million shares. Dividends are payable quarterly on February 1, May 1, August 1 and November 1.

In March 2004, FCX sold 1.1 million shares of 5½% Convertible Perpetual Preferred Stock for net proceeds of \$1.1 billion. The conversion rate is adjustable upon the occurrence of certain events, including the payment in any quarter of common stock dividends exceeding \$0.20 per share. As a result of the quarterly and supplemental common stock dividends paid through December 31, 2008, each share of preferred stock is now convertible into 21.5305 shares of FCX common stock, equivalent to a conversion price of approximately \$46.45 per common share, or an aggregate of approximately 18 million shares of FCX common stock. Beginning March 30, 2009, FCX may redeem shares of the preferred stock by paying cash, FCX common stock or any combination thereof for

154

---

Table of Contents

\$1,000 per share plus unpaid dividends, but only if FCX's common stock price has exceeded 130 percent of the conversion price for at least 20 trading days within a period of 30 consecutive trading days immediately preceding the notice of redemption. FCX used a portion of the proceeds from the sale to purchase 23.9 million shares of FCX common stock owned by Rio Tinto for \$882 million (approximately \$36.85 per share) and used the remainder for general corporate purposes. Rio Tinto no longer owns an equity interest in FCX; however, it is still PT Freeport Indonesia's joint venture partner (see Note 3). In December 2008, through privately negotiated transactions, FCX induced conversion of 0.3 million shares of its 5½% Perpetual Preferred Stock with a liquidation preference of \$268 million into 5.8 million shares of FCX common stock. To induce conversion of these shares, FCX issued to the holders an additional 1.0 million shares of FCX common stock valued at \$22 million, which was recorded as losses on induced conversions in the consolidated statements of operations.

**Stock Award Plans.** FCX currently has six stock-based compensation plans, including two Phelps Dodge plans resulting from the acquisition. As of December 31, 2008, only four of the plans, all of which are stockholder approved (which are discussed below), have awards available for grant.

FCX's 1999 Stock Incentive Plan (the 1999 Plan) and 2003 Stock Incentive Plan (the 2003 Plan) provide for the issuance of stock options, SARs, restricted stock, restricted stock units and other stock-based awards. Each plan allows FCX to grant awards for up to 8 million common shares to eligible participants. In 2004, FCX's stockholders approved the 2004 Director Compensation Plan (the 2004 Plan). The 2004 Plan authorizes awards of options and restricted stock units for up to 1 million shares of common stock and the one-time grant of 66,882 SARs. In 2006, FCX's stockholders approved the 2006 Stock Incentive Plan (the 2006 Plan), and in 2007, FCX's stockholders approved amendments to the plan primarily to increase the number of shares. The 2006 Plan provides for the issuance of stock options, SARs, restricted stock, restricted stock units and other stock-based awards for up to 37 million common shares. As of December 31, 2008, there were 28.8 million shares under the 2006 Plan, 0.1 million shares under the 2004 Plan, 0.1 million shares under the 2003 Plan and less than 6,000 shares under the 1999 Plan available for grant.

In connection with the Phelps Dodge acquisition, former Phelps Dodge stock options and restricted stock awards were converted into 806,595 FCX stock options and 87,391 FCX restricted stock awards, which retain the terms by which they were originally granted under Phelps Dodge's plans. The stock options carry a maximum term of 10 years with 672,134 stock options vested upon the acquisition of Phelps Dodge and 134,461 stock options that vest ratably over a three-year period or the period until the participant becomes retirement-eligible, whichever is shorter. Restricted stock awards generally become fully vested in five years, with a majority of these shares having graded-vesting features in which 25 percent of the shares will vest on the third and fourth anniversaries of the award and the remaining 50 percent in the fifth year. The fair value of the restricted stock awards was determined based on the quoted market price at the time of the acquisition.

**Stock-Based Compensation Cost.** Compensation cost charged against earnings for stock-based awards is shown below for the years ended December 31, 2008, 2007 and 2006. FCX did not capitalize any stock-based compensation costs during the years ended December 31, 2008, 2007 and 2006.

	2008	2007	2006
Stock options awarded to employees (including directors)	\$ 66	\$ 71	\$ 28
Stock options awarded to nonemployees	5	5	3
Restricted stock units awarded to employees	52	—	—
Restricted stock units in lieu of cash awards	(29) <sup>a</sup>	67	23
Restricted stock awards to employees	3	6	—
Restricted stock units awarded to directors	4	3	1

Stock appreciation rights	(6)	7	1
Total stock-based compensation cost <sup>b</sup>	95	159	56
Tax benefit	(36)	(62)	(20)
Minority interests share	(2)	(4)	(3)
Impact on net (loss) income	\$ 57	\$ 93	\$ 33

a. Reflects an adjustment related to 2007 awards.

b. Amounts are before Rio Tinto's share of the cost of employee exercises of in-the-money stock options, which decreased consolidated selling, general and administrative expenses by \$1 million in 2008, \$4 million in 2007 and \$7 million in 2006.

155

---

Table of Contents

Options and SARs. Stock options and SARs granted under the plans generally expire 10 years after the date of grant and vest in 25 percent annual increments beginning one year from the date of grant. The plans and award agreements provide that participants will receive the following year's vesting after retirement and provide for accelerated vesting if there is a change in control (as defined in the plans).

A summary of options outstanding as of December 31, 2008, including 72,533 SARs, and changes during the year ended December 31, 2008, follow:

	Number of Options	Weighted- Average Option Price	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	10,759,798	\$ 58.17		
Granted	1,449,500	91.10		
Exercised	(2,198,601)	48.51		
Expired/Forfeited	(157,750)	70.43		
Balance at December 31	9,852,947	64.98	7.8	\$ 4
Vested and exercisable at December 31	2,108,906	50.72	6.6	\$ 4

Summaries of options outstanding, including SARs, and changes during the years ended December 31, 2007 and 2006, follow:

	2007		2006	
	Number of Options	Weighted- Average Option Price	Number of Options	Weighted- Average Option Price
Balance at January 1	5,801,716	\$ 39.70	7,355,612	\$ 31.43
Granted	6,641,500	69.89	1,126,250	62.88
Conversion of Phelps Dodge options	806,595	28.38	—	—
Exercised	(2,276,391)	34.45	(2,614,273)	26.51
Expired/Forfeited	(213,622)	59.29	(65,873)	39.12
Balance at December 31	10,759,798	58.17	5,801,716	39.70

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option valuation model. Expected volatility is based on implied volatilities from traded options on FCX's stock and historical volatility of FCX's stock. FCX uses historical data to estimate future option exercises, forfeitures and expected life of the options. When appropriate, separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected dividend rate is calculated as the annual dividend (excludes supplemental dividends) at the date of grant divided by the average stock price for the one-year period preceding the grant date. The risk-free interest rate is based on Federal Reserve rates in effect for bonds with maturity dates equal to the expected term of the option at the grant date. The weighted-average assumptions used to value stock option awards during the years ended December 31, 2008, 2007 and 2006, are noted in the following table.

	2008	2007	2006
Expected volatility	49.3%	37.3%	37.7%
Expected life of options (in years)	4.6	4.25	4.0
Expected dividend rate	2.0%	2.2%	2.9%
Risk-free interest rate	3.3%	4.6%	4.4%

The weighted-average grant-date fair value of options granted was \$34.91 per option during 2008, \$21.33 per option during 2007 and \$17.67 per option during 2006. The total intrinsic value of options exercised was \$128 million during 2008 and \$96 million during each of 2007 and 2006. The total fair value of options vested was \$61 million during 2008, \$29 million during 2007 and \$30 million during 2006. As of December 31, 2008, FCX had

156

---

Table of Contents

\$86 million of total unrecognized compensation cost related to unvested stock options expected to be recognized over a weighted-average period of one year.

The following table includes amounts related to exercises of stock options and SARs and vesting of restricted stock units and restricted stock awards during the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
FCX shares tendered to pay the exercise price and/or the minimum required taxes <sup>a</sup>	823,915	1,389,845	809,926
Cash received from stock option exercises	\$ 56	\$ 54	\$ 37
Actual tax benefit realized for tax deductions	180	138	31
Amounts FCX paid for employee taxes	34	68	22
Amounts FCX paid for exercised SARs	1	5	2

- a. Under terms of the related plans, upon exercise of stock options and vesting of restricted stock units and restricted stock awards, employees may tender FCX shares to FCX to pay the exercise price and/or the minimum required taxes.

**Restricted Stock Units.** Prior to December 2008, FCX had a restricted stock program that allowed FCX senior executives to elect to receive restricted stock units in lieu of all or part of their annual cash incentive compensation. The annual cash incentive was a function of FCX's consolidated operating cash flows for the preceding year. Awards of these restricted stock units to the FCX executive officers were considered performance-based awards. To compensate for certain restrictions and the risk of forfeiture, the restricted stock units were awarded at a 50 percent premium to the market value on the date of grant. The awards vest ratably over three years or upon retirement and were subject to achievement of certain performance measures. For retirement-eligible executives, the fair value of the restricted stock units was estimated based on projected operating cash flows for the year and was charged to expense ratably over the year the cash flows were generated. Effective December 2, 2008, the board of directors discontinued this program.

FCX also granted other restricted stock units that vest over a period of up to five years. The plans and award agreements provide for accelerated vesting of all restricted stock units if there is a change of control (as defined in the plans) and provide that participants will receive the following year's vesting after retirement (except for the restricted stock units with five year vesting that do not allow acceleration because of retirement). Dividends and interest on restricted stock units accrue and are paid upon the award's vesting.

FCX grants restricted stock units to its directors under the 2004 Plan. The restricted stock units vest over four years. The fair value of the restricted stock units is amortized over the four-year vesting period or the period until the director becomes retirement-eligible, whichever is shorter. Upon a director's retirement, all of their unvested

restricted stock units immediately vest. For retirement-eligible directors, the fair value of restricted stock units is recognized on the date of grant.

A summary of outstanding restricted stock units as of December 31, 2008, and activity during the year ended December 31, 2008, is presented below:

Weighted-



	Number of Restricted Stock Units	Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	796,373		
Granted	1,359,915		
Vested	(376,460)		
Forfeited	(3,366)		
Balance at December 31	1,776,462	1.9	\$ 43

The grant-date fair value of restricted stock units granted to FCX senior executives who elected to receive restricted stock units in lieu of all or part of their cash incentive compensation during the year ended December 31, 2008, was \$40 million. Because this was a performance-based award and the requisite service period under SFAS No. 123R is considered to be the calendar year prior to the grant date, the entire value of this award on the date of

Table of Contents

grant was charged to expense during 2007. The total grant-date fair value of all other restricted stock units granted during the year ended December 31, 2008, was \$78 million.

The total intrinsic value of restricted stock units vesting during the year ended December 31, 2008, was \$33 million. As of December 31, 2008, FCX had \$24 million of total unrecognized compensation cost related to unvested restricted stock units expected to be recognized over a weighted-average period of 1.3 years.

Restricted Stock Awards. As discussed above, FCX has restricted stock awards that were issued in connection with the Phelps Dodge acquisition. A summary of outstanding restricted stock awards as of December 31, 2008, and activity during the year ended December 31, 2008, is presented below:

Balance at January 1	49,241
Vested	(2,884)
Forfeited	(1,036)
Balance at December 31	45,321

The total grant-date fair value of restricted stock awards was \$5 million at the acquisition date. The total fair value of shares released or vested was less than \$1 million during 2008 and \$2 million during 2007. As of December 31, 2008, FCX had \$4 million of total unrecognized compensation cost, including the cash portion resulting from the conversion of restricted stock awards at the acquisition date, related to unvested restricted stock awards expected to be recognized over a weighted-average period of 2.1 years.

## NOTE 14. INCOME TAXES

Geographic sources of (loss) income from continuing operations before income taxes, minority interests and equity in affiliated companies' net earnings for the years ended December 31, 2008, 2007 and 2006, consist of the following:

	2008	2007	2006
United States	\$ (13,850)	\$ 977	\$ 25
Foreign	541	5,134	2,795
Total	\$ (13,309)	\$ 6,111	\$ 2,820

The (benefit from) provision for income taxes from continuing operations for the years ended December 31, 2008, 2007 and 2006, consists of the following:

	2008	2007	2006
Current income taxes:			
Federal	\$ 536	\$ 458	\$ –
State	14	72	–
Foreign	1,213	1,942	1,035
Total current	1,763	2,472	1,035
Deferred income taxes (benefits):			
Federal	(3,635)	(295)	–
State	(686)	(20)	–
Foreign	(609)	243	166
Total deferred	(4,930)	(72)	166

Valuation allowance on prior year deferred tax asset	323	—	—
--	-----	---	---

(Benefit from) provision for income taxes	) \$ (2,844	\$ 2,400	\$ 1,201
--	----------------	----------	----------

158

---

Table of Contents

A reconciliation of the U.S. federal statutory tax rate to FCX's effective income tax rate for the years ended December 31, 2008, 2007 and 2006, follows:

	2008		2007		2006	
	Amount	Percent	Amount	Percent	Amount	Percent
U.S. federal statutory tax rate	\$ (4,658)	35%	\$ 2,139	35%	\$ 987	35%
Foreign withholding tax	(55)	1	371	6	168	6
Foreign tax credit limitation	95	(1)	125	2	—	—
Reversal of APB Opinion No. 23 assertion	—	—	111	2	—	—
Percentage depletion	(336)	3	(284)	(5)	—	—
International tax rate differential	59	(1)	(184)	(3)	48	2
Valuation allowance on minimum tax credits	359	(3)	—	—	—	—
Goodwill impairment	2,095	(16)	—	—	—	—
State income taxes	(437)	3	—	—	—	—
Other items, net	34	—	122	2	(2)	—
(Benefit from) provision for income taxes	\$ (2,844)	21%	\$ 2,400	39%	\$ 1,201	43%

FCX paid federal, state, local and foreign income taxes totaling \$2,656 million in 2008, \$2,660 million in 2007 and \$1,288 million in 2006. FCX received refunds of federal, state, local and foreign income taxes of \$123 million in 2008 and 2007 and \$1 million in 2006.

