

FREEPORT MCMORAN COPPER & GOLD INC
Form S-4
April 16, 2003

As filed with the United States Securities and Exchange Commission on April 16, 2003.

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Freeport-McMoRan Copper & Gold Inc.

(Exact name of registrant as specified in its charter)

Delaware

1000

74-2480931

(State or other

(Primary Standard Industrial Code Number)

(I.R.S. Employer

jurisdiction of incorporation

Identification Number)

or organization)

1615 Poydras Street

New Orleans, Louisiana 70112

(504) 582-4000

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

Copy to:

Kathleen L. Quirk

Vice President and Treasurer

Freeport-McMoRan Copper & Gold Inc.

1615 Poydras Street

New Orleans, Louisiana 70112

(504) 582-4000

(Name, address, including zip code, and telephone

number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public:

As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed Maximum offering price per unit	Proposed Maximum Aggregate Offering Price(1)	Amount of registration fee
10 % Senior Notes due 2010	\$500,000,000	\$1,000	\$500,000,000(2)	\$40,450

(1)
Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act.

(2)
Represents the aggregate outstanding principal amount of 10 % senior notes due 2010.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the SEC, acting pursuant to Section 8(a), may determine.

Subject to completion, dated April 16, 2003

Prospectus

[Logo]

Freeport-McMoRan Copper & Gold Inc.

Offer to Exchange

Up to \$500,000,000 Registered 10 % Senior Notes Due 2010

for

Any and all Outstanding Unregistered 10 % Senior Notes Due 2010

We are offering to exchange 10 % senior notes due 2010 that we have registered under the Securities Act of 1933 (the “exchange notes”) for all outstanding 10 % senior notes due 2010 (the “outstanding notes”). In this prospectus we refer to the exchange notes and the outstanding notes collectively as the “notes.”

The Exchange Offer

•

We hereby offer to exchange all outstanding notes that are validly tendered and not withdrawn for an equal principal amount of exchange notes which are registered under the Securities Act of 1933.

•

The exchange offer will expire at 5:00 p.m. New York City time, on _____, 2003, unless extended.

•

You may withdraw tenders of your outstanding notes at any time before the exchange offer expires.

•

The exchange notes are substantially identical to the outstanding notes, except that some of the transfer restrictions and registration rights relating to the outstanding notes will not apply to the exchange notes.

•

We believe that the exchange of outstanding notes will not be a taxable event for federal income tax purposes, but you should read *Certain U.S. Federal Income Tax Considerations* beginning on page 62 for more information.

•

We will not receive any proceeds from the exchange offer.

•

The outstanding notes are issued on the Luxembourg Stock Exchange. No public market currently exists for the exchange notes. Application will be made to list the exchange notes on the Luxembourg Stock Exchange.

Investing in the exchange notes involves risks that we describe in the *Risk Factors* section beginning on page 8.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the date the exchange offer expires, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See *Plan of Distribution*.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the exchange notes or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2003.

We have not authorized anyone to give any information or represent anything to you other than the information in this prospectus. You must not rely on any unauthorized information or representations. We are not making an offer to sell the exchange notes in any jurisdiction where the offer or sale is not permitted.

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THIS DOCUMENT INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT US THAT IS NOT PRINTED IN THIS DOCUMENT BUT IS CONTAINED IN DOCUMENTS FILED WITH THE SEC. THIS INFORMATION IS AVAILABLE AT THE INTERNET WEB SITE THE SEC MAINTAINS AT [HTTP://WWW.SEC.GOV](http://www.sec.gov), AS WELL AS FROM OTHER SOURCES. SEE WHERE YOU CAN FIND MORE INFORMATION ON PAGE 68.

YOU ALSO MAY REQUEST COPIES OF THESE DOCUMENTS FROM US, WITHOUT CHARGE, UPON WRITTEN OR ORAL REQUEST BY CONTACTING US AT: FREEPORT-MCMORAN COPPER & GOLD INC., 1615 POYDRAS STREET, NEW ORLEANS, LOUISIANA 70112, ATTENTION: KATHLEEN L. QUIRK, VICE PRESIDENT AND TREASURER. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE AT LEAST FIVE BUSINESS DAYS PRIOR TO THE DATE ON WHICH AN INVESTMENT DECISION IS TO BE MADE WITH RESPECT TO THE EXCHANGE NOTES OFFERED HEREBY AND IN ANY EVENT NO LATER THAN _____, 2003, WHICH IS FIVE BUSINESS DAYS PRIOR TO THE INITIAL EXPIRATION DATE OF THE EXCHANGE OFFER.

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act), both as amended. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including statements about anticipated sales volumes, production volumes, ore grades, commodity prices, development and capital expenditures, mine production and development plans, environmental reclamation and closure costs and plans, reserve estimates, economic and social conditions in our areas of operations, and exploration efforts and results; statements of the plans, strategies and objectives of management for future operations; statements regarding future economic conditions or performance; statements regarding exploration activities; statements about political uncertainties, dealings with regulatory authorities or dealings with indigenous people; statements of belief; and statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words may, will, estimate, intend, continue, believe, expect, plan or anticipate and other similar words. Such statements may be contained in the sections of this prospectus entitled Summary and Risk Factors, among other places.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in this prospectus. All forward-looking statements contained or incorporated by reference in this prospectus are made as of the date of this prospectus. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. Currently known risk factors include, but are not limited to, the factors described in the section of this prospectus entitled Risk Factors. We urge you to review carefully this section for a more complete discussion of the risks of an investment in the notes.