FCX's income tax receivable increased by \$544 million primarily as a result of Indonesian estimated tax overpayments in 2008 made in accordance with statutory requirements.

The components of deferred taxes follow:

	December 31,	
	2008	2007
Deferred tax assets:		
Foreign tax credits	\$ 1,260	\$ 1,004
Net operating loss carryforwards	128	164
Minimum tax credits	359	323
Accrued expenses	767	812
Intercompany profit elimination	25	65
Deferred compensation	9	45
Postretirement benefits	53	35
Employee benefit plans	183	—
Provisionally priced sales adjustments	112	—
Other	128	77
Deferred tax assets	3,024	2,525
Valuation allowances	(1,763)	(1,165)
Net deferred tax assets	1,261	1,360

## Deferred tax liabilities:

Property, plant, equipment and development costs	(2,956)	(7,441)
Undistributed earnings	(569)	(603)
Inventory	(38)	(458)
Employee benefit plans	—	(75)
Other	(34)	(142)
Total deferred tax liabilities	(3,597)	(8,719)
Net deferred tax liabilities	\$ (2,336)	\$ (7,359)

At December 31, 2008, FCX had U.S. foreign tax credit carryforwards from continuing operations of \$1.3 billion that will expire between 2009 and 2018. In addition, FCX had U.S. minimum tax credits carryforwards from

159

---

Table of Contents

continuing operations of \$359 million. These credits can be carried forward indefinitely, but may be used only to the extent that regular tax exceeds the alternative minimum tax in any given year.

At December 31, 2008, FCX had Spanish net operating loss carryforwards from continuing operations of \$282 million that expire between 2012 and 2022. In addition, FCX has U.S. state net operating loss carryforwards from continuing operations of \$705 million that expire between 2009 and 2028.

On the basis of available information at December 31, 2008, FCX has provided valuation allowances for certain of its deferred tax assets where FCX believes it is likely that the related tax benefits will not be realized. At December 31, 2008, valuation allowances totaled \$1.8 billion and covered all of FCX's U.S. foreign tax credit carryforwards, U.S. minimum tax credit carryforwards, foreign net operating loss carryforwards and U.S. state net operating loss carryforwards, and also a portion of its net U.S. deferred tax assets. At December 31, 2007, valuation allowances totaled \$1.2 billion and covered all of FCX's U.S. foreign tax credit carryforwards, a portion of its foreign net operating loss carryforwards and a portion of its U.S. state net operating loss carryforwards. The \$598 million increase in the valuation allowance during 2008 was primarily a result of additional valuation allowances recorded against U.S. foreign tax credit carryforwards, U.S. minimum tax credit carryforwards and U.S. state net operating loss carryforwards. The establishment of a valuation allowance against all of the U.S. minimum tax credit carryforwards was primarily the result of the decline in copper and molybdenum prices and the long-lived asset impairment charges recorded in the fourth quarter of 2008.

Income taxes are provided on the earnings of FCX's material foreign subsidiaries under the assumption that these earnings will be distributed. FCX has not provided for other differences between the book and tax carrying amounts of these investments as FCX considers its ownership position to be permanent in duration and quantification of the related deferred tax liability is not practicable.

A summary of the activities associated with FCX's FIN 48 reserve for unrecognized tax benefits, interest and penalties follows:

	Unrecognized Tax Benefits	Interest	Penalties
Balance at January 1, 2007	\$ 41	\$ 11	\$ —
Additions:			
Acquisition of Phelps Dodge	169	7	2
Prior year tax positions	9	*	*
Current year tax positions	38	*	*
Associated with interest and penalties	—	6	—
Decreases:			
Prior year tax positions	(53)	*	*
Lapse of statute of limitations	(2)	*	*
Associated with interest and penalties	—	(5)	(2)
Balance at December 31, 2007	202	19	—
Additions:			
Prior year tax positions	14	*	*
Current year tax positions	32	*	*
Associated with interest and penalties	—	5	—
Decreases:			
Prior year tax positions	(3)	*	*
Lapse of statute of limitations	(7)	*	*
Associated with interest and penalties	—	(1)	—

Balance at December 31, 2008	\$	238	\$	23	\$	—
------------------------------	----	-----	----	----	----	---

\* Amounts not allocated.

The reserve for unrecognized tax benefits of \$238 million at December 31, 2008, includes \$143 million (\$84 million net of income tax benefits) that, if recognized, would reduce FCX's provision for income taxes.

Changes in the reserve for unrecognized tax benefits associated with current year tax positions were primarily related to uncertainties associated with FCX's cost recovery methods. Changes in the reserve for unrecognized tax benefits associated with prior year tax positions were primarily related to the refinement of estimated information to actual.

160

---

Table of Contents

It is reasonably possible that FCX will experience a \$25 million to \$35 million decrease in its reserve for unrecognized tax benefits within the next twelve months. FCX would experience this decrease in relation to uncertainties associated with its cost recovery methods if a settlement is reached with taxing authorities.

FCX or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The tax years for FCX and its significant subsidiaries that remain subject to examination are as follows:

Jurisdiction	Years Under Examination	Additional Open Years
U.S. Federal	2003-2005	2006-2008
Indonesia	2005-2006	2004, 2007-2008
Peru	2002-2005	2006-2008
Chile	2007	2005-2006, 2008
Arizona	—	2003-2008
New Mexico	—	2003-2008

## NOTE 15. CONTINGENCIES

Environmental. FCX incurred aggregate environmental capital expenditures and other environmental costs, including joint venture partners' share, totaling \$468 million in 2008, \$320 million in 2007 and \$63 million in 2006.

FCX subsidiaries that operate in the U.S. are subject to various federal, state and local environmental laws and regulations that govern emissions of air pollutants; discharges of water pollutants; and generation, handling, storage and disposal of hazardous substances, hazardous wastes and other toxic materials. FCX subsidiaries that operate in the U.S. also are subject to potential liabilities arising under CERCLA or similar state laws that impose responsibility on persons who arranged for the disposal of hazardous substances, and on current and previous owners and operators of a facility for the cleanup of hazardous substances released from the facility into the environment, including damages to natural resources. With the passage of CERCLA in 1980, companies like FMC became legally responsible for environmental remediation on properties previously owned or operated by them, irrespective of when the damage to the environment occurred or who caused it. That liability often is shared on a joint and several basis with all other owners and operators, meaning that each owner or operator of the property is fully responsible for the clean-up, although in many cases some or all of the other historical owners or operators no longer exist, do not have the financial ability to respond or cannot be found. As a result, because of FCX's acquisition of Phelps Dodge in 2007, many of the subsidiary companies FCX now owns are responsible for a wide variety of environmental remediation projects throughout the U.S. FCX expects to spend substantial sums annually for many years to address those remediation issues. Certain FCX subsidiaries have been advised by the U.S. Environmental Protection Agency (EPA), the Department of the Interior, the Department of Agriculture and several state agencies that, under CERCLA or similar state laws and regulations, they may be liable for costs of responding to environmental conditions at a number of sites that have been or are being investigated to determine whether releases of hazardous substances have occurred and, if so, to develop and implement remedial actions to address environmental concerns. As of December 31, 2008, FCX had more than 100 active remediation projects in the U.S. in approximately 25 states. FCX is also subject to claims where the release of hazardous substances is alleged to have damaged natural resources.

A summary of changes in environmental obligations for the years ended December 31, 2008 and 2007, follows:

	2008	2007
Balance at beginning of year	\$ 1,268	\$ —
Liabilities assumed in the acquisition of Phelps Dodge	117	1,334
Accretion expense <sup>a</sup>	95	—
Additions	36	6



Reductions	(1)	(1)
Spending	(114)	(71)
Balance at end of year	1,401	1,268
Less current portion	(120)	(166)
Long-term portion	\$ 1,281	\$ 1,102

- a. Represents accretion of the fair value of environmental obligations assumed in the acquisition of Phelps Dodge, which were determined on a discounted cash flow basis.

## Table of Contents

As a result of the acquisition of Phelps Dodge, FCX was required to record Phelps Dodge's environmental obligations at fair value on the acquisition date in accordance with SFAS No. 141, "Business Combinations." At the acquisition date, Phelps Dodge's historical environmental obligations of \$385 million, before purchase accounting adjustments to fair value, were based on accounting guidance provided by SFAS No. 5, "Accounting for Contingencies," and SOP 96-1, which require that an estimated loss be recorded for a loss contingency if, prior to the issuance of the financial statements, it is probable that a liability had been incurred and the loss can be reasonably estimated. Amounts recorded under this guidance are generally not considered fair value. FCX has an environmental and legal group dedicated to the ongoing review and monitoring of environmental remediation sites. At the acquisition date, the largest environmental remediation sites were undergoing studies to evaluate the extent of the environmental damage and the available remedies. Advancement of these studies and consideration of alternative remedies and cost sharing arrangements resulted in FCX's calculation of the estimated fair values being approximately \$1.1 billion greater than the historical Phelps Dodge estimates. FCX finalized the allocation of the purchase price associated with the Phelps Dodge acquisition in the first quarter of 2008. As a result, the fair value of the environmental obligations was estimated at approximately \$1.45 billion. Significant adjustments to these reserves could occur in the future. New environmental obligations will be recorded in accordance with SFAS No. 5 and SOP 96-1, as described in Note 1 under "Environmental Expenditures."

FCX believes that there may be other potential claims for recovery from other third parties, including the U.S. government and other PRPs. These potential recoveries are not recognized unless realization is considered probable.

At December 31, 2008, the most significant environmental obligations are associated with the Pinal Creek site, several historical smelter sites principally located in Arizona, Kansas and Oklahoma, and uranium mining sites in the western U.S. The recorded environmental reserves for these sites totaled \$954 million at December 31, 2008. A discussion of these sites follows.

**Pinal Creek.** FCX is a party to litigation entitled *Pinal Creek Group, et al. v. Newmont Mining Corporation, et al.*, United States District Court, District of Arizona, Case No. CIV 91-1764 PHX DAE (LOA), filed on May 1, 1991. The Pinal Creek site located near Miami, Arizona, was listed under the Arizona Department of Environmental Quality (ADEQ) Water Quality Assurance Revolving Fund program in 1989 for contamination in the shallow alluvial aquifers within the Pinal Creek drainage near Miami, Arizona. Since that time, environmental remediation has been performed by the members of the Pinal Creek Group (PCG), consisting of Phelps Dodge Miami, Inc. (Miami), a wholly owned subsidiary of FMC, and two other companies. In 1998, the District Court approved a Consent Decree between the PCG members and the state of Arizona resolving all matters related to an enforcement action contemplated by the state of Arizona against the PCG members with respect to groundwater. The Consent Decree committed the PCG members to complete the remediation work outlined in the Consent Decree. That work continues at this time pursuant to the Consent Decree and consistent with state law and the National Contingency Plan prepared by EPA under CERCLA.

Remediation has been proceeding pursuant to an interim allocation of cost sharing among the members of the PCG, with Miami's interim allocation being approximately two-thirds; however, there are significant disagreements among the members of the PCG regarding the allocation of the cost of remediation. Discovery disputes resulted in a sanctions order against Miami that included significant evidentiary restrictions on Miami's case. The trial on the allocation issue will be scheduled after the final determination of Miami's pending interlocutory appeal of a trial court ruling on the liability standard that should apply to one of the remaining defendants on Miami's case. A final determination of the allocation, if different from the interim allocation, would likely result in a "true up" payment with respect to the remediation that has already been completed from the party found to be responsible for a higher proportion than the interim allocation and would establish the cost-sharing proportions for the remainder of the clean up. The overall cost of the clean up is expected to be significant.

Historical Smelter Sites. FMC and its predecessors at various times owned or operated historical copper and zinc smelters in several states, including Arizona, Kansas, Oklahoma and Pennsylvania. For some of these smelter sites, certain FCX subsidiaries have been advised by EPA or state agencies that they may be liable for costs of investigating and, if appropriate, remediating environmental conditions associated with the smelters. At other sites, certain FCX subsidiaries have entered into state voluntary remediation programs to investigate and, if appropriate, remediate site conditions associated with the smelters. The historical smelter sites are in various stages of assessment, with the current most significant individual site being the one located in Blackwell, Oklahoma.

## Table of Contents

From 1916 to 1974, Blackwell Zinc Company, Inc. (BZC), currently a subsidiary of FCX, owned and operated a zinc smelter in Blackwell, Oklahoma. In 1974, the smelter was demolished and the property deeded to the Blackwell Industrial Authority. Pursuant to an administrative order with the State of Oklahoma (the State), BZC undertook remedial actions in Blackwell in 1996 and 1997, including sampling residential and commercial properties, and removing soils on properties that were found to have metal concentrations above state-established cleanup standards. From 1997 to 2003, BZC investigated the nature and extent of groundwater contamination potentially attributable to the former smelter and evaluated options for remedying such contamination. In 2003, the State adopted a cleanup plan requiring the installation of a groundwater extraction and treatment system and the closure of domestic groundwater wells within the groundwater plume area. BZC is prepared to install the groundwater extraction and treatment system as soon as the necessary building permits are issued by Blackwell.

In 2007, FCX, on behalf of BZC, commenced a voluntary community outreach program inviting property owners in and around Blackwell to have their properties sampled for the presence of smelter-related contaminants, and agreed to remediate properties whose soils are found to have metal concentrations above state-established cleanup standards. As a result of these efforts, owners of about 3,800 properties requested sampling, representing over 90 percent of all eligible properties. Based on sampling results from approximately two-thirds of the properties, about 16 percent of sampled yards and 5 percent of alleyways require some level of cleanup.

Residential yard cleanups started in October 2008. All of these soil sampling and remediation activities are being coordinated with, and supervised by, the State.

On April 14, 2008, a purported class action was filed in the District Court of Kay County, Oklahoma, against FCX, and several direct and indirect subsidiaries, including BZC, and several other parties, entitled Coffey, et al., Plaintiffs, v. Freeport-McMoRan Copper & Gold, Inc., et al., Defendants, Kay County, Oklahoma District Court, Case No. CJ-2008-68. The suit alleges that the operations of BZC's zinc smelter in Blackwell, Oklahoma, from 1918 to 1974 resulted in contamination of the soils and groundwater in Blackwell and the surrounding area. Unspecified compensatory and punitive damages are sought on behalf of the putative class members for alleged diminution in property values. There is also a request for an order compelling remediation of alleged contaminated properties and the establishment of a monetary fund to monitor the present and future health of the putative class members. FCX intends to defend this matter vigorously.

**Uranium Mining Sites.** During a period between 1940 and the early 1970s, certain FMC predecessor entities were involved in uranium exploration and mining in the western U.S. Similar exploration and mining activities by other companies have caused environmental impacts that have warranted remediation, and EPA and local authorities are currently evaluating the need for significant clean-up activities in the region. To date, FMC has undertaken remediation at a limited number of sites associated with these predecessor entities. FCX recognized the existence of a potential liability for these activities and had environmental reserves for six former uranium sites. An initiative to gather additional information about sites in the region is ongoing, and information gathered under this initiative was submitted to EPA Region 9 during the second and third quarters of 2008 in response to an information request by EPA regarding uranium mining activities on Navajo Nation properties. FCX utilized the results of FMC's remediation experience, in combination with historical and updated information gathered to date, to initially estimate its fair value of uranium-related liabilities assumed in the Phelps Dodge acquisition.

**Asset Retirement Obligations (AROs).** FCX's ARO cost estimates are reflected on a third-party cost basis and comply with FCX's legal obligation to retire tangible, long-lived assets as defined by SFAS No. 143.

A summary of changes in FCX's AROs for the years ended December 31, 2008, 2007 and 2006, follows:

2008	2007	2006
------	------	------

Balance at beginning of year	\$	728	\$	30	\$	27
Liabilities assumed in the acquisition of Phelps Dodge						
Dodge		—		531a		—
Liabilities incurred		5		1		—
Revisions to cash flow estimates		21		179		—
Accretion expense		51		27		3
Spending		(91)		(40)		—
Foreign currency translation adjustment		(2)		—		—
Balance at end of year		712		728		30
Less current portion		(42)		(97)		—
Long-term portion	\$	670	\$	631	\$	30

## Table of Contents

- a. The fair value of AROs assumed in the acquisition of Phelps Dodge was estimated based on projected cash flows, an estimated long-term annual inflation rate of 2.4 percent, a discount rate based on FCX's estimated credit-adjusted, risk-free interest rate of 7.8 percent and a market risk premium of 10 percent to reflect what a third-party might require to assume these AROs.

ARO costs may increase or decrease significantly in the future as a result of changes in regulations, engineering designs and technology, permit modifications or updates, mine plans, cost of inflation or other factors and as actual reclamation spending occurs. ARO activities and expenditures generally are made over an extended period of time commencing near the end of the mine life; however, certain reclamation activities could be accelerated if required, or if they are determined to be economically beneficial.

The most significant revisions to cash flow estimates in 2007 were related to changes at Chino, Tyrone and PT Freeport Indonesia. During 2007, Chino and Tyrone each submitted updated third-party closure cost estimates to the state of New Mexico as part of the closure permit renewal process. As a result, FCX revised its cash flow estimates and increased its ARO by \$95 million for Chino and \$45 million for Tyrone. Additional adjustments may be required based upon the state's review of the updated closure plans and any permit conditions imposed by the state of New Mexico. Additionally, PT Freeport Indonesia updated its cost estimates primarily for changes to its plans for the treatment of acidic water, resulting in an increase of \$33 million.

Legal requirements in New Mexico, Arizona and Colorado require financial assurance to be provided for the estimated costs of reclamation and closure, including groundwater quality protection programs. FCX has satisfied financial assurance requirements by using a variety of mechanisms, such as third-party performance guarantees, financial capability demonstrations, trust funds, surety bonds, letters of credit and collateral. The applicable regulatory requirements provide financial strength tests to support performance guarantees and financial capability demonstrations, which are designed to confirm a company's or guarantor's financial capability to fund future estimated reclamation and closure costs. The amount of financial assurance FCX is required to provide will vary with changes in laws, regulations and reclamation and closure cost estimates. As of December 31, 2008, FCX's financial assurance obligations associated with closure and reclamation costs totaled \$708 million, of which approximately \$425 million was in the form of parent company guarantees and financial capability demonstrations. At December 31, 2008, FCX had trust assets totaling \$114 million, which are legally restricted to fund a portion of its AROs for Chino, Tyrone and Cobre as required by New Mexico regulatory authorities. During 2008, FCX's trust assets that were voluntarily designated for funding global reclamation and remediation activities decreased by \$430 million resulting primarily from reimbursement of previously incurred costs for reclamation and environmental activities.

New Mexico Environmental and Reclamation Programs. FCX's New Mexico operations are subject to regulation under the New Mexico Water Quality Act and the Water Quality Control Commission (WQCC) regulations adopted under that Act. The New Mexico Environment Department (NMED) has required each of these operations to submit closure plans for NMED's approval. The closure plans must include measures to assure meeting groundwater quality standards following the closure of discharging facilities and to abate any groundwater or surface water contamination.

FCX's New Mexico operations also are subject to regulation under the New Mexico Mining Act (the Mining Act), which was enacted in 1993, and the Mining Act rules, which are administered by the Mining Minerals Division (MMD). Under the Mining Act, mines are required to submit and obtain approval of closeout plans describing the reclamation to be performed following cessation of mining operations at all or a portion of the mines. At December 31, 2008, FCX had accrued reclamation and closure costs of \$372 million for its New Mexico operations. As stated above, additional accruals may be required based on the state's review of FCX's updated closure plans and any resulting permit conditions, and the amount of those accruals could be material.

Arizona Environmental and Reclamation Programs. FCX's Arizona properties are subject to regulatory oversight and compliance in several areas. The Arizona Department of Environmental Quality (ADEQ) has adopted regulations for its aquifer protection permit (APP) program that replaced previous Arizona groundwater quality protection permit regulations. APP regulations require permits for certain facilities, activities and structures for mining, concentrating and smelting and require compliance with aquifer water quality standards at an applicable point of compliance well or location. The APP program also may require mitigation and discharge reduction or elimination of some discharges.

## Table of Contents

An application for an APP requires a description of a closure strategy to meet applicable groundwater protection requirements following cessation of operations and a cost estimate to implement the closure strategy. An APP may specify closure requirements, which may include post-closure monitoring and maintenance requirements. A more detailed closure plan must be submitted within 90 days after a permitted entity notifies ADEQ of its intent to cease operations. A permit applicant must demonstrate its financial capability to meet the closure costs required under the APP.

Portions of the Arizona mining facilities that operated after January 1, 1986, also are subject to the Arizona Mined Land Reclamation Act (AMLRA). AMLRA requires reclamation to achieve stability and safety consistent with post-mining land use objectives specified in a reclamation plan. Reclamation plans require approval by the State Mine Inspector and must include a cost estimate to perform the reclamation measures specified in the plan. During 2008, FCX updated its closure approach at Sierrita and Tohono to address site-specific regulatory obligations and will continue to evaluate options for future reclamation and closure activities at its other operating and non-operating sites, which are likely to result in additional adjustments to FCX's ARO liabilities. At December 31, 2008, FCX had accrued reclamation and closure costs of \$164 million for its Arizona operations.

PT Freeport Indonesia Reclamation and Closure Programs. The ultimate amount of reclamation and closure costs to be incurred at PT Freeport Indonesia's operations will be determined based on applicable laws and regulations and PT Freeport Indonesia's assessment of appropriate remedial activities in the circumstances, after consultation with governmental authorities, affected local residents and other affected parties and cannot currently be projected with precision. Estimates of the ultimate reclamation and closure costs PT Freeport Indonesia will incur in the future involve complex issues requiring integrated assessments over a period of many years and are subject to revision over time as more complete studies are performed. Some reclamation costs will be incurred during mining activities, while most closure costs and the remaining reclamation costs will be incurred at the end of mining activities, which are currently estimated to continue for more than 32 years. At December 31, 2008, PT Freeport Indonesia had accrued reclamation and closure costs of \$83 million.

In 1996, PT Freeport Indonesia began contributing to a cash fund (\$11 million balance at December 31, 2008) designed to accumulate at least \$100 million (including interest) by the end of its Indonesian mining activities. PT Freeport Indonesia plans to use this fund, including accrued interest, to pay the above-mentioned mine closure and reclamation costs. Any costs in excess of the \$100 million fund would be funded by operational cash flow or other sources.

In May 2008, the Indonesian Minister of the Department of Energy and Mineral Resources issued a new regulation regarding mine reclamation and closure, which requires a company to provide a mine closure guarantee in the form of a time deposit placed in a state-owned bank in Indonesia. PT Freeport Indonesia does not believe that a deposit is required under the terms of its Contract of Work, but is working with the Department of Energy and Mineral Resources to review these requirements and discuss other options for the mine closure guarantee.

Litigation. FCX is subject to legal proceedings claims and liabilities that arise in the normal course of business. FCX believes the amount of the ultimate liability with respect to those matters will not have a material adverse effect, either individually or in the aggregate, upon its business, financial condition, liquidity, results of operations or cash flow.

Since approximately 1990, FMC or its subsidiaries have been named as a defendant in product liability or premises lawsuits claiming injury from exposure to asbestos found in electrical wire products produced or marketed many years ago, or from asbestos at certain FMC properties. FCX believes its liability, if any, in these matters will not have a material adverse effect, either individually or in the aggregate, upon its business, financial condition, liquidity, results of operations or cash flow. There can be no assurance, however, that future developments will not alter this conclusion.



Letters of Credit and Surety Bonds. Standby letters of credit totaled \$81 million at December 31, 2008, primarily for reclamation and environmental obligations and workers' compensation insurance programs. In addition, FCX had surety bonds totaling \$89 million at December 31, 2008, associated with reclamation and closure (\$66 million – see discussion above), self-insurance bonds primarily for workers' compensation (\$21 million) and miscellaneous bonds (\$2 million).

Insurance. FCX purchases a variety of insurance products to mitigate potential losses. The various insurance products typically have specified deductible amounts, or self-insured retentions, and policy limits. FCX generally is

165

---

Table of Contents

self-insured for U.S. workers' compensation, but purchases excess insurance up to statutory limits. An actuarial analysis is performed twice a year for various FCX casualty programs, including workers' compensation, to estimate required insurance reserves. Insurance reserves totaled \$60 million at December 31, 2008, which consisted of a current portion of \$10 million (included in accounts payable and accrued liabilities) and a long-term portion of \$50 million (included in other liabilities).

Other. In December 2008, Cerro Verde was notified by Peruvian taxing authorities of their intent to assess mining royalties related to the minerals processed by the Cerro Verde concentrator. The amount claimed to be due through December 2007 is approximately \$33 million. FCX believes that Cerro Verde's royalty obligations with respect to all minerals extracted are governed by its existing stability agreement, regardless of the processing method applied after extraction, and believes that Cerro Verde owes no royalties with respect to minerals processed through its concentrator. FCX intends to work cooperatively with the Peruvian authorities to resolve this matter.

**NOTE 16. COMMITMENTS AND GUARANTEES**

**Operating Leases.** FCX leases various types of properties, including offices and equipment. A summary of future minimum rentals under these non-cancelable leases at December 31, 2008, follows:

2009	\$	26
2010		22
2011		17
2012		8
2013		4
After 2013		5
Total payments	\$	82

Minimum payments under operating leases have not been reduced by aggregate minimum sublease rentals, which are minimal.

Total aggregate rental expense under operating leases was \$90 million in 2008, \$54 million in 2007 and \$10 million in 2006.

**Contractual Obligations.** Based on applicable prices at December 31, 2008, FCX has unconditional purchase obligations of \$1.2 billion, primarily comprising the procurement of copper concentrates and cathodes (\$522 million), transportation (\$184 million) and oxygen (\$163 million) that are essential to its operations worldwide. Some of FCX's unconditional purchase obligations are settled based on the prevailing market rate for the service or commodity purchased. In some cases, the amount of the actual obligation may change over time because of market conditions. Obligations for copper concentrates and cathodes provide for deliveries of specified volumes, at market-based prices, primarily to Atlantic Copper and the North America copper mines. Transportation obligations are primarily for South America contracted ocean freight rates and for North America natural gas transportation. Oxygen obligations provide for deliveries of specified volumes, at fixed prices, primarily to Atlantic Copper.

FCX's future commitments total \$694 million in 2009, \$182 million in 2010, \$124 million in 2011, \$39 million in 2012, \$24 million in 2013 and \$151 million thereafter. During 2008, 2007 and 2006, FCX fulfilled its minimum contractual purchase obligations or negotiated settlements in those situations in which it terminated an agreement containing an unconditional obligation.

**Mining Contracts.** Indonesia. FCX is entitled to mine in Indonesia under the "Contract of Work" between PT Freeport Indonesia and the Government of Indonesia. The original Contract of Work was entered into in 1967 and was replaced with a new Contract of Work in 1991. The initial term of the current Contract of Work expires in 2021, but can be

extended by PT Freeport Indonesia for two 10-year periods, subject to Indonesian government approval, which cannot be withheld or delayed unreasonably. Given the importance of contracts of work under the Indonesian legal system and PT Freeport Indonesia's approximately 40 years of working with the Indonesian government, which included entering into the Contract of Work in 1991 well before the expiration of the 1967 Contract of Work, PT Freeport Indonesia fully expects that the government will approve the extensions as long as it continues to comply with the terms of the Contract of Work.