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SUMMARY

This summary highlights selected information we have included in or incorporated by reference into this prospectus. It does not contain all information that may be important to you. More detailed information about the notes, our business and our financial and operating data is contained elsewhere in this prospectus. We encourage you to read this prospectus, including the section entitled Risk Factors, and the financial statements and notes thereto incorporated by reference in this prospectus, in their entirety before making an investment decision.

Company Overview

We are one of the world's largest copper and gold mining and production companies in terms of reserves and production. We are also the lowest cost copper producer in the world, after taking into account credits for related gold and silver production. Our principal asset is the Grasberg mine, which we discovered in 1988. Grasberg contains the largest single gold reserve and one of the largest copper reserves of any mine in the world.

Our principal operating subsidiary is PT Freeport Indonesia, a limited liability company organized under the laws of the Republic of Indonesia and incorporated in Delaware. We own approximately 90.64 percent of PT Freeport Indonesia, and the Government of Indonesia owns the remaining approximate 9.36 percent. PT Freeport Indonesia mines, processes and explores for ore containing copper, gold and silver. It operates in the remote highlands of the Sudirman Mountain Range in the province of Papua (formerly Irian Jaya), Indonesia, which is on the western half of the island of New Guinea. PT Freeport Indonesia markets its concentrates containing copper, gold and silver worldwide.

PT Freeport Indonesia conducts its operations pursuant to an agreement, called a Contract of Work, with the Government of Indonesia. The Contract of Work allows us to conduct extensive mining, production and exploration activities in a 24,700-acre area that we call Block A, which contains the Grasberg mine, and governs our rights and obligations relating to taxes, exchange controls, royalties, repatriation and other matters. The Contract of Work also allows us to explore for minerals in a 0.5-million-acre area that we call Block B (currently in suspension). The term of our Contract of Work expires in 2021, but we can extend it for two 10-year periods subject to Indonesian government approval, which cannot be withheld or delayed unreasonably.

Another of our operating subsidiaries, PT Irja Eastern Minerals, which we refer to as Eastern Minerals, holds an additional Contract of Work in Papua covering approximately 1.2 million acres and conducts exploration activities (currently suspended) under this Contract of Work. We have a 100 percent ownership interest in Eastern Minerals.

In 1996, we established joint ventures with Rio Tinto plc, an international mining company with headquarters in London, England. Rio Tinto conducts mining operations in North America, South America, Asia, Europe and southern Africa. For fiscal year 2002, Rio Tinto had revenues of \$10.8 billion and net income of \$651 million. One of our joint ventures with Rio Tinto covers PT Freeport Indonesia's mining operations in Block A. This joint venture gives Rio Tinto, through 2021, a 40 percent interest in certain assets and in production above specified levels from operations in Block A and, after 2021, a 40 percent interest in all production in Block A. Under our joint venture arrangements, Rio Tinto also has a 40 percent interest in PT Freeport Indonesia's Contract of Work and Eastern Minerals' Contract of Work. In addition, Rio Tinto has the option to participate in 40 percent of any of our other future exploration projects in Papua. To date, Rio Tinto has elected to participate in all exploration projects, including PT Nabire Bakti Mining.

Under another joint venture agreement through PT Nabire Bakti Mining, we conduct exploration activities (currently suspended) in an area covering approximately 0.5 million acres in five parcels contiguous to PT Freeport Indonesia's Block B and one of Eastern Minerals' blocks.

At December 31, 2002, PT Freeport Indonesia's share of proven and probable recoverable reserves totaled 39.4 billion pounds of copper and 48.5 million ounces of gold, all of which are located in Block A. Our approximate 90.64 percent equity share of those proven and probable recoverable reserves totaled 35.7 billion pounds of copper and 44.0 million ounces of gold (see "Ore Reserves"). In this prospectus, we refer to (1) aggregate reserves, which means all reserves for the operations we manage, (2) PT Freeport Indonesia's share of reserves, which means the

1

reserves net of Rio Tinto's interest under our joint venture arrangements and which are the reserves reported as those of our operations in our consolidated financial statements and (3) our equity share of reserves, which means PT Freeport Indonesia's share net of the 9.36 percent interest that the Government of Indonesia owns.

We also smelt and refine copper concentrates in Spain, and market the refined copper products, through our wholly owned subsidiary, Atlantic Copper, S.A. In addition, PT Freeport Indonesia has a 25 percent interest in PT Smelting, an Indonesian company that operates a copper smelter and refinery in Gresik, Indonesia. These smelters play an important role in our concentrate marketing strategy, as approximately one-half of PT Freeport Indonesia's concentrate production is sold to Atlantic Copper and PT Smelting.

For further information regarding the Contracts of Work, our reserves, our joint venture agreements, our smelting and refining operations, and other aspects of our operations, we refer you to the section of our annual report on Form 10-K for the year ended December 31, 2002 entitled "Business and Properties," which is incorporated in this prospectus by reference.

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Summary of the Exchange Offer

The Initial Offering of Outstanding Notes

We sold the outstanding notes on January 29, 2003 to J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Warburg LLC. We collectively refer to those parties in this prospectus as the Initial Purchasers. The Initial Purchasers subsequently resold the outstanding notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended, and to non-U.S. Persons within the meaning of Regulation S under the Securities Act.

Registration Rights Agreement

Simultaneously with the initial sale of the outstanding notes, we entered into a registration rights agreement for the exchange offer. In the registration rights agreement, we agreed,

among other things, to use our reasonable best efforts to complete a registered exchange offer for the outstanding notes or cause to become effective a shelf registration statement for resales of the outstanding notes. The exchange offer is intended to satisfy your rights under the registration rights agreement. After the exchange offer is complete, you will no longer be entitled to any exchange or registration rights with respect to your outstanding notes.