## Table of Contents

In July 2004, FCX received a request from the Indonesian Department of Energy and Mineral Resources that it offer to sell shares in PT Indocopper Investama to Indonesian nationals at fair market value. In response to this request and in view of the potential benefits of having additional Indonesian ownership in the operations, FCX agreed, at the time, to consider a potential sale of an interest in PT Indocopper Investama at fair market value. Neither its Contract of Work nor Indonesian law requires FCX to divest any portion of its ownership in PT Freeport Indonesia or PT Indocopper Investama. In May 2008, FCX signed a Memorandum of Understanding with the Papua provincial government (the Province) whereby the parties agreed to work cooperatively to determine the feasibility of an acquisition by the Province of the PT Indocopper Investama shares at fair market value.

The copper royalty rate payable by PT Freeport Indonesia under its Contract of Work varies from 1.5 percent of copper net revenue at a copper price of \$0.90 or less per pound to 3.5 percent at a copper price of \$1.10 or more per pound. The Contract of Work royalty rate for gold and silver sales is 1.0 percent.

A large part of the mineral royalties under Government of Indonesia regulations is designated to the provinces from which the minerals are extracted. In connection with its fourth concentrator mill expansion completed in 1998, PT Freeport Indonesia agreed to pay the Government of Indonesia additional royalties (royalties not required by the Contract of Work) to provide further support to the local governments and the people of the Indonesian province of Papua. The additional royalties are paid on production exceeding specified annual amounts of copper, gold and silver expected to be generated when PT Freeport Indonesia's milling facilities operate above 200,000 metric tons of ore per day. The additional royalty for copper equals the Contract of Work royalty rate, and for gold and silver equals twice the Contract of Work royalty rates. Therefore, PT Freeport Indonesia's royalty rate on copper net revenues from production above the agreed levels is double the Contract of Work royalty rate, and the royalty rates on gold and silver sales from production above the agreed levels are triple the Contract of Work royalty rates.

The combined royalties, including the additional royalties, which became effective January 1, 1999, totaled \$113 million in 2008, \$133 million in 2007 and \$126 million in 2006. PT Freeport Indonesia records these royalty payments as a reduction to revenues.

Africa. In February 2008, the Ministry of Mines, Government of the DRC, sent a letter seeking comment on proposed material modifications to the mining contracts for the Tenke Fungurume concession, including the amount of transfer payments payable to the government, the government's percentage ownership and involvement in the management of the mine, regularization of certain matters under Congolese law and the implementation of social plans. FCX responded to this letter indicating that its mining contracts were negotiated transparently and approved by the Government of the DRC following extended negotiations, and FCX believes they are fair and equitable, comply with Congolese law and are enforceable without modifications. FCX is continuing to work cooperatively with the government to resolve these matters while continuing with its project development activities.

Community Development Programs. FCX has adopted policies that govern its working relationships with the communities where it operates that are designed to guide its practices and programs in a manner that respects basic human rights and the culture of the local people impacted by FCX's operations. FCX continues to make significant expenditures on community development, education, training and cultural programs.

In 1996, PT Freeport Indonesia established the Freeport Partnership Fund for Community Development (formerly the Freeport Fund for Irian Jaya Development) through which PT Freeport Indonesia has made available funding and technical assistance to support the economic health, education and social development of the area. PT Freeport Indonesia has committed through 2011 to provide one percent of its annual revenue for the development of the local people in its area of operations through the Freeport Partnership Fund for Community Development. PT Freeport Indonesia charged \$34 million in 2008, \$48 million in 2007 and \$44 million in 2006 to production costs for this commitment.

FCX's Cerro Verde copper mine has provided a variety of community support projects over the years. During 2006, as a result of discussions with local mayors in the Arequipa region, Cerro Verde agreed to contribute to the design and construction of domestic water and sewage treatment plants for the benefit of the region. These facilities are being designed in a modular fashion so that initial installations can be readily expanded in the future. FCX has funded approximately 150 million Peruvian nuevo soles (approximately \$49 million at December 31, 2008) to a designated bank account (included in other assets) to be used for financing Cerro Verde's share of the construction costs of these facilities.

167

---

Table of Contents

During 2006, the Peruvian government announced that all mining companies operating in Peru will make annual contributions to local development funds for a five-year period when copper prices exceed certain levels that are adjusted annually. The contribution is equal to 3.75 percent of after-tax profits, of which 2.75 percent is contributed to a local mining fund and 1.00 percent to a regional mining fund. The charge for these local mining fund contributions totaled \$28 million in 2008 and \$49 million in 2007.

Guarantees. FCX provides certain financial guarantees (including indirect guarantees of the indebtedness of others) and indemnities.

At its Morenci mine in Arizona, FCX has a venture agreement dated February 7, 1986, with Sumitomo, which includes a put and call option guarantee clause. FCX holds an 85 percent undivided interest in the Morenci complex. Under certain conditions defined in the venture agreement, Sumitomo has the right to sell its 15 percent share to FCX. Likewise, under certain conditions, FCX has the right to purchase Sumitomo's share of the venture. Based on calculations defined in the venture agreement, at December 31, 2008, the maximum potential payment FCX is obligated to make to Sumitomo upon exercise of the put option (or FCX's exercise of its call option) totaled approximately \$166 million. At December 31, 2008, FCX had not recorded any liability in its consolidated financial statements in connection with this guarantee as FCX does not believe, based on information available, that it is probable that any amounts will be paid under this guarantee as the fair value of Sumitomo's 15 percent share is well in excess of the exercise price.

Prior to its acquisition by FCX, FMC and its subsidiaries have, as part of merger, acquisition, divestiture and other transactions, from time to time, indemnified certain sellers, buyers or other parties related to the transaction from and against certain liabilities associated with conditions in existence (or claims associated with actions taken) prior to the closing date of the transaction. As part of these transactions, FMC indemnified the counterparty from and against certain excluded or retained liabilities existing at the time of sale that would otherwise have been transferred to the party at closing. These indemnity provisions generally now require FCX to indemnify the party against certain liabilities that may arise in the future from the pre-closing activities of FMC for assets sold or purchased. The indemnity classifications include environmental, tax and certain operating liabilities, claims or litigation existing at closing and various excluded liabilities or obligations. Most of these indemnity obligations arise from transactions that closed many years ago, and given the nature of these indemnity obligations, it is impossible to estimate the maximum potential exposure. Except as described in the following sentence, FCX does not consider any of such obligations as having a probable likelihood of payment that is reasonably estimable, and accordingly, has not recorded any obligations associated with these indemnities. With respect to FCX's environmental indemnity obligations, any expected costs from these guarantees are accrued when potential environmental obligations are considered by management to be probable and the costs can be reasonably estimated.

Table of Contents

## NOTE 17. FINANCIAL INSTRUMENTS

FCX and its subsidiaries do not purchase, hold or sell derivative financial instruments unless there is an existing asset or obligation or if FCX anticipates a future activity that is likely to occur and will result in exposure to market risks. FCX does not enter into any derivative financial instruments for speculative purposes. FCX and its subsidiaries have entered into derivative financial instruments in limited instances to achieve specific objectives. These objectives principally relate to managing risks associated with commodity price, foreign currency and interest rate risks. The fair values of FCX's financial derivative instruments are based on derivative pricing models or widely published market closing prices. As of December 31, 2008, no FCX derivative instruments met all the criteria under SFAS No. 133, as amended, to qualify as a hedge transaction. A recap of gains (losses) charged to (loss) income from continuing operations before income taxes, minority interests and equity in affiliated companies' net earnings for derivative financial instruments, including embedded derivatives, for the years ended December 31, 2008, 2007 and 2006, follows:

	2008	2007	2006
Commodity contracts:			
Embedded derivatives in provisional sales contracts <sup>a</sup>	\$ (1,278)	\$ 197	\$ 293
Embedded derivatives in provisional purchase contracts <sup>b</sup>	34	(10)	—
Copper forward contracts <sup>b</sup>	(71)	(44)	47
Copper futures and swap contracts <sup>a</sup>	(184)	(38)	—
FMC's zero-premium copper collars <sup>a</sup>	—	(175)	—
Gold-Denominated Preferred Stock, Series II <sup>a</sup>	—	—	(69)
Silver-Denominated Preferred Stock <sup>a</sup>	—	—	(13)
Foreign currency exchange contracts <sup>b</sup>	—	—	7

a. Amounts recorded in revenues.

b. Amounts recorded in cost of sales as production and delivery costs.

Summarized below are financial instruments whose carrying amounts are not equal to their fair values and unsettled derivative financial instruments at December 31, 2008 and 2007:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Commodity contracts:				
Embedded derivatives in provisional sales/purchases contracts: <sup>a</sup>				
Asset position	\$ 87	\$ 87	\$ 34	\$ 34
Liability position	(485)	(485)	(157)	(157)
Copper forward contracts:				
Liability position <sup>b</sup>	(4)	(4)	(4)	(4)
Copper futures and swap contracts:				
Asset position <sup>c</sup>	2	2	—	—
Liability position <sup>b, d</sup>	(89)	(89)	(9)	(9)
Long-term debt (including amounts due within one year)	(7,351)	(5,889)	(7,211)	(7,595)

- a. Amounts recorded either as a net accounts receivable or a net accounts payable except for Atlantic Copper's copper purchases, which are recorded to product inventories (\$56 million for 2008 and \$18 million for 2007).
- b. Amounts recorded in accounts payable and accrued liabilities.
- c. Amounts recorded in accounts receivable.
- d. At December 31, 2008, FCX had paid \$92 million to brokers for margin requirements, which is recorded in other current assets.

Commodity Contracts. From time to time, FCX has entered into forward, futures, swaps and option contracts to hedge the market risk associated with fluctuations in the prices of commodities it sells. Derivative financial instruments used by FCX to manage its risks do not contain credit risk-related contingent provisions. As of December 31, 2008 and 2007, FCX had no price protection contracts relating to its mine production. A summary of FCX's derivative contracts and programs follows.



## Table of Contents

**Embedded Derivatives.** As described in Note 1 under “Revenue Recognition,” a portion of FCX’s copper concentrate and cathode sales contracts and gold sales contracts provides for provisional pricing primarily based on LME or COMEX prices at the time of shipment as specified in the contract. Similarly, FCX purchases copper and molybdenum under contracts that provide for provisional pricing. FCX applies the normal purchase and sale exception under SFAS No. 133, as amended, to the host sales agreements since the contracts do not allow for net settlement and always result in physical delivery. Under SFAS No. 133, as amended, sales and purchases made on a provisional sales price contain an embedded derivative (i.e., the price settlement mechanism that is settled after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale or purchase of the metals contained in the concentrates or cathodes at the then-current LME or COMEX price. Mark-to-market price fluctuations recorded through the settlement date are reflected in revenues for sales contracts and in cost of sales as production and delivery costs for purchase contracts. At December 31, 2008, FCX had embedded derivatives on 508 million pounds of copper sales (net of minority interests), with maturities through May 2009 and 113 million pounds of copper purchases, with maturities through March 2009.

**Copper Forward Contracts.** Atlantic Copper enters into forward copper contracts designed to hedge its copper price risk whenever its physical purchases and sales pricing periods do not match. These economic hedge transactions are intended to hedge against changes in copper prices, with the mark-to-market hedging gains or losses recorded to cost of sales. At December 31, 2008, Atlantic Copper held forward copper purchase contracts for 55 million pounds at an average price of \$1.45 per pound, with maturities through February 2009.

**Copper Futures and Swap Contracts.** Some of FCX’s U.S. copper rod customers request a fixed market price instead of the COMEX average price in the month of shipment. FCX hedges this price exposure in a manner that allows it to receive the COMEX average price in the month of shipment while the customers pay the fixed price they requested. FCX accomplishes this by entering into copper futures and swap contracts and then liquidating the copper futures contracts and settling the copper swap contracts during the month of shipment, which generally results in FCX receiving the COMEX average price in the month of shipment. Gains and losses for these economic hedge transactions are recorded to revenues. At December 31, 2008, FCX held copper futures and swap contracts for 93 million pounds at an average price of \$2.34 per pound, with maturities through December 2010.

**FMC Copper Collars.** As a result of the acquisition of Phelps Dodge, FCX assumed Phelps Dodge’s 2007 copper price protection program (\$423 million obligation at acquisition date), which consisted of zero-premium copper collars (consisting of both put and call options) for 486 million pounds of copper capped at \$2.00 per pound and copper put options for 730 million pounds with a floor price of \$0.95 per pound. The zero-premium copper collars consisted of the simultaneous purchase of a monthly or annual put option and the sale of an annual call option. The put option portion of this economic hedge effectively ensured a minimum price per pound while the call option portion established a maximum price per pound. The primary objective of these contracts was to set a minimum price, and the secondary objective was to retain market upside. At December 31, 2007, the copper put options expired without settlement, and FCX paid \$598 million in January 2008 to settle the copper call options. FCX does not currently intend to enter into similar hedging programs in the future.

**Gold- and Silver-Denominated Preferred Stock.** In 2006, FCX redeemed its gold-denominated and silver-denominated preferred stock that had dividends and redemption amounts determined by commodity prices.

**Foreign Currency Exchange Contracts.** As a global company, FCX transacts business in many countries and in many currencies. Foreign currency transactions of FCX’s international subsidiaries increase its risks because exchange rates can change between the time agreements are made and the time foreign currency transactions are settled. FCX may hedge or protect its international subsidiaries’ foreign currency transactions from time to time by entering into forward exchange contracts to lock in or minimize the effects of fluctuations in exchange rates. FCX had no outstanding foreign currency exchange contracts at December 31, 2008.

Interest Rate Swap Contracts. From time to time, FCX or its subsidiaries may enter into interest rate swaps to manage its exposure to interest rate changes on a portion of its debt. Floating-rate debt exposes FCX to increasing costs from rising interest rates. FCX may enter into interest rate swap contracts to lock in an interest rate considered to be favorable in order to protect against its exposure to variability in future interest payments attributable to increases in interest rates of the designated floating-rate debt. FCX had no outstanding interest rate swap contracts at December 31, 2008.

Table of Contents

**Credit Risk.** FCX is exposed to credit loss when financial institutions with which FCX has entered into derivative transactions (commodity, foreign exchange and interest rate swaps) are unable to pay. To minimize the risk of such losses, FCX uses highly rated financial institutions that meet certain requirements. FCX also periodically reviews the creditworthiness of these institutions to ensure that they are maintaining their ratings. FCX does not anticipate that any of the financial institutions FCX deals with will default on their obligations. As of December 31, 2008, FCX did not have any significant credit exposure associated with derivative transactions.

**Other Financial Instruments.** The methods and assumptions FCX used to estimate the fair value of significant groups of financial instruments for which it can reasonably determine a value are as follows:

**Cash and Cash Equivalents.** The financial statement amount is a reasonable estimate of the fair value because of the short maturity of these instruments.

**Trust Assets.** The financial statement amount represents the fair value of trust assets, which is based on quoted market prices.

**Long-Term Debt.** The fair value of substantially all of FCX's long-term debt is estimated based on quoted market prices.

**NOTE 18. ACQUISITION OF PHELPS DODGE**

On March 19, 2007, FCX acquired Phelps Dodge, a fully integrated producer of copper and molybdenum, with mines in North and South America and processing capabilities for other by-product minerals, such as gold, silver and rhenium, and several development projects, including Tenke Fungurume in the DRC.

In the acquisition, each share of Phelps Dodge common stock was exchanged for 0.67 of a share of FCX common stock and \$88.00 in cash. As a result, FCX issued 136.9 million shares and paid \$18.0 billion in cash to Phelps Dodge shareholders. The acquisition was accounted for under the purchase method as required by SFAS No. 141 with FCX as the accounting acquirer.

The estimated fair value of assets acquired and liabilities assumed and the results of Phelps Dodge's (now known as FMC) operations are included in FCX's consolidated financial statements beginning March 20, 2007.

The following table summarizes the \$25.8 billion purchase price, which was funded through a combination of common shares issued, borrowings under an \$11.5 billion senior credit facility, proceeds from the offering of \$6.0 billion of senior notes (see Note 11 for further discussion) and available cash resources:

Phelps Dodge common stock outstanding and issuable at March 19, 2007 (in millions)	204.3
Exchange offer ratio per share of FCX common stock for each Phelps Dodge common share	0.67
Shares of FCX common stock issued (in millions)	136.9
Cash consideration of \$88.00 for each Phelps Dodge common share	\$ 17,979a
Fair value of FCX common stock issued	7,781b
Transaction and change of control costs and related employee benefits	137
Release of FCX deferred tax asset valuation allowances	(92)c
Total purchase price	\$ 25,805

- a. Cash consideration includes cash paid in lieu of any fractional shares of FCX stock.
- b. Measurement of the common stock component of the purchase price was based on a weighted-average closing price of FCX's common stock of \$56.85 for the two days prior to through two days after the public announcement of the merger on November 19, 2006.
- c. FCX determined that, as a result of the acquisition of Phelps Dodge, it would be able to realize certain U.S. tax credits for which it had previously not recognized any benefit. Recognition of these tax credits resulted in a \$92 million reduction to the purchase price.

Table of Contents

In accordance with the purchase method of accounting, the purchase price paid was determined at the date of the public announcement of the transaction and was allocated to the assets acquired and liabilities assumed based upon their estimated fair values on the closing date of March 19, 2007. In valuing acquired assets and assumed liabilities, fair values were based on, but not limited to: quoted market prices, where available; the intent of FCX with respect to whether the assets purchased were to be held, sold or abandoned; expected future cash flows; current replacement cost for similar capacity for certain fixed assets; market rate assumptions for contractual obligations; and appropriate discount rates and growth rates. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill. At the date of acquisition of Phelps Dodge, copper price projections used to value the assets acquired ranged from near-term prices of \$2.98 per pound for copper declining over an eight-year period to \$1.20 per pound and \$26.20 per pound for molybdenum declining over a five-year period to \$8.00 per pound, reflecting price expectations at that time.

A summary of the final purchase price allocation as of March 19, 2007, follows (in billions):

	Phelps Dodge Historical Balances	Fair Value Adjustments	Purchase Price Allocation
Cash and cash equivalents	\$ 4.2	\$ -	4.2
Inventories, including mill and leach stockpiles	0.9	2.8	3.7
Property, plant and equipmenta	6.0	16.2	22.2
Other assets	3.1	0.2	3.3
Allocation to goodwillb	-	6.2	6.2c
Total assets	14.2	25.4	39.6
Deferred income taxes (current and long-term)d	(0.7)	(6.3)	(7.0)
Other liabilities	(4.1)	(1.5)	(5.6)
Minority interests	(1.2)	-	(1.2)
Total	\$ 8.2	\$ 17.6	\$ 25.8

a. Includes amounts for proven and probable reserves and values of VBPP (see Note 1).

b. None of the \$6.2 billion of goodwill was deductible for tax purposes.

c. Includes \$160 million of goodwill associated with PDIC, which was sold in the fourth quarter of 2007 (see Note 4).

d. Deferred income taxes were recognized based on the difference between the tax basis and the estimated fair values assigned to net assets.

Unaudited Pro Forma Financial Information. The following unaudited pro forma financial information assumes that FCX acquired Phelps Dodge effective January 1, 2007. The most significant adjustments relate to the purchase accounting impacts of increases in the carrying values of acquired metal inventories (including mill and leach stockpiles) and property, plant and equipment using March 19, 2007, metal prices and assumptions:

	Historical FCX	Phelps Dodgea	Pro Forma Adjustments	Pro Forma Consolidated
Year Ended December 31, 2007				
Revenues	\$ 16,939	\$ 2,294	\$ -	\$ 19,233b

Operating income	6,555	793	(178)	7,170b,c
------------------	-------	-----	-------	----------

- a. Represents the results of Phelps Dodge's operations from January 1, 2007, through March 19, 2007. Beginning March 20, 2007, the results of Phelps Dodge's operations are included in FCX's consolidated financial information.
- b. Includes charges to revenues for mark-to-market accounting adjustments on copper price protection programs totaling \$195 million. Also includes credits for amortization of acquired intangible liabilities totaling \$120 million.
- c. Includes charges associated with the impacts of the increases in the carrying values of acquired metal inventories (including mill and leach stockpiles) and property, plant and equipment, and also includes the amortization of intangible assets and liabilities resulting from the acquisition totaling \$1.7 billion.

172

---

## Table of Contents

The above unaudited pro forma consolidated financial information has been prepared for illustrative purposes only and is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated.

### NOTE 19. BUSINESS SEGMENTS

FCX has organized its operations into five primary divisions – North America copper mines, South America copper mines, Indonesia mining, Africa mining and Molybdenum operations. Notwithstanding this structure, FCX internally reports information on a mine-by-mine basis. Therefore, in accordance with SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” FCX concluded that its operating segments include individual mines. Operating segments that meet certain SFAS No. 131 thresholds are reportable segments.

During 2008, FCX revised the presentation of its operating divisions to better reflect management’s view of the consolidated FCX operations. Additionally, in 2008, Sierrita and Africa mining became reportable segments. FCX has revised its segment disclosures for the years ended December 31, 2007 and 2006, to conform with the current year presentation.

Further discussion of the reportable segments included in FCX’s operating divisions, as well as FCX’s other reportable segments – Rod & Refining and Atlantic Copper Smelting & Refining – follows. See Note 3 for information on FCX’s ownership interests.

**North America Copper Mines.** Until the fourth quarter of 2008, FCX had seven operating copper mines in North America – Morenci, Sierrita, Bagdad, Safford and Miami in Arizona and Chino and Tyrone in New Mexico. As a result of the revised operating plans, mining and milling activities have been suspended at Chino, and the project to restart the Miami mine has been deferred. The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and SX/EW operations. A majority of the copper produced at the North America copper mines is cast into copper rod by FCX’s Rod & Refining operations. The North America copper mines division includes Morenci and Sierrita as reportable segments.

**Morenci.** The Morenci open-pit mine, located in southeastern Arizona, primarily produces copper cathodes and copper concentrates. In addition to copper, the Morenci mine produces a small amount of molybdenum concentrates as a by-product.

**Sierrita.** The Sierrita open-pit mine, located in Pima County, Arizona, primarily produces copper cathodes, copper concentrates and copper sulfate. In addition to copper, the Sierrita mine produces molybdenum concentrate as a by-product.

**Other Mines.** Other mines include FCX’s other operating southwestern U.S. copper mines – Bagdad, Safford and Tyrone. In addition to copper, the Bagdad mine produces molybdenum concentrate as a by-product. Other mines also include FCX’s southwestern U.S. copper mines that are currently on care-and-maintenance status, including Miami and Chino.

**South America Copper Mines.** FCX has four operating copper mines in South America – Cerro Verde in Peru, and Candelaria, Ojos del Salado and El Abra in Chile. These operations include open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. The South America copper mines division includes Cerro Verde as a reportable segment.

**Cerro Verde.** The Cerro Verde open-pit copper mine, located near Arequipa, Peru, produces copper cathodes and copper concentrates. In addition to copper, the Cerro Verde mine produces molybdenum concentrate as a by-product. In the first quarter of 2009, FCX announced plans to temporarily curtail the molybdenum circuit at Cerro Verde.

Other Mines. Other mines include FCX's Chilean copper mines – Candelaria, Ojos del Salado and El Abra – which include open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. In addition to copper, the Candelaria and Ojos del Salado mines produce gold and silver as by-products.

Indonesia. Indonesia mining includes PT Freeport Indonesia's Grasberg minerals district. PT Freeport Indonesia produces copper concentrates, which contain significant quantities of gold and silver.



## Table of Contents

**Africa.** Africa mining includes the Tenke Fungurume copper and cobalt mining concessions in the Katanga province of the DRC. Construction activities are well advanced and initial production is targeted during the second half of 2009. The initial project at Tenke Fungurume is based on mining and processing ore reserves approximating 119 million metric tons with average ore grades of 2.6 percent copper and 0.35 percent cobalt.

**Molybdenum.** The Molybdenum segment is an integrated producer of molybdenum, with mining, sulfide ore concentrating, roasting and processing facilities that produce high-purity, molybdenum-based chemicals, molybdenum metal powder and metallurgical products, which are sold to customers around the world, and includes the wholly owned Henderson molybdenum mine in Colorado and related conversion facilities. The Henderson underground mine produces high-purity, chemical-grade molybdenum concentrates, which are typically further processed into value-added molybdenum chemical products. This segment also includes a sales company that purchases and sells molybdenum from the Henderson mine as well as from FCX's North and South America copper mines that produce molybdenum as a by-product. In addition, at times this segment roasts and/or processes material on a toll basis. Toll arrangements require the tolling customer to deliver appropriate molybdenum-bearing material to FCX's facilities for processing into a product that is returned to the customer, who pays FCX for processing its material into the specified products.

The Molybdenum segment also includes FCX's wholly owned Climax molybdenum mine in Colorado, which has been on care-and-maintenance status since 1995.

**Rod & Refining.** The Rod & Refining segment consists of copper conversion facilities located in North America, and until the fourth quarter of 2008, included a refinery, four rod mills and a specialty copper products facility. As a result of the revised operating plans in the fourth quarter of 2008, one of FCX's rod mills was permanently closed. These operations process copper produced at the North America mines and purchased copper into copper cathode, rod and custom copper shapes. At times these operations refine copper and produce copper rod and shapes for customers on a toll basis. Toll arrangements require the tolling customer to deliver appropriate copper-bearing material to FCX's facilities for processing into a product that is returned to the customer, who pays FCX for processing its material into the specified products.

**Atlantic Copper Smelting & Refining.** Atlantic Copper, FCX's wholly owned smelting unit in Spain, smelts and refines copper concentrates and markets refined copper and precious metals in slimes. PT Freeport Indonesia and the South America copper mines generally sell a portion of their concentrate and cathode (South America) production to Atlantic Copper.

**Intersegment sales.** Intersegment sales between FCX's operations are based on similar arms-length transactions with third parties at the time of the sale. Intersegment sales may not be reflective of the actual prices ultimately realized because of a variety of factors, including additional processing, timing of sales to unaffiliated customers and transportation premiums.

**Allocations.** FCX allocates certain operating costs, expenses and capital to the operating divisions and individual segments. However, not all costs and expenses applicable to a mine or operation are allocated. All U.S. federal and state income taxes are recorded and managed at the corporate level with the exception of foreign income taxes, which are recorded and managed at the applicable mine or operation. In addition, most exploration and research activities are managed at the corporate level, and those costs are not allocated to the operating division or segments. Accordingly, the following segment information reflects management determinations that may not be indicative of what the actual financial performance of each operating division or segment would be if it was an independent entity.

Table of Contents

FCX revenues attributable to the products it produces for the years ended December 31, 2008, 2007 and 2006, follow:

	2008	2007	2006
Refined copper products	\$ 9,575	\$ 8,918	\$ 1,865
Copper in concentrates	3,954	4,541	2,721
Molybdenum	2,408	1,703	—
Gold	1,286	1,664	1,155
Other	573	113	50
Total	\$ 17,796	\$ 16,939	\$ 5,791

- a. Amounts are net of treatment and refining charges totaling \$398 million for 2008, \$502 million for 2007 and \$388 million for 2006.
- b. Amounts are net of royalty charges totaling \$113 million in 2008, \$133 million in 2007 and \$126 million in 2006. Also includes \$273 million in 2008, \$(36) million in 2007 and \$139 million in 2006 for adjustments to prior year sales and pre-acquisition sales in 2007 subject to final pricing.

Information concerning financial data by geographic area for the years ended December 31, 2008, 2007 and 2006, is presented in the following tables.