The Exchange Offer

We are offering to exchange the exchange notes which have been registered under the Securities Act for your outstanding notes. In order to be exchanged, an outstanding note must be properly tendered and accepted. All outstanding notes that are validly tendered and not validly withdrawn will be exchanged. We will issue exchange notes promptly after the expiration of the exchange offer.

Resales

We believe that the exchange notes issued in the exchange offer may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act provided that:

-

the exchange notes are being acquired in the ordinary course of your business;

-

you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes issued to you in the exchange offer; and

-

you are not an affiliate of ours.

If any of these conditions are not satisfied and you transfer any exchange notes issued to you in the exchange offer without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your exchange notes from these requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability.

Each broker-dealer that is issued exchange notes in the exchange offer for its own account in exchange for outstanding notes that were acquired by that broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. A broker-dealer may use this prospectus for an offer to resell, resale or other retransfer of the exchange notes issued to it in the exchange offer.

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Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2003, unless we decide to extend the expiration date.

The exchange offer is subject to customary conditions, including that it does not violate applicable law or any applicable interpretation of the staff of the SEC.

Conditions to the Exchange Offer

Procedures for Tendering Outstanding Notes

If you wish to tender your outstanding notes for exchange in this exchange offer, you must transmit to the exchange agent on or before the expiration date either:

-

an original or a facsimile of a properly completed and duly executed copy of the letter of transmittal, which accompanies this prospectus, together with your outstanding notes and any other documentation required by the letter of transmittal, at the address provided on the cover page of the letter of transmittal; or

-

if the outstanding notes you own are held of record by The Depository Trust Company, or DTC, in book-entry form and you are making delivery by book-entry transfer, a computer-generated message transmitted by means of the Automated Tender Offer Program System of DTC, or ATOP, in which you acknowledge and agree to be bound by the terms of the letter of transmittal and which, when received by the exchange agent, forms a part of a confirmation of book-entry transfer. As part of the book-entry transfer, DTC will facilitate the exchange of your outstanding notes and update your account to reflect the issuance of the exchange notes to you. ATOP allows you to electronically transmit your acceptance of the exchange offer to DTC instead of physically completing and delivering a letter of transmittal to the exchange agent.

In addition, you must deliver to the exchange agent on or before the expiration date:

•

if you are effecting delivery by book-entry transfer, a timely confirmation of book-entry transfer of your outstanding notes into the account of the exchange agent at DTC; or

•

if necessary, the documents required for compliance with the guaranteed delivery procedures.

Special Procedures for Beneficial Owners

If you are the beneficial owner of book-entry interests and your name does not appear on a security position listing of DTC as the holder of the book-entry interests or if you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the book-entry interest or outstanding notes in the exchange offer, you should contact the person in whose name your book-entry interests or outstanding notes are registered promptly and instruct that person to tender on your behalf.

Withdrawal Rights

You may withdraw the tender of your outstanding notes at any time prior to 5:00 p.m., New York City time on _____, 2003.

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Federal Income Tax Considerations

We believe that the exchange of outstanding notes will not be a taxable event for U.S. federal income tax purposes.

Use of Proceeds

We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offer. We will pay all of our expenses incident to the exchange offer.

Exchange Agent

The Bank of New York is serving as the exchange agent in connection with the exchange offer.

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Summary of Terms of the Exchange Notes

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The form and terms of the exchange notes are the same as the form and terms of the outstanding notes, except that the exchange notes will be registered under the Securities Act. As a result, the exchange notes will not bear legends restricting their transfer and will not contain the registration rights and liquidated damages provisions contained in the outstanding notes. The exchange notes represent the same debt as the outstanding notes. Both the outstanding notes and the exchange notes are governed by the same indenture. Unless otherwise required by the context, we use the term notes in this prospectus to refer collectively to the outstanding notes and the exchange notes. In the following discussion, "we," "us" and "our" refer only to Freeport-McMoRan Copper & Gold Inc.

Issuer Freeport-McMoRan Copper & Gold Inc.

Securities \$500 million in aggregate principal amount of 10 % Senior Notes due 2010.

Maturity February 1, 2010.

Interest Payment February 1 and August 1 of each year, beginning on August 1, 2003.

Dates

Ranking The notes will be unsecured and:

- will rank equally in right of payment with all existing and future senior debt;

- will rank senior to any future subordinated debt;

- will be effectively subordinated to our secured debt to the extent of the value of the assets securing such debt; and

- will be effectively subordinated to all liabilities and preferred stock of our subsidiaries.

Optional
 Redemption

See Description of the Notes Ranking.

We may redeem the notes, in whole or in part, beginning on February 1, 2007, at the redemption prices listed under Description of the Notes Optional Redemption.

Before February 1, 2006, we may redeem up to 35% of the notes with the net cash proceeds from certain equity offerings at the price listed under Description of the Notes Optional Redemption.

In addition, before February 1, 2007, we may redeem the notes, in whole or in part, at any time at the make-whole redemption price described in Description of the Notes Optional Redemption.

Change of Control

Upon the occurrence of a change of control, and unless we have exercised our right to redeem all the notes as described above, you will have the right to require us to purchase all or a portion of your notes at a purchase price in cash equal to 101 percent of the principal amount plus accrued and unpaid interest to the date of purchase. See Description of the Notes Change of Control.

Basic Covenants

The indenture governing the notes contains covenants that will impose significant restrictions on our business. The restrictions that these covenants will place on us and our restricted subsidiaries include limitations on our ability and the ability of our restricted subsidiaries to:

- incur indebtedness;
- pay dividends or make distributions in respect of our capital stock or other restricted payments or investments; make certain
- sell assets, including the capital stock of our restricted subsidiaries;

- agree to payment restrictions affecting our restricted subsidiaries;

- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

- incur liens;

- enter into transactions with our affiliates; and

- designate our subsidiaries as unrestricted subsidiaries.

These covenants are subject to important exceptions and qualifications, which are described under [Description of the Notes](#) [Certain Covenants](#).

Listing We will apply to list the exchange notes on the Luxembourg Stock Exchange. The outstanding notes are listed on the Luxembourg Stock Exchange.

Risk Factors See [Risk Factors](#) and the other information in this prospectus for a discussion of the factors you should carefully consider before deciding to invest in the notes.

Luxembourg Listing

Agent The Bank of New York.

Luxembourg Paying

and Transfer Agent

The Bank of New York.

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RISK FACTORS

You should carefully consider the risk factors set forth below, as well as the other information appearing in this prospectus and the documents to which we refer you, including those incorporated by reference in this prospectus, before making an investment decision with respect to the notes. Realization of any of the following risks could have a material adverse effect on our business, financial condition, cash flow and results of operations.

Risks Related to the Exchange Offer

Your notes will not be accepted for exchange if you fail to follow the exchange offer procedures and, as a result, your notes will continue to be subject to existing transfer restrictions and you may not be able to sell your notes.

We will not accept your outstanding notes for exchange if you do not follow the exchange offer procedures. We will issue exchange notes as part of this exchange offer only after a timely receipt of your outstanding notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your outstanding notes, please allow sufficient time to ensure timely delivery. If we do not receive your outstanding notes, letter of transmittal and other required documents by the expiration date of the exchange offer, we will not accept your outstanding notes for exchange. If there are defects or irregularities with respect to your tender of outstanding notes, we will not accept such notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of outstanding notes for exchange.

If you do not exchange your notes, your notes will continue to be subject to the existing transfer restrictions and you may not be able to sell your notes.

We did not register the outstanding notes, nor do we intend to do so following the exchange offer. Outstanding notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. If you do not exchange your outstanding notes, you will lose your right to have such notes registered under the federal securities laws. As a result, if you hold outstanding notes after the exchange offer, you may not be able to sell your outstanding notes.

The reoffering and resale of the outstanding notes is subject to significant legal restrictions.

The outstanding notes have not been registered under the Securities Act of 1933, as amended, or any state securities laws. As a result, holders of outstanding notes may reoffer or resell outstanding notes only if:

-

there is an applicable exemption from the registration requirement of the Securities Act of 1933 and applicable state laws that applies to the circumstances of the offer and sale, or

-

we file a registration statement and it becomes effective.

Risks Related to the Notes

There is no public market in the United States for the exchange notes, and we cannot assure you that a market for the exchange notes will develop in the United States.

Although the outstanding notes are eligible for trading in the PORTAL market, the exchange notes will be a new class of securities for which there is no established public trading market in the United States, and no assurance can be given as to:

-

the liquidity of any such market that may develop;

-

the ability of holders of the notes to sell their notes; or

-

the price at which the holders of the notes would be able to sell their notes.

If such a market were to exist, the notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including:

- prevailing interest rates and the markets for similar securities;

- the market price of our common stock;

- general economic conditions; and

- our financial condition, historic financial performance and future prospects.

The notes are unsecured and effectively subordinated to our existing and future secured indebtedness and the liabilities of our subsidiaries.

The notes are our senior unsecured obligations, junior in right of payment to all of our existing and future secured debt, to the extent of the collateral, including our obligations under our bank credit facilities. In addition, the notes will be effectively junior in right of payment to the indebtedness and other liabilities of our subsidiaries. For further information, see the section of this prospectus entitled "Description of the Notes - Ranking."

In the event that we are declared bankrupt, become insolvent or are liquidated or reorganized, any debt that ranks ahead of the notes will be entitled to be paid in full from our assets before any payment may be made with respect to the notes. Holders of the notes will participate ratably with all holders of our other senior unsecured indebtedness, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less, ratably, than holders of our secured indebtedness.

A financial failure by any entity in which we have an interest may hinder the payment of the notes.

A financial failure by any entity in which we have an interest could affect payment of the notes if a bankruptcy court were to substantively consolidate that entity with our subsidiaries and/or with us. If a bankruptcy court substantively

consolidated an entity in which we have an interest with our subsidiaries and/or with us, the assets of each entity so consolidated would be subject to the claims of creditors of all entities so consolidated. This could expose our creditors, including holders of the notes, to potential dilution of the amount ultimately recoverable because of the larger creditor base. Furthermore, forced restructuring of the notes could occur through the cram-down provisions of the U.S. bankruptcy code. Under this provision, the notes could be restructured over the note holders' objections as to their general terms, primarily interest rate and maturity.

We may not have the ability to finance the change of control repurchase offer required by the indenture governing the notes.

Upon certain change of control events, as that term is defined in the indenture, including a change of control caused by an unsolicited third party, we will be required to make an offer in cash to repurchase all or any part of each holder's notes at a price equal to 101 percent of the principal amount thereof, plus accrued interest. The source of funds for any such repurchase would be our available cash or cash generated from operations or other sources, including borrowings, sales of equity or funds provided by a new controlling person or entity. We cannot assure you that sufficient funds will be available at the time of any change of control event to repurchase all tendered notes pursuant to this requirement. Our failure to offer to repurchase notes, or to repurchase notes tendered, following a change of control will result in a default under the indenture, which could lead to a cross-default under our bank credit facilities and under the terms of our other indebtedness. In addition, our bank credit facilities prohibit us from making any such required repurchases. Prior to repurchasing the notes upon a change of control event, we must either repay outstanding indebtedness under our bank credit facilities or obtain the consent of the lenders under those facilities. If we do not obtain the required consents or repay our outstanding indebtedness under our bank credit facilities, we would remain prohibited from offering to repurchase the notes. For further information, see the section of this prospectus entitled "Description of the Notes - Repurchase at the Option of Holder."