## Geographic Area

	2008	2007	2006
Revenues:			
United States	\$ 7,609	\$ 6,480	\$ 76
Japan	2,662	2,479	1,242
Spain	1,872	1,773	1,380
Indonesia	1,420	2,105	1,202
Chile	669	627	—
United Kingdom	404	661	126
Others	3,160	2,814	1,765
Total	\$ 17,796	\$ 16,939	\$ 5,791

	2008	2007	2006
Long-lived assets:			
United States	\$ 6,529	\$ 16,954	\$ 41
Indonesia	3,361	3,126	2,933
Peru	3,278	3,242	—
Democratic Republic of Congo	2,696	1,506	—
Chile	1,551	2,882	—
Spain	283	274	265
Others	59	84	—
Total	\$ 17,757	\$ 28,068	\$ 3,239

- a. Revenues are attributed to countries based on the location of the customer.

- b. Long-lived assets exclude deferred tax assets, goodwill and intangible assets.

#### Major Customers

No single customer accounted for 10 percent or more of FCX's consolidated revenues in 2008. Sales to PT Smelting totaled \$1.8 billion (11 percent of FCX's consolidated revenues) in 2007 and \$1.2 billion (21 percent of FCX's consolidated revenues) in 2006. See Note 3 for further discussion of FCX's investment in PT Smelting.

#### Business Segments

Business segments for the years ended December 31, 2008, 2007 and 2006, are presented in the following tables.

Table of Contents

## Business Segments

	North America Copper Mines				South America Copper Mines			Indonesia	Africa		Atlantic	Corporate, Other Copper & Rod	Smelting & Refining	FCX
	Other				Cerro Verde	Other					Molyb-			
Year Ended December 31, 2008	Morenci	Sierrita	Mines	Total	Verde	Mines	Total	Grasberg	Tenke	Kenedu	un-	Refining	Regions	Total
Revenues:														
Unaffiliated customers <sup>b</sup>	\$ 370	\$ 90	\$ 256	\$ 716	\$ 602	\$ 2,166	\$ 3,768	\$ 2,934	\$ -	\$ 2,488	\$ 52,433	\$ 33	\$ 17,796	
Intersegment	1,630	1,103	1,816	4,549	261	137	398	478	-	-	33	8(5,466)	-	
Production and delivery <sup>b</sup>	1,313	487	1,247	3,047	698	1,146	1,844	1,792	6	1,528	5,527	276(5,604)	10,416	
Depreciation, depletion and amortization <sup>b</sup>	330	88	352	770	178	333	511	222	6	192	8 35	38	1,782	
LCM inventory adjustments	302	-	359	661	-	10	10	-	10	101	-	-	-	782
Selling, general and administrative expenses	-	-	-	-	-	-	-	91	-	18	-20	140	269	
Exploration and research expenses	-	-	-	-	-	-	-	-	-	2	-	-	290	292
Goodwill impairment	1,851	991	1,308	4,150	763	366	1,129	-	2	703	-	-	3	5,987
Long-lived asset impairments and other charges <sup>c</sup>	2,702	1,908	3,549	8,159	1	1,365	1,366	-	2	1,417	20	-	14	10,978
Operating (loss) income <sup>b</sup>	(4,498)	(2,281)	(4,743)	(11,522)	223	(917)	(694)	1,307	(26)	(1,473)	2 10	(314)	(12,710)	
Interest expense, net (Benefit from) provision for income taxes	2	1	10	13	2	2	4	(1)	69	-	4 13	482	584	
Total assets at December 31,	2,148	495	3,555	6,198	3,994	2,406	6,400	4,420	685	1,795	268	52	737	23,353

2008

Capital expenditures	276	51	282	609	129	194	323	444,058	180	9 34	51	2,708
----------------------	-----	----	-----	-----	-----	-----	-----	---------	-----	------	----	-------

a. Includes PT Freeport Indonesia's sales to PT Smelting totaling \$1.4 billion.

b. The following table summarizes the impact of purchase accounting fair value adjustments on operating (loss) income primarily associated with the impacts of the increases in the carrying values of acquired metals inventories (including mill and leach stockpiles) and property, plant and equipment:

Revenues	\$	-\$	-\$	-\$	-\$	5	\$	1	\$	6	N/A	\$	-\$	(2)	\$	N/A	\$	-\$	4
Production and delivery		37	11	(24)	24	9		37		46	N/A		-	32		N/A		23	125
Depreciation, depletion and amortization		209	62	199	470	87		203		290	N/A		-	139		N/A		(11)	888
Impact on operating (loss) income		)	)	)	)	)		)		)			)	)		)		)	)
	\$	(246	\$	(73	\$(175	\$	(494	\$(91	\$	(239	\$(330	N/A	\$	-\$	(173	\$	N/A	\$(12	\$(1,009

c. The following table summarizes long-lived asset impairments and other charges:

Long-lived asset impairments	\$	2,683	\$	1,900	\$	5,511	\$	8,094	\$	–\$	1,359	\$	1,359	\$	–\$	–\$	1,408	\$	6	\$	–\$	–\$	10,867			
Restructuring charges		3		2		18		23		1		6		7		–	2		4		4		–	10	50	
Special retirement benefits and curtailments		16		6		20		42		–		–		–		–	–		5		10		–	4	61	
Long-lived asset impairments and other charges	\$	2,702	\$	1,908	\$	5,549	\$	8,159	\$	1	\$	1,365	\$	1,366	\$	–\$	2	\$	1,417	\$	20	\$	–\$	14	\$	10,978

Table of Contents

## Business Segments (continued)

	North America Copper Mines				South America Copper Mines			Indonesia	Africa		Atlanti Copper	Corporate, Other & Rod	Elimi-	FCX
Year Ended	Other	Cerro	Other											
December 31,														
2007	Morenci	Sierrita	Mines	Total	Verde	Mines	Total	Grasberg	Tenke	denu	Refining	Refining	nations	Total
Revenues:														
Unaffiliated customers <sup>b</sup>	\$ 286	\$ 53	\$ 203	\$ 542	\$1,243	\$ 2,228	\$3,471	\$ 3,640	a	\$ -1,746	\$ 108	\$ 2,388	\$ 44	\$16,939
Intersegment	1,516	780	1,255	3,551	390	18	408	1,168	-	-32			-(5,159)	-
Production and delivery <sup>b</sup>	1,014	352	800	2,166	479	798	1,277	1,388	10	1,287	119	2,329	(5,049)	8,527
Depreciation, depletion and amortization <sup>b</sup>	240	54	205	499	129	249	378	199	2	94	7	36	31	1,246
Selling, general and administrative expenses	-	-	-	-	-	-	-	188	-	10	-	20	248	466
Exploration and research expenses	-	-	-	-	-	-	-	-	-	2	-	-	143	145
Operating income (loss) <sup>b</sup>	548	427	453	1,428	1,025	1,199	2,224	3,033	(12)	353	14	3	(488)	6,555
Interest expense, net	-	-	-	-	9	(2)	7	12	(41)	-	4	26	505	513
Provision for income taxes	-	-	-	-	484	369	853	1,326	4	-	-	-	217	2,400
Total assets at December 31, 2007	5,043	2,419	7,209	14,671	4,236	4,183	8,419	3,737	477	3,522	438	915	7,482	c 40,661
Capital expenditures	269	28	559	856	58	65	123	368	266	45	8	42	47	1,755

a. Includes PT Freeport Indonesia's sales to PT Smelting totaling \$1.8 billion.

b. The following table summarizes the impact of purchase accounting fair value adjustments on operating income (loss) primarily associated with the impacts of the increases in the carrying values of acquired metals inventories (including mill and leach stockpiles) and property, plant and equipment:

Revenues	\$	-\$	-\$	-\$	-\$	8	\$	1	\$	9	N/A	\$	-\$	111	\$	-	N/A	\$	-\$	120
Production and delivery		218	50	76	344	73	96	169	N/A	-	164	-	N/A	104	781					

Depreciation, depletion and amortization	167	37	130	334	64	145	209	N/A	—	52	—	N/A	—	595
Impact on operating income (loss)	\$ (385	\$ (87	\$ (206	\$ (678	\$ (129	\$ (240	\$ (369	N/A	\$ —	\$ (105	\$ —	N/A	\$ (104	\$ (1,256

c. Includes preliminary goodwill of \$6.1 billion, which had not been allocated to reporting units.

	North America Copper Mines				South America Copper Mines			Indonesia	Africa		Atlanti	Corporate, Other		
											Rod	Copper &		
											Molyb-	& Smelting	Elimi-	FCX
Year Ended December 31, 2006	Morenci	Sierrita	Mines	Total	Verde	Mines	Total	Grasberg	Tenke	Ferrous	Refining	Refining	nations	Total
Revenues:														
Unaffiliated customers	\$	—	—	—	—	—	—	—	3,543	a \$ —	—	—	2,242	\$ 6
Intersegment	—	—	—	—	—	—	—	—	852	—	—	—	—	(852)
Production and delivery	—	—	—	—	—	—	—	—	1,279	—	—	—	—	—
													2,119	(873)
														2,525
Depreciation, depletion and amortization\	—	—	—	—	—	—	—	—	184	—	—	—	—	—
Selling, general and administrative expenses	—	—	—	—	—	—	—	—	211	—	—	—	—	—
Exploration and research expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Operating income	—	—	—	—	—	—	—	—	2,721	—	—	—	—	—
													74	74
														2,869
Interest expense, net	—	—	—	—	—	—	—	—	20	—	—	—	—	—
Provision for income taxes	—	—	—	—	—	—	—	—	950	—	—	—	—	—
Total assets at December 31, 2006	—	—	—	—	—	—	—	—	4,112	—	—	—	—	—
Capital expenditures	—	—	—	—	—	—	—	—	234	—	—	—	—	—
													17	—
														251

a. Includes PT Freeport Indonesia's sales to PT Smelting totaling \$1.2 billion.



Table of Contents**NOTE 20. SUPPLEMENTARY MINERAL RESERVE INFORMATION (UNAUDITED)**

Recoverable proven and probable reserves have been calculated as of December 31, 2008, in accordance with Industry Guide 7 as required by the Securities and Exchange Act of 1934. FCX's proven and probable reserves may not be comparable to similar information regarding mineral reserves disclosed in accordance with the guidance in other countries. Proven and probable reserves were determined by the use of mapping, drilling, sampling, assaying and evaluation methods generally applied in the mining industry, as more fully discussed below. The term "reserve," as used in the reserve data presented here, means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "proven reserves" means reserves for which (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (ii) grade and/or quality are computed from the results of detailed sampling; and (iii) the sites for inspection, sampling and measurements are spaced so closely and the geologic character is sufficiently defined that size, shape, depth and mineral content of reserves are well established. The term "probable reserves" means reserves for which quantity and grade are computed from information similar to that used for proven reserves but the sites for sampling are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

FCX's reserve estimates are based on the latest available geological and geotechnical studies. FCX conducts ongoing studies of its ore bodies to optimize economic values and to manage risk. FCX revises its mine plans and estimates of proven and probable mineral reserves as required in accordance with the latest available studies. At December 31, 2008, FCX's estimated consolidated recoverable reserves include 102.0 billion pounds of copper, 40.0 million ounces of gold, 2.48 billion pounds of molybdenum, 266.6 million ounces of silver and 0.7 billion pounds of cobalt. At December 31, 2008, recoverable reserves include estimated recoverable copper totaling 2.8 billion pounds in leach stockpiles and 1.1 billion pounds in mill stockpiles, including FCX's joint venture partner's interest in the Morenci mine.

Recoverable Proven and Probable Reserves <sup>a</sup> at December 31, 2008			
	Copper (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
North America	28.3	0.2	2.08
South America	32.2	1.3	0.40
Indonesia	35.6	38.5	—
Africa	5.9	—	—
Consolidated basis <sup>b</sup>	102.0	40.0	2.48
Net equity interest <sup>c</sup>	82.4	36.2	2.30

- Proven and probable recoverable reserves are estimated metal quantities from which FCX expects to be paid after application of estimated metallurgical recovery rates and smelter recovery rates, where applicable. Recoverable reserves are that part of a mineral deposit that FCX estimates can be economically and legally extracted or produced at the time of the reserve determination.
- Consolidated basis reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia.
- Net equity interest reserves represent estimated consolidated basis metal quantities further reduced for minority interest ownership.

Estimated recoverable reserves were determined using long-term average prices of \$1.60 per pound for copper, \$550 per ounce for gold, \$8.00 per pound for molybdenum, \$12.00 per ounce for silver and \$10.00 per pound for cobalt. The London spot metal prices for the past three years averaged \$3.15 per pound for copper and \$724 per ounce for gold, and molybdenum prices for the past three years averaged approximately \$28 per pound.