Risks Related to our Business

Because our primary operating assets are located in the Republic of Indonesia, our business may be adversely affected by Indonesian political, economic and social uncertainties beyond our control, in addition to the usual risks associated with conducting business in a foreign country.

Indonesia continues to face political, economic and social uncertainties, including separatist movements and civil and religious strife in a number of provinces. In particular, several separatist groups are opposing Indonesian rule over the province of Papua, where our mining operations are located, and have sought political independence for the province. In response to these demands for political independence, new Indonesian regional-autonomy laws became effective January 1, 2001. However, the manner in which these new autonomy laws will be implemented and the degree of political and economic autonomy that they may bring to individual provinces, including Papua, is uncertain and is a current issue in Indonesian politics. Moreover, there have been sporadic attacks on civilians by separatists and sporadic but highly publicized conflicts between separatists and the Indonesian military. Social, economic and political instability in Papua could materially and adversely affect us if this instability results in damage to our property or interruption of our activities.

On August 31, 2002, three people were killed and 11 others were wounded in an ambush by a group of unidentified assailants, who shot at several vehicles transporting international contract schoolteachers from our school in Tembagapura, their family members, and other contractors to PT Freeport Indonesia on the road near Tembagapura, the mining town where the majority of PT Freeport Indonesia's personnel reside. The identity of the assailants remains uncertain. Some press reports have indicated that members of the military may be responsible for the attack, but military officials have denied these allegations. Some press reports have also indicated that Papuan separatists may be responsible for the attack, but representatives of the separatists have denied these allegations. We, the U.S. government, the central Indonesian government, the Papuan provincial and local governments, and leaders of the local people residing in the area of our operations have condemned the attack. Indonesian authorities continue to investigate the incident and we are cooperating fully with the investigation. Representatives of the U.S. Federal Bureau of Investigation also visited the site and are consulting with the Indonesian authorities about the incident.

On October 12, 2002, a bombing killed approximately 200 people in the Indonesian province of Bali, which is 1,500 miles west of our mining and milling operations. Indonesian police, working cooperatively with Australian and U.S. investigators, conducted an investigation that has led to the arrest of 15 suspects. Press reports indicate that some of the suspects may be linked to international terrorist organizations. Our mining and milling operations were not interrupted by either the August 31 or October 12 incidents.

The Government of Indonesia, which provides security for PT Freeport Indonesia's personnel and operations, has expressed a strong commitment to protect natural resources businesses operating in Indonesia, including PT Freeport Indonesia, with heightened security following the Bali bombing and the shooting incident discussed above.

We cannot predict whether or not there will be additional incidents similar to the recent shooting or bombing. If there were to be additional separatist or other violence in Indonesia, it could materially and adversely affect our business and profitability in ways that we cannot predict at this time.

With the approval of the Indonesian government in 2001, we temporarily suspended our field exploration activities outside of Block A due to safety and security issues and uncertainty relating to a possible conflict between our mining and exploration rights in certain forest areas covered by the Contracts of Work and an Indonesian law enacted in 1999 prohibiting open-pit mining in forest preservation areas. We cannot predict when we will be able to resume our exploration activities in these areas. We expect to continue to seek renewals of these suspensions for each of the suspended areas if required.

In August 1998, we suspended operations for three days at our Grasberg mine in response to a wildcat work stoppage (not authorized by the workers' union) by a group of workers, a majority of whom were employees of our contractors. The workers cited employment issues as the reasons for their work stoppage. In March 1996, local

people engaged in acts of vandalism that caused approximately \$3 million of damages to our property. As a precautionary measure, we closed the Grasberg mine and mill for three days.

Maintaining a good working relationship with the Indonesian government is important to us because all of our mining operations are located in Indonesia and are conducted pursuant to Contracts of Work with the Indonesian government. For a discussion of the risks relating to our Contracts of Work, see the risk factor below. Accordingly, we are also subject to the usual risks associated with conducting business in a foreign country, including the risk of forced modification of existing contracts; changes in the country's laws or policies, including laws or policies relating to taxation, royalties, imports, exports and currency; and the risk of having to submit to the jurisdiction of a foreign court or having to enforce the judgment of a foreign court or arbitration panel against a sovereign nation within its own territory. In addition, we are subject to the risk of expropriation, and our insurance does not cover losses caused by expropriation.

Our current credit ratings have an impact on the availability and cost of capital to us. Because our primary business operations are in Indonesia, reductions in the sovereign credit ratings of Indonesia have historically had an adverse effect on our credit ratings, and we believe that this relationship is likely to continue.

The U.S. military action in Iraq, the terrorist attacks in the United States on September 11, 2001, the potential for additional future terrorist acts and other recent events, have created economic and political uncertainties that could materially and adversely affect our business and the prices of our securities.

The U.S. military action in Iraq, the terrorist attacks that took place in the United States on September 11, 2001, the potential for additional future terrorist acts, and the growing tensions between the U.S. and North Korea have caused uncertainty in the world's financial and insurance markets and may significantly increase global political, economic and social instability, including in Indonesia, the country in which we primarily operate. In addition to the October 12, 2002, bombing in Bali, there have been anti-American demonstrations in certain sections of Indonesia reportedly led by radical Islamic activists. Radical activists have also threatened to attack foreign assets and have called for the expulsion of United States and British citizens and companies from Indonesia.

It is possible that further acts of terrorism may be directed against the United States domestically or abroad, and such acts of terrorism could be directed against properties and personnel of companies such as ours. The attacks and the resulting economic and political uncertainties, including the potential for further terrorist acts, have caused the premiums charged for our insurance coverages to increase significantly. Moreover, while our property and business interruption insurance covers damages to insured property directly caused by terrorism, this insurance does not cover damages and losses caused by war. Terrorism and war developments may materially and adversely affect our business and profitability and the prices of our securities in ways that we cannot predict at this time.

Our Contracts of Work are subject to termination if we do not comply with our contractual obligations and, if a dispute arises, we may have to submit to the jurisdiction of a foreign court or panel. In addition, unless the Indonesian government permits us to suspend activities under our Contracts of Work, we are required to continue those activities or potentially be declared in default.

PT Freeport Indonesia's and Eastern Minerals' Contracts of Work were entered into under Indonesia's 1967 Foreign Capital Investment Law, which provides guarantees of remittance rights and protection against nationalization. Our Contracts of Work can be terminated by the Government of Indonesia if we do not satisfy our contractual obligations, which include the payment of royalties and taxes to the government and the satisfaction of certain mining, environmental, safety and health requirements. Indonesian government officials have periodically raised questions regarding our compliance with Indonesian environmental laws and regulations and the terms of the Contracts of Work. In order to address these questions, the Indonesian government formed a fact-finding team in 2000 that reviewed our compliance with all aspects of PT Freeport Indonesia's Contract of Work. When or whether the Indonesian government will release its report on its investigation is uncertain. In addition, we cannot assure you that the Indonesian government's report, if and when they release it, will conclude that we are complying with all of the provisions of PT Freeport Indonesia's Contract of Work.

Moreover, in recent years, certain government officials and others in Indonesia have questioned the validity of contracts entered into by the Government of Indonesia prior to October 1999, including PT Freeport Indonesia's

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Contract of Work, which was signed in December 1991. We cannot assure you that the validity of, or our compliance with the terms of, the Contracts of Work will not be challenged for political or other reasons. PT Freeport Indonesia's and Eastern Minerals' Contracts of Work require that disputes with the Indonesian government be submitted to international arbitration. Notwithstanding the international arbitration provision, if a dispute arises under the Contracts of Work, we face the risk of having to submit to the jurisdiction of a foreign court or having to enforce the judgment of a foreign court or arbitration panel against Indonesia within its own territory.

In addition, our Contracts of Work permit us to suspend certain activities, including exploration, under the contracts for a period of one year by making a written request to the Indonesian government. These suspension requests are subject to the approval of the Indonesian government and are renewable annually. If we do not request a suspension or are denied a suspension, then we are required to continue our activities under the Contract of Work or potentially be declared in default. Moreover, if a suspension continues for more than one year for reasons other than force majeure and the Indonesian government has not approved such continuation, then the Indonesian government would be entitled to declare a default under the Contract of Work.

Servicing our debt will require a significant amount of cash, and our ability to generate sufficient cash depends on many factors, some of which are beyond our control.

Our ability to make payments on and to refinance our debt depends on our ability to generate sufficient cash flow. This ability, to a significant extent, is subject to commodity prices and general economic, financial, regulatory, political and other factors that are beyond our control. In addition, our ability to borrow funds in the future to service our debt will depend on our meeting the financial covenants in our bank credit facility, the notes and other debt agreements we may have in the future. Future borrowings may not be available to us under our bank credit facility or

otherwise in amounts sufficient to enable us to pay our debt or to fund other liquidity needs. As a result, we may need to refinance all or a portion of our debt on or before maturity. Any inability to generate sufficient cash flow or refinance our debt on favorable terms could materially and adversely affect our financial condition.

Covenants in the documents governing our indebtedness impose restrictions on us.

The documents governing our indebtedness:

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restrict the repurchase of, and payment of dividends on, our common stock;

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limit, among other things, our ability to:

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make investments;

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engage in transactions with affiliates; and

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create liens on our assets; and

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require us to maintain specified financial ratios and satisfy financial condition tests.

Events beyond our control, including changes in general economic and business conditions, may affect our ability to satisfy these covenants, which could result in a default under the documents governing our indebtedness.

Our mining operations create difficult and costly environmental challenges, and future changes in environmental laws, or unanticipated environmental impacts from our operations, could require us to incur increased costs.

Mining operations on the scale of our operations in Papua involve significant environmental risks and challenges. Our primary challenge is to dispose of the large amount of crushed and ground rock material, called tailings, that results from the process by which we physically separate the copper, gold and silver from the ore that we mine. Under our tailings management plan, the river system near our mine transports the tailings to the lowlands

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where deposits of the tailings and natural sediments are controlled through a levee system for future revegetation and reclamation. We incurred aggregate costs of \$7.0 million in 2002, \$9.7 million in 2001 and \$8.2 million in 2000 for our tailings management plan.

Another of our major environmental challenges is managing overburden, which is the rock that must be moved aside in order to reach the ore in the mining process. In the presence of air, water and naturally occurring bacteria, some overburden can cause acid rock drainage, or acidic water containing dissolved metals which, if not properly managed, can have a negative impact on the environment.

Certain Indonesian governmental officials have from time to time raised issues with respect to our tailings management plan and overburden management plan, including a suggestion that a pipeline system rather than our current system be implemented for tailings disposal. Our ongoing assessment of tailings management has identified significant unresolved technical, environmental and economic issues associated with a pipeline system. Because our mining operations are remotely located in steep mountainous terrain and in an active seismic area, a pipeline system would be costly, difficult to construct and maintain, and more prone to catastrophic failure. For these reasons, we do not believe that a pipeline system is practical.