Table of Contents

Year-End	Ore (million metric tons)	100% Basis Average Ore Grade Per Metric Ton			Recoverable Proven and Probable Reserves		
		Copper (%)	Gold (grams)	Moly (%)	Copper (billion pounds)	Gold (million ounces)	Moly (million pounds)
2004	2,769	1.09	0.97	N/A	56.2	61.0	N/A
2005	2,822	1.07	0.92	N/A	56.6	58.0	N/A
2006	2,813	1.04	0.90	N/A	54.8	54.3	N/A
2007	12,224	0.51	0.20	0.01	110.4	54.1	2,042
2008	14,067	0.48	0.17	0.01	118.8	53.4	2,485

By Area at December 31, 2008:

## North America

## Developed and producing:

Morenci	2,813	0.28	—	0.002	10.1	—	27
Sierrita	1,473	0.26	—a	0.029	7.1	0.1	769
Bagdad	1,051	0.30	—a	0.015	5.3	0.1	252
Safford	450	0.38	—	—	2.6	—	—
Tyrone	334	0.29	—	—	1.4	—	—
Henderson	149	—	—	0.176	—	—	502
Chinob	143	0.52	0.01	0.005	2.3	—a	6
Miamib	91	0.43	—	—	0.6	—	—

## Undeveloped:

Climax	165	—	—	0.165	—	—	532
Cobre	73	0.39	—	—	0.4	—	—

## South America

## Developed and producing:

Cerro Verde	3,023	0.37	—	0.012	21.6	—	397
El Abra	1,120	0.45	—	—	5.5	—	—
Candelaria	391	0.55	0.11	—	4.9	1.3	—
Ojos del Salado	8	1.12	0.27	—	0.2	—a	—

## Indonesia

## Developed and producing:

Grasberg open pit	384	0.97	1.17	—	7.1	12.0	—
Deep Ore Zonec	282	0.62	0.67	—	3.3	4.6	—

## Undeveloped:

Grasberg block cave	1,007	1.02	0.81	—	19.4	17.7	—
Kucing Liar	441	1.24	1.09	—	10.3	7.1	—
Deep Mill Level							
Zoned	494	0.89	0.75	—	8.3	9.1	—
Big Gossan	56	2.23	1.18	—	2.5	1.4	—

Africa

Undeveloped:

Tenke

Fungurumee	119	2.64	—	—	5.9	—	—
Total 100% basis	14,067				118.8	53.4	2,485
Consolidated basis					102.0	40.0	2,482
FCX's equity share					82.4	36.2	2,297

a. Amounts not shown because of rounding.

b. Mining operations suspended as of December 31, 2008.

c. In 2007, FCX combined the Deep Ore Zone and Ertzberg Stockwork Zone reserves, which FCX now refers to as the Deep Ore Zone.

d. In 2007, FCX combined the Mill Level Zone and Deep Mill Level Zone reserves, which FCX now refers to as the Deep Mill Level Zone.

e. Recoverable proven and probable reserves also include 0.7 billion pounds of recoverable cobalt on a 100 percent basis (0.4 billion pounds on an equity share basis) with an average ore grade of 0.35 percent.

Table of Contents

## NOTE 21. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2008					
Revenues	\$ 5,672	\$ 5,441	\$ 4,616	\$ 2,067	\$ 17,796
Operating income (loss) <sup>a</sup>	2,396	2,053	1,133	(18,292)	(12,710)
Net income (loss) applicable to common stock <sup>a</sup>	1,122	947	523	(13,933)	(11,341)
Basic net income (loss) per share of common stock	2.93	2.47	1.37	(36.78)	(29.72)
Diluted net income (loss) per share of common stock <sup>a</sup>	2.64	2.25	1.31	(36.78)	(29.72)
2007					
Revenues <sup>b</sup>	\$ 2,246	\$ 5,443	\$ 5,066	\$ 4,184	\$ 16,939
Operating income <sup>b, c</sup>	1,172	2,354	1,877	1,152	6,555
Income from continuing operations applicable to common stock <sup>b, c, d</sup>	472	1,076	763	423	2,734
Income (loss) from discontinued operations <sup>c</sup>	4	28	12	(9)	35
Net income applicable to common stock <sup>b, c, d</sup>	476	1,104	775	414	2,769
Basic net income (loss) per share of common stock:					
Continuing operations	\$ 2.18	\$ 2.83	\$ 2.00	\$ 1.10	\$ 8.02
Discontinued operations	0.02	0.07	0.03	(0.02)	0.10
Basic net income per share of common stock	\$ 2.20	\$ 2.90	\$ 2.03	\$ 1.08	\$ 8.12
Diluted net income (loss) per share of common stock:					
Continuing operations <sup>b, c, d</sup>	\$ 2.00	\$ 2.56	\$ 1.85	\$ 1.07	\$ 7.41
Discontinued operations <sup>c</sup>	0.02	0.06	0.02	(0.02)	0.09
Diluted net income per share of common stock <sup>b, c, d</sup>	\$ 2.02	\$ 2.62	\$ 1.87	\$ 1.05	\$ 7.50

All references to income or losses per share are on a diluted basis, unless otherwise noted.

a. Includes LCM inventory adjustments totaling \$1 million (\$1 million to net income or less than \$0.01 per share) in the first quarter, \$4 million (\$2 million to net income or \$0.01 per share) in the second quarter, \$17 million (\$10

million to net income or \$0.02 per share) in the third quarter, \$760 million (\$466 million to net loss or \$1.23 per share) in the fourth quarter and \$782 million (\$479 million to net loss or \$1.26 per share) for the year. Fourth quarter also includes asset impairments totaling \$10.9 billion (\$6.6 billion to net loss or \$17.34 per share), goodwill impairments totaling \$6.0 billion (\$6.0 billion to net loss or \$15.69 per share), restructuring charges totaling \$50 million (\$30 million to net loss or \$0.08 per share) and special retirement benefits and curtailments totaling \$61 million (\$37 million to net loss or \$0.10 per share). Includes the purchase accounting impact of the increases in the carrying values of acquired metals inventories (including mill and leach stockpiles) and property, plant and equipment; the impact associated with the amortization of intangible assets and liabilities resulting from the acquisition of Phelps Dodge; and also includes amounts for non-operating income and expense primarily related to the accretion of the fair values of assumed environmental obligations (determined on a discounted cash flow basis). These impacts total \$278 million to operating income and \$15 million to non-operating income and expense (\$183 million to net income or \$0.41 per share) in the first quarter, \$236 million to operating income and \$22 million to non-operating income and expense (\$161 million to net income or \$0.36 per share) in the second quarter, \$247 million to operating income and \$30 million to non-operating income and expense (\$174 million to net income or \$0.39 per share) in the third quarter, \$248 million to operating loss and \$26 million to non-operating income and expense (\$161 million to net loss or \$0.43 per share) in the fourth quarter and \$1.0 billion to operating loss and \$93 million to non-operating income and expense (\$679 million to net loss or \$1.78 per share) for the year.

Table of Contents

- b. Includes charges (credits) to revenues for mark-to-market accounting adjustments for the 2007 copper price protection program totaling \$38 million (\$23 million to net income or \$0.10 per share) in the first quarter, \$130 million (\$80 million to net income or \$0.18 per share) in the second quarter, \$44 million (\$26 million to net income or \$0.06 per share) in the third quarter, \$(37) million (\$23) million to net income or \$0.06 per share) in the fourth quarter and \$175 million (\$106 million to net income or \$0.27 per share) for the year.
- c. Includes the purchase accounting impact of the increases in the carrying values of acquired metals inventories (including mill and leach stockpiles) and property, plant and equipment; and also includes the impact associated with the amortization of intangible assets and liabilities resulting from the acquisition of Phelps Dodge totaling \$124 million (\$79 million to net income or \$0.32 per share) in the first quarter, \$455 million (\$284 million or \$0.64 per share) in the second quarter, \$445 million (\$279 million to net income or \$0.62 per share) in the third quarter, \$232 million (\$143 million to net income or \$0.35 per share) in the fourth quarter and \$1.3 billion to operating income (\$785 million to net income or \$1.98 per share) for the year associated with continuing operations. Also includes purchase accounting impact totaling \$8 million (\$0.02 per share) in the third quarter associated with discontinued operations.
- d. Includes net losses on early extinguishment of debt totaling \$88 million (\$75 million to net income or \$0.31 per share) in the first quarter, \$47 million (\$35 million to net income or \$0.08 per share) in the second quarter, \$36 million (\$31 million to net income or \$0.07 per share) in the third quarter and \$173 million (\$132 million to net income or \$0.33 per share) for the year. Also includes gains primarily from the sales of marketable securities totaling \$38 million (\$23 million to net income or \$0.05 per share) in the second quarter, \$47 million (\$29 million to net income or \$0.06 per share) in the third quarter and \$85 million (\$52 million to net income or \$0.13 per share) for the year.

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures. Our chief executive officer and chief financial officer, with the participation of management, have evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report on Form 10-K. Based on their evaluation, they have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report.

(b) Changes in internal controls. There has been no change in our internal control over financial reporting that occurred during the fourth quarter that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

(c) Management’s annual report on internal control over financial reporting and the report thereon of Ernst & Young LLP are included herein under Item 8. “Financial Statements and Supplemental Data.”

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information set forth under the captions “Information About Director Nominees” and “Section 16(a) Beneficial Ownership Reporting Compliance” of our definitive proxy statement to be filed with the Securities and Exchange Commission (SEC), relating to our 2009 annual meeting of stockholders, is incorporated herein by reference. The information required by Item 10 regarding our executive officers appears in a separately captioned heading after Item 4 in Part I of this report.

Item 11. Executive Compensation.

The information set forth under the captions “Director Compensation” and “Executive Officer Compensation” of our definitive proxy statement to be filed with the SEC, relating to our 2009 annual meeting of stockholders, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information set forth under the captions “Stock Ownership of Directors and Executive Officers” and “Stock Ownership of Certain Beneficial Owners” of our definitive proxy statement to be filed with the SEC, relating to our 2009 annual meeting of stockholders, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information set forth under the caption “Certain Transactions” of our definitive proxy statement to be filed with the SEC, relating to our 2009 annual meeting of stockholders, is incorporated herein by reference.



Item 14. Principal Accounting Fees and Services.

The information set forth under the caption “Independent Auditors” of our definitive proxy statement to be filed with the SEC, relating to our 2009 annual meeting of stockholders, is incorporated herein by reference.

182

---

Table of Contents

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1). Financial Statements.

Not applicable

(a)(2). Financial Statement Schedules.

Reference is made to the Index to Financial Statements appearing on page F-1 hereof.

(a)(3). Exhibits.

Reference is made to the Exhibit Index beginning on page E-1 hereof.

183

---

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 26, 2009.

Freeport-McMoRan Copper & Gold Inc.

By: /s/ Richard C. Adkerson  
Richard C. Adkerson  
President, Chief Executive Officer  
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities indicated on February 26, 2009.

* James R. Moffett	Chairman of the Board
* B. M. Rankin, Jr.	Vice Chairman of the Board
/s/ Richard C. Adkerson Richard C. Adkerson	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Kathleen L. Quirk Kathleen L. Quirk	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
* C. Donald Whitmire, Jr.	Vice President and Controller - Financial Reporting (Principal Accounting Officer)
* Robert J. Allison, Jr.	Director
* Robert A. Day	Director
* Gerald J. Ford	Director
* H. Devon Graham, Jr.	Director
* J. Bennett Johnston	Director

S-1

---

Table of Contents

*	Director
Charles C. Krulak	
*	Director
Bobby Lee Lackey	
*	Director
Jon C. Madonna	
*	Director
Dustan E. McCoy	
*	Director
Gabrielle K. McDonald	
*	Director
J. Stapleton Roy	
*	Director
Stephen H. Siegele	
*	Director
J. Taylor Wharton	

By: /s/ Richard C. Adkerson  
Richard C. Adkerson  
Attorney-in-Fact

S-2

---

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.  
INDEX TO FINANCIAL STATEMENTS

Our financial statements and the notes thereto, and the report of Ernst & Young LLP included in our 2008 annual report are incorporated herein by reference.

	Page
Report of Independent Registered Public Accounting Firm	F-1
Schedule II-Valuation and Qualifying Accounts	F-2

Schedules other than the one listed above have been omitted since they are either not required, not applicable or the required information is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF  
FREEPORT-McMoRan COPPER & GOLD INC.

We have audited the consolidated financial statements of Freeport-McMoRan Copper & Gold Inc. (the Company) as of December 31, 2008 and 2007 and for each of the three years in the period ended December 31, 2008, and have issued our report thereon dated February 18, 2009. Our audits also included the schedule listed in the index above for this Form 10-K. The schedule listed in the index above is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Phoenix, Arizona  
February 18, 2009

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.  
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Col. A	Col. B	Col. C Additions		Col. D	Col. E
	Balance at Beginning of Period	Charged to Costs and Expense	Charged to Other Accounts	Other Add (Deduct)	Balance at End of Period
Reserves and allowances deducted from asset accounts: Materials and supplies allowances					
2008	16	11	-	(5)a	22
2007	16	7	-	(7)a	16
2006	17	6	-	(7)a	16
Valuation allowance for deferred tax assets					
2008	1,165	582	16	-	1,763
2007	925	332	-	(92)b	1,165
2006	802	123	-	-	925
Reserves for non-income taxes:					
2008	34	7	(3)	(6)c	32
2007	22	4	11	(3)c	34
2006	19	7	-	(4)c	22

- a. Primarily represents write-offs of obsolete materials and supplies inventories.  
b. Represents a release of valuation allowances as a result of the acquisition of Phelps Dodge.  
c. Represents amounts paid or adjustments to reserves based on revised estimates.

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.  
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
2.1	Agreement and Plan of Merger dated as of November 18, 2006, by and among Freeport-McMoRan Copper & Gold Inc. (FCX), Phelps Dodge Corporation and Panther Acquisition Corporation.		S-4	333-139252	12/11/2006
3.1	Composite Certificate of Incorporation of FCX.		8-A/A	001-11307-01	01/26/2009
3.2	Amended and Restated By-Laws of FCX, as amended through May 1, 2007.		8-K	001-11307-01	05/04/2007
4.1	Certificate of Designations of 5½% Convertible Perpetual Preferred Stock of FCX.		8-K	001-11307-01	03/31/2004
4.2	Certificate of Designations of 6¾% Mandatory Convertible Preferred Stock of FCX.		8-K	001-11307-01	03/27/2007
4.3	Rights Agreement dated as of May 3, 2000, between FCX and ChaseMellon Shareholder Services, L.L.C., as Rights Agent.		10-Q	001-09916	05/15/2000
4.4	Amendment No. 1 to Rights Agreement dated as of February 26, 2002, between FCX and Mellon Investor Services.		10-Q	001-09916	05/07/2002
4.5	Indenture dated as of February 11, 2003, from FCX to The Bank of New York, as Trustee, with respect to the 7% Convertible Senior Notes due 2011.		8-K	001-09916	02/25/2003
4.6	Indenture dated as of March 19, 2007, from FCX to The Bank of New York, as Trustee, with respect to the 8.25% Senior Notes due 2015, 8.375% Senior Notes due 2017, and the Senior Floating Rate Notes due 2015.		8-K	001-11307-01	03/19/2007
4.7	Credit Agreement dated as of March 19, 2007, by and among FCX, the Lenders party thereto, the Issuing Banks party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent and Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.		8-K	001-11307-01	03/19/2007
4.8	Amendment Agreement dated as of July 3, 2007, amending the Credit Agreement dated as of March 19, 2007, among FCX, the Lenders party thereto, the Issuing Banks party thereto, and JPMorgan Chase		8-K	001-11307-01	07/11/2007



Bank, N.A., as Administrative Agent and as Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.