We anticipate that we will continue to spend significant financial and managerial resources on environmental compliance. In addition, changes in Indonesian environmental laws or unanticipated environmental impacts from our operations could require us to incur significant additional costs.

The volume and grade of the reserves we recover and our rates of production may be more or less than we anticipate. In addition, we do not expect to mine all of our reserves before the initial term of our Contract of Work expires.

Our reserve amounts are determined in accordance with established mining industry practices and standards, but are only estimates of the mineral deposits that can be economically and legally recovered. In addition, our mines may not conform to standard geological expectations. Because ore bodies do not contain uniform grades of minerals, our metal recovery rates will vary from time to time, which will result in variations in the volumes of minerals that we can sell from period to period. Some of our reserves may become unprofitable to develop if there are unfavorable long-term market price fluctuations in copper and gold, or if there are significant increases in our operating and capital costs. In addition, our exploration programs may not result in the discovery of additional mineral deposits that we can mine profitably.

All of our current proven and probable recoverable reserves, including the Grasberg deposit, are located in Block A. The initial term of our Contract of Work covering these reserves expires at the end of 2021. We can extend this term for two successive 10-year periods, subject to the approval of the Indonesian government, which cannot be withheld or delayed unreasonably. Our reserve amounts reflect our estimates of the reserves that can be recovered before 2041 (*i.e.*, before the expiration of the two 10-year extensions) and our current mine plan has been developed and our operations are based on our receiving the two 10-year extensions. As a result, we do not anticipate the mining of all of our reserves prior to the end of 2021 based on our current mine plan, and there can be no assurance that the Indonesian government will approve the extensions. Prior to the end of 2021, we expect to mine approximately 58 percent of aggregate proven and probable ore, representing approximately 65 percent of PT Freeport Indonesia's share of recoverable copper reserves and approximately 74 percent of PT Freeport Indonesia's share of recoverable gold reserves.

Our profitability can vary significantly with fluctuations in the market prices of copper and gold.

Our revenues are derived primarily from the sale of copper concentrates, which also contain significant amounts of gold and substantially less significant amounts of silver, and from the sale of copper cathodes, anodes, wire rod and wire. Although we sell most of our copper concentrates under long-term contracts, the selling price is based on world metal prices at or near the time of shipment and delivery.

Copper and gold prices fluctuated widely in 2001 and 2002, primarily due to the slowdown in global economic activity and the economic and political uncertainties created by the terrorist attacks in the United States on September 11, 2001. During 2002, the daily closing prices on the London spot market ranged from 64 cents to 77

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cents per pound for copper and \$278 to \$349 per ounce for gold. During 2001, the daily closing prices on the London spot market ranged from 60 cents to 83 cents per pound for copper and \$256 to \$293 per ounce for gold.

World metal prices for copper have historically fluctuated widely and are affected by numerous factors beyond our control, including:

- the strength of the United States economy and the economies of other industrialized and developing nations;

- available supplies of copper from mine production and inventories;

- sales by holders and producers of copper;

- demand for industrial products containing copper; and

- speculation.

World gold prices have also historically fluctuated widely and are affected by numerous factors beyond our control, including:

- the strength of the United States economy and the economies of other industrialized and developing nations;

- global or regional political or economic crises;

- the relative strength of the United States dollar and other currencies;

- expectations with respect to the rate of inflation;

- interest rates;

- sales of gold by central banks and other holders;

- demand for jewelry containing gold; and

- speculation.

Any material decrease in market prices of copper or gold would materially and adversely affect our results of operations and financial condition.

In addition to the usual risks encountered in the mining industry, we face additional risks because our operations are located on difficult terrain in a very remote area.

Our mining operations are located in steeply mountainous terrain in a very remote area in Indonesia. Because of these conditions, we have had to overcome special engineering difficulties and to develop extensive infrastructure facilities. In addition, the area receives considerable rainfall, which has led to periodic floods and mud slides. The mine site is also in an active seismic area and has experienced earth tremors from time to time. In addition to these special risks, we are also subject to the usual risks associated with the mining industry, such as the risk of encountering unexpected geological conditions that may result in cave-ins and flooding of mine areas. Our insurance may not sufficiently cover an unexpected natural or operating disaster.

Movements in foreign currency exchange rates or interest rates could negatively affect our operating results and earnings.

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All of our revenues are denominated in U.S. dollars. However, some of our costs, assets and liabilities are denominated in Indonesian rupiah, Australian dollars or euros. As a result, we are generally less profitable when the U.S. dollar weakens against these foreign currencies.

The rupiah/U.S. dollar daily closing exchange rate ranged from 8,425 to 10,510 rupiahs per U.S. dollar during 2002, and on December 31, 2002, the closing exchange rate was 8,940 rupiahs per U.S. dollar compared with 10,160 rupiahs per U.S. dollar on December 31, 2001. The Australian dollar/U.S. dollar daily closing exchange rate ranged from \$0.51 to \$0.58 per Australian dollar during 2002, and on December 31, 2002, the closing exchange rate was \$0.56 per Australian dollar compared with \$0.51 per Australian dollar on December 31, 2001. The euro/U.S. dollar daily closing exchange rate ranged from \$0.84 to \$0.96 per euro during 2002, and on December 31, 2002, the closing exchange rate was \$1.05 per euro compared with \$0.88 per euro on December 31, 2001.

From time to time we have in the past and may in the future implement currency hedges intended to reduce our exposure to changes in foreign currency exchange rates. However, our hedging strategies may not be successful, and any of our unhedged foreign exchange payment requirements will continue to be subject to market fluctuations. In addition, certain of our debt is based on fluctuating interest rates. Accordingly, an increase in interest rates could adversely affect our results of operations and financial condition.

Our substantial indebtedness could adversely affect our ability to operate our business and limit our ability to obtain additional financing.

We have substantial indebtedness and, as a result, significant debt service obligations. As of December 31, 2002, on a pro forma basis to give effect to the sale in February 2003 of \$575 million of our 7% convertible senior notes due 2011, the sale in January 2003 of \$500 million of the outstanding notes and the application of the net proceeds of these offerings to repay all of our borrowings under our bank credit facilities, our total indebtedness outstanding would have aggregated approximately \$2.8 billion. In addition to increasing our total indebtedness, the sale of the 7% convertible senior notes and the outstanding notes will also increase the weighted average interest rate on our outstanding debt; as a result, our interest expense will increase. For the year ended December 31, 2002, our interest expense was \$171.2 million and our ratio of earnings to fixed charges was 3.4:1. On a pro forma basis our interest expense for the year ended December 31, 2002, would have been \$233.3 million and our ratio of earnings to fixed charges would have been 2.5:1.

Our substantial debt could have important consequences to you. For example, it could:

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make it more difficult for us to satisfy our obligations, including our obligations under the notes;

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require us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures and other corporate requirements;

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increase our vulnerability to general adverse economic and industry conditions;

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limit our ability to respond to business opportunities;

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limit our ability to borrow additional funds, which may be necessary; and

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subject us to financial and other restrictive covenants, which, if we fail to comply with these covenants and our failure is not waived or cured, could result in an event of default under our debt.

Because we are a holding company, our ability to pay our debts depends upon the ability of our subsidiaries to pay us dividends and to advance us funds. In addition, our ability to participate in any distribution of our subsidiaries assets is generally subject to the prior claims of the subsidiaries' creditors.

Because we conduct business primarily through PT Freeport Indonesia, our major subsidiary, and other subsidiaries, our ability to pay our debts depends upon the earnings and cash flow of PT Freeport Indonesia and our

other subsidiaries and their ability to pay us dividends and to advance us funds. Contractual and legal restrictions applicable to our subsidiaries could also limit our ability to obtain cash from them. Our rights to participate in any distribution of our subsidiaries' assets upon their liquidation, reorganization or insolvency would generally be subject to the prior claims of the subsidiaries' creditors, including any trade creditors and preferred shareholders.

Arthur Andersen LLP, our former auditors, audited certain financial information included in our Annual Report on Form 10-K that is incorporated by reference into this prospectus. In the event such financial information is later determined to contain false or misleading statements, you may be unable to recover damages from Arthur Andersen LLP.

Arthur Andersen LLP completed its audit of our financial statements for the year ended December 31, 2001 and issued its report with respect to such financial statements on February 8, 2002. Subsequently, Arthur Andersen was convicted of obstruction of justice for activities relating to its previous work for Enron Corp.

In July 2002, our board of directors, at the recommendation of our audit committee, approved the appointment of Ernst & Young LLP as our independent public accountants to audit our financial statements for 2002. Ernst & Young replaced Arthur Andersen, which had served as our independent auditors since 1988. We had no disagreements with Arthur Andersen on any matter of accounting principle or practice, financial statement disclosure or auditing scope or procedure. Of the financial statements that we include in our Form 10-K for the year ended December 31, 2002, Arthur Andersen audited the financial statements as of December 31, 2001 and 2000, and for each of the years in the two-year period ended December 31, 2001, as set forth in their reports therein.

In June of 2002, Arthur Andersen was convicted of obstructing justice, which is a felony offense. The SEC prohibits firms convicted of a felony from auditing public companies. Arthur Andersen is thus unable to consent to the incorporation of its audit opinion on our 2000 and 2001 financial statements into this Form 10-K. Under these circumstances, Rule 437a under the Securities Act permitted us to file our Form 10-K for the year ended December 31, 2002, which is incorporated by reference into registration statements on file with the SEC, including the registration statement of which this prospectus is a part, without a written consent from Arthur Andersen.

The Securities Act provides that if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, an accountant who has consented to be named as having certified any part of the registration statement or as having prepared any report for use in connection with the registration statement. As a result, with sales of our securities pursuant to our registration statements that occur after our Form 10-K for the year ended December 31, 2002 was filed with the SEC, Arthur Andersen will not have any liability under the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen or any omissions of a

material fact required to be stated therein. Accordingly, purchasers of those securities, including holders of outstanding notes who participate in the exchange offer, would be unable to assert a claim against Arthur Andersen under the Securities Act.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth our selected historical financial data for the years ended December 31, 2002, 2001, 2000, 1999 and 1998, which have been derived from our audited financial statements. The historical results presented below are not necessarily indicative of results that you can expect for any future period. You should read the table in conjunction with the section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2002 entitled Management's Discussion and Analysis, and with our full financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, which are incorporated by reference into this prospectus. See Where You Can Find Additional Information.

	2002	2001	2000	1999	1998
CONSOLIDATED FINANCIAL DATA					
	(Financial Data in Thousands, Except Per Share Amounts)				
Years Ended December 31:					
Revenues	\$ 1,910,462	\$ 1,838,866	\$ 1,868,610	\$ 1,887,328	\$ 1,757,132
Operating income	640,137	542,926a	492,293b	578,316c	579,585d
Net income before cumulative effect of accounting change	130,099	76,496a	39,500b	100,787c	118,317d
Cumulative effect of accounting change, net e	(3,049)	-			