- 4.9 First Amendment dated as of January 22, 2009, in respect of the Amended and Restated Credit Agreement dated as of July 10, 2007, among FCX, the Lenders party thereto, the Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent and as Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.

8-K 001-11307-01 01/26/2009

- 4.10 Amended and Restated Credit Agreement dated as of March 19, 2007, by and among FCX, PT Freeport Indonesia, the Lenders party thereto, the Issuing Banks party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, Collateral Agent, Security Agent and JAA Security Agent, U.S. Bank National Association, as FI Trustee, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.

8-K 001-11307-01 03/19/2007

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.  
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
4.11	Amendment Agreement dated as of July 3, 2007, amending the Amended and Restated Credit Agreement dated as of March 19, 2007, which amended and restated the Amended and Restated Credit Agreement, dated as of July 25, 2006, which amended and restated the Amended and Restated Credit Agreement, dated as of September 30, 2003, which amended and restated the Amended and Restated Credit Agreement, dated as of October 19, 2001, which amended and restated both the Credit Agreement, originally dated as of October 27, 1989 and amended and restated as of June 1, 1993 and the Credit Agreement, originally dated as of June 30, 1995, among FCX, PT Freeport Indonesia, U.S. Bank National Association, as trustee for the Lenders and certain other lenders under the FI Trust Agreement, the Lenders party thereto, the Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, Security Agent, JAA Security Agent and Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.				
4.12	First Amendment dated as of January 22, 2009, in respect of the Amended and Restated Credit Agreement dated as of March 19, 2007, as amended as of July 3, 2007, which amends and restates the Amended and Restated Credit Agreement, dated as of July 25, 2006, which amended and restated the Amended and Restated Credit Agreement, dated as of September 30, 2003, which amended and restated the Amended and Restated Credit Agreement, dated as of October 19, 2001, which amended and restated both the Credit Agreement, originally dated as of October 27, 1989 and amended and restated as of June 1, 1993 and the Credit Agreement,		8-K	001-11307-01	07/11/2007
			8-K	001-11307-01	01/26/2009

	originally dated as of June 30, 1995, among FCX, PT Freeport Indonesia, U.S. Bank National Association, as trustee for the Lenders and certain other lenders under the FI Trust Agreement, the Lenders party thereto, the Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent, Security Agent, JAA Security Agent and Collateral Agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent.			
10.1	Contract of Work dated December 30, 1991, between the Government of the Republic of Indonesia and PT Freeport Indonesia.	S-3	333-72760	11/05/2001
10.2	Contract of Work dated August 15, 1994, between the Government of the Republic of Indonesia and PT Irja Eastern Minerals Corporation.	S-3	333-72760	11/05/2001
10.3	Participation Agreement dated as of October 11, 1996, between PT Freeport Indonesia and P.T. RTZ-CRA Indonesia (a subsidiary of Rio Tinto PLC) with respect to a certain contract of work.	S-3	333-72760	11/05/2001
10.4	Agreement dated as of October 11, 1996, to Amend and Restate Trust Agreement among PT Freeport Indonesia, FCX, the RTZ Corporation PLC (now Rio Tinto PLC), P.T. RTZ-CRA Indonesia, RTZ Indonesian Finance Limited and First Trust of New York, National Association, and The Chase Manhattan Bank, as Administrative Agent, JAA Security Agent and Security Agent.	8-K	001-09916	11/13/1996
10.5	Concentrate Purchase and Sales Agreement dated effective December 11, 1996, between PT Freeport Indonesia and PT Smelting.	S-3	333-72760	11/05/2001
10.6	Second Amended and Restated Joint Venture and Shareholders' Agreement dated as of December 11, 1996, among Mitsubishi Materials Corporation, Nippon Mining and Metals Company, Limited and PT Freeport Indonesia.	S-3	333-72760	11/05/2001

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.  
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Form	Incorporated by Reference File No.	Reference Date Filed
10.7	Participation Agreement, dated as of March 16, 2005, among Phelps Dodge Corporation, Cyprus Amax Minerals Company, a Delaware corporation, Cyprus Metals Company, a Delaware corporation, Cyprus Climax Metals Company, a Delaware corporation, Sumitomo Corporation, a Japanese corporation, Summit Global Management, B.V., a Dutch corporation, Sumitomo Metal Mining Co., Ltd., a Japanese corporation, Compañía de Minas Buenaventura S.A.A., a Peruvian sociedad anonima abierta, and Sociedad Minera Cerro Verde S.A.A., a Peruvian sociedad anonima abierta.		8-K	001-00082	03/22/2005
10.8	Shareholders Agreement, dated as of June 1, 2005, among Phelps Dodge Corporation, Cyprus Climax Metals Company, a Delaware corporation, Sumitomo Corporation, a Japanese corporation, Sumitomo Metal Mining Co., Ltd., a Japanese corporation, Summit Global Management B.V., a Dutch corporation, SMM Cerro Verde Netherlands, B.V., a Dutch corporation, Compañía de Minas Buenaventura S.A.A., a Peruvian sociedad anonima abierta, and Sociedad Minera Cerro Verde S.A.A., a Peruvian sociedad anonima abierta.		8-K	001-00082	06/07/2005
10.9	Master Agreement and Plan of Merger between Columbian Chemicals Company, Columbian Chemicals Acquisition LLC and Columbian Chemicals Merger Sub, Inc., dated November 15, 2005.		10-K	001-00082	02/27/2006
10.10	Reclamation and Remediation Trust Agreement between Phelps Dodge Corporation and Wells Fargo Delaware Trust Company, dated December 22, 2005.		10-K	001-00082	02/27/2006
10.11	Distribution Agreement, dated as of January 26, 2009, by and between FCX and J.P. Morgan Securities Inc.		8-K	001-11307-01	01/26/2009
10.12*	FCX Director Compensation.		10-Q	001-11307-01	8/11/2008
10.13*	Consulting Agreement dated December 22, 1988, with Kissinger Associates, Inc. (Kissinger Associates).		10-K405	001-09916	03/31/1998
10.14*	Letter Agreement dated May 1, 1989, with Kent Associates, Inc. (Kent Associates, predecessor in interest to Kissinger Associates).		10-K405	001-09916	03/31/1998
10.15*	Letter Agreement dated January 27, 1997, among Kissinger Associates, Kent Associates, FCX,		10-K405	001-09916	03/08/2002

Freeport-McMoRan Inc. (FTX), and FM Services Company (FMS).

10.16*Supplemental Agreement with Kissinger Associates and Kent Associates, effective as of January 1, 2009.	10-Q	001-11307-01	11/10/2008
10.17*Agreement for Consulting Services between FTX and B. M. Rankin, Jr. effective as of January 1, 1990 (assigned to FMS as of January 1, 1996).	10-K405	001-09916	03/31/1998
10.18*Supplemental Agreement dated December 15, 1997, between FMS and B. M. Rankin, Jr.	10-K405	001-09916	03/31/1998
<u>10.19</u> *Supplemental Letter Agreement between FMS and B. M. Rankin, Jr., effective as of January 1, 2009.	X		
10.20*Letter Agreement effective as of January 7, 1997, between Senator J. Bennett Johnston, Jr. and FMS.	10-K405	001-09916	03/08/2002
10.21*Supplemental Agreement between FMS and J. Bennett Johnston, Jr., effective as of May 1, 2008.	10-Q	001-11307-01	8/11/2008
10.22*Supplemental Agreement between FMS and J. Bennett Johnston, Jr., effective as of January 1, 2009.	10-Q	001-11307-01	11/10/2008
10.23*Letter Agreement dated November 1, 1999, between FMS and Gabrielle K. McDonald.	10-K405	001-09916	03/20/2000

E-3

---

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.  
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference		
			Form	File No.	Date Filed
10.24*	Supplemental Letter Agreement between FMS and Gabrielle K. McDonald, effective as of May 1, 2008.		10-Q	001-11307-01	8/11/2008
10.25*	Supplemental Letter Agreement between FMS and Gabrielle K. McDonald, effective as of January 1, 2009.		10-Q	001-11307-01	11/10/2008
10.26*	Agreement for Consulting Services between FMS and Dr. J. Taylor Wharton, effective as of January 11, 2008.		10-K	001-11307-01	02/29/2008
<u>10.27*</u>	Supplemental Letter Agreement between FMS and Dr. J. Taylor Wharton, effective as of January 1, 2009.	X			
<u>10.28*</u>	Amended and Restated Executive Employment Agreement dated effective as of December 2, 2008, between FCX and James R. Moffett.	X			
<u>10.29*</u>	Amended and Restated Change of Control Agreement dated effective as of December 2, 2008, between FCX and James R. Moffett.	X			
<u>10.30*</u>	Amended and Restated Change of Control Agreement dated effective as of December 2, 2008, between FCX and Michael J. Arnold.	X			
<u>10.31*</u>	Amended and Restated Executive Employment Agreement dated effective as of December 2, 2008, between FCX and Richard C. Adkerson.	X			
<u>10.32*</u>	Amended and Restated Executive Employment dated effective as of December 2, 2008, between FCX and Kathleen L. Quirk.	X			
<u>10.33*</u>	FCX Executive Services Program, as amended and restated December 2, 2008.	X			
10.34*	FCX Supplemental Executive Retirement Plan, as amended and restated.		8-K	001-11307-01	02/05/2007
10.35*	FCX President's Award Program.		S-3	333-72760	11/05/2001
10.36*	FCX Supplemental Executive Capital Accumulation Plan.		10-Q	001-11307-01	05/12/2008
10.37*	FCX Supplemental Executive Capital Accumulation Plan Amendment One.		10-Q	001-11307-01	05/12/2008
<u>10.38*</u>	FCX Supplemental Executive Capital Accumulation Plan Amendment Two.	X			
<u>10.39*</u>	FCX 2005 Supplemental Executive Capital Accumulation Plan.	X			
10.40*	FCX 1995 Stock Option Plan for Non-Employee Directors, as amended and restated.		10-Q	001-11307-01	05/10/2007
10.41*	FCX Amended and Restated 1999 Stock Incentive Plan, as amended and restated.		10-Q	001-11307-01	05/10/2007

<u>10.42</u> *FCX Amended and Restated 1999 Long-Term Performance Incentive Plan.	X			
10.43*FCX 2003 Stock Incentive Plan, as amended and restated.		10-Q	001-11307-01	05/10/2007
10.44*Form of Amendment No. 1 to Notice of Grant of Nonqualified Stock Options and Stock Appreciation Rights under the 2004 Director Compensation Plan.		8-K	001-11307-01	05/05/2006
10.45*FCX 2004 Director Compensation Plan, as amended and restated.		10-Q	001-11307-01	05/10/2007
<u>10.46</u> *FCX 2005 Annual Incentive Plan, as amended and restated.	X			
10.47*FCX Amended and Restated 2006 Stock Incentive Plan.		8-K	001-11307-01	07/13/2007
10.48*Form of Notice of Grant of Nonqualified Stock Options for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K	001-11307-01	02/29/2008

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.  
EXHIBIT INDEX

Exhibit Number	Exhibit Title	Filed with this Form 10-K	Incorporated by Reference Form File No. Date Filed
10.49*	Form of Restricted Stock Unit Agreement for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K 001-11307-01 02/29/2008
10.50*	Form of Performance-Based Restricted Stock Unit Agreement for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K 001-11307-01 02/29/2008
10.51*	Form of Restricted Stock Unit Agreement (form used in connection with participant elections) for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K 001-11307-01 02/29/2008
10.52*	Form of Performance-Based Restricted Stock Unit Agreement (form used in connection with participant elections) for grants under the FCX 1999 Stock Incentive Plan, the 2003 Stock Incentive Plan and the 2006 Stock Incentive Plan.		10-K 001-11307-01 02/29/2008
<u>12.1</u>	FCX Computation of Ratio of Earnings to Fixed Charges.	X	
14.1	FCX Principles of Business Conduct.		10-K 001-11307-01 02/29/2008
<u>21.1</u>	Subsidiaries of FCX.	X	
<u>23.1</u>	Consent of Ernst & Young LLP.	X	
<u>24.1</u>	Certified resolution of the Board of Directors of FCX authorizing this report to be signed on behalf of any officer or director pursuant to a Power of Attorney.	X	
<u>24.2</u>	Powers of Attorney pursuant to which this report has been signed on behalf of certain officers and directors of FCX.	X	
<u>31.1</u>	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d – 14(a).	X	
<u>31.2</u>	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d – 14(a).	X	
<u>32.1</u>	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.	X	
<u>32.2</u>	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350.	X	
99.1	Amended and Restated Mining Convention dated as of September 28, 2005, among the Democratic Republic of Congo, La Générale des Carrières et des Mines, Lundin Holdings Ltd. (now TF Holdings Limited) and Tenke Fungurume Mining S.A.R.L..		8-K 001-11307-01 09/02/2008
99.2			8-K 001-11307-01 09/02/2008



Amended and Restated Shareholders Agreement  
dated as of September 28, 2005, by and between La  
Générale des Carrières et des Mines and Lundin  
Holdings Ltd. (now TF Holdings Limited) and its  
subsidiaries.

Note: Certain instruments with respect to long-term debt of FCX have not been filed as exhibits to this Annual Report on Form 10-K since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of FCX and its subsidiaries on a consolidated basis. FCX agrees to furnish a copy of each such instrument upon request of the Securities and Exchange Commission.

\* Indicates management contract or compensatory plan or arrangement.

E-5

---