

PHELPS DODGE CORP
Form 425
November 20, 2006

Filed by Freeport-McMoRan Copper & Gold Inc.
pursuant to Rule 425 under the
Securities Act of 1933 and deemed
filed pursuant to Rule 14a-12 of
the Securities Exchange Act of 1934

Subject Company: Phelps Dodge Corporation
Commission File No.: 001-00082

FCX's Acquisition of Phelps Dodge

Creating the World's Largest Publicly Traded Copper Company

November 20, 2006

1

FREEPORT-McMoRan COPPER & GOLD INC.

www.fcx.com

Cautionary Statement Regarding Forward-Looking Statements

This document contains certain forward-looking statements about FCX and Phelps Dodge. When used in this document, the words "anticipates", "may", "can", "believes", "expects", "projects", "intends", "likely", "will", "to be" and any similar expressions and any other statements that are not historical facts, in each case as they relate to FCX or Phelps Dodge, the management of either such company or the transaction are intended to identify those assertions as forward-looking statements. In making any of those statements, the person making them believes that its expectations are based on reasonable assumptions. However, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected or anticipated. These forward-looking statements are subject to numerous risks and uncertainties. There are various important factors that could cause actual results to differ materially from those in any such forward-looking statements, many of which are beyond the control of FCX and Phelps Dodge, including macroeconomic conditions and general industry conditions such as the competitive environment of the mining industry, unanticipated mining, milling and other processing problems, accidents that lead to personal injury or property damage, persistent commodity price reductions, changes in political, social or economic circumstances in areas where FCX and Phelps Dodge operate, variances in ore grades, labor relations, adverse weather conditions, the speculative nature of mineral exploration, fluctuations in interest rates and other adverse financial market conditions, regulatory and litigation matters and risks, changes in tax and other laws, the risk that a condition to closing of the transaction may not be satisfied, the risk that a regulatory approval that may be required for the transaction is not obtained or is obtained subject to conditions that are not anticipated and other risks to consummation of the transaction. The actual results or performance by FCX or Phelps Dodge, and issues relating to the transaction, could differ materially from those expressed in, or implied by, any forward-looking statements relating to those matters. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of FCX or Phelps Dodge, the combined company or the transaction. Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Important Information for Investors and Stockholders

FCX and Phelps Dodge will file a joint proxy statement/prospectus with the SEC in connection with the proposed merger. FCX and Phelps Dodge urge investors and stockholders to read the joint proxy statement/prospectus when it becomes available and any other relevant documents filed by either party with the SEC because they will contain important information.

Investors and stockholders will be able to obtain the joint proxy statement / prospectus and other documents filed with the SEC free of charge at the website maintained by the SEC at www.sec.gov. In addition, documents filed with the SEC by FCX will be available free of charge on the investor relations portion of the FCX website at <http://www.fcx.com>. Documents filed with the SEC by Phelps Dodge will be available free of charge on the investor relations portion of the Phelps Dodge website at www.phelpsdodge.com.

FCX, and certain of its directors and executive officers are participants in the solicitation of proxies from the stockholders of FCX in connection with the merger. Information concerning the interests of FCX's directors and executive officers in FCX is set forth in the proxy statement for FCX's 2006 annual meeting of stockholders, which was filed with the SEC on March 22, 2006. Phelps Dodge, and certain of its directors and executive officers may be deemed to be participants in the solicitation of proxies from its shareholders in connection with the merger. Information concerning the interests of Phelps Dodge's directors and executive officers in Phelps Dodge is set forth in the proxy statement for Phelps Dodge's 2006 annual meeting of shareholders, which was filed with the SEC on April 13, 2006.

Other information regarding the direct and indirect interests, by security holdings or otherwise, of the participants will be described in the definitive joint proxy statement/prospectus relating to the merger. Investors and stockholders can obtain more detailed information regarding the direct and indirect interests of FCX's and Phelps Dodge's directors and executive officers in the merger by reading the definitive joint proxy statement/prospectus when it becomes available.

Transaction Highlights

- > Creates world's premier publicly traded copper company
- > Leading North American-based metals and mining investment
- > World class, long-lived, geographically diverse operations
- > Significant exploration potential and management track record of adding value through exploration
- > Strong cash flows and pro forma financial strength
- > Operating and development expertise
- > Attractive project pipeline supports growing production profile
- > Compelling value creation for Freeport-McMoRan Copper & Gold and Phelps Dodge shareholders

Transaction Summary

Price: > Freeport-McMoRan Copper & Gold ("FCX") to acquire Phelps Dodge for \$126.46 per share, based on FCX's closing price of \$57.40 on November 17, 2006

> Total transaction value of \$26 billion

Premium: > Premium of 33% to Phelps Dodge's closing price on November 17, 2006

Structure: > \$88.00 in cash and 0.67 shares of FCX common stock per Phelps Dodge share

> 70% cash; 137 million new common FCX shares

> Pro forma 334 million basic shares / 358 million fully diluted shares outstanding

Ownership: > FCX shareholders will own 62% and Phelps Dodge shareholders will own 38%, on a fully diluted basis

Key Conditions: > FCX and Phelps Dodge shareholders' approval

> Customary regulatory approvals and conditions

Timing: > Closing expected end of 1Q 2007

The Right Time

6



Metals & Mining Industry Perspectives

1980s

Fragmented industry with history of destroying capital

Early 1990s

Significant projects under development

Late 1990s

Reduced exploration during period of low prices

2000s

Super cycle begins as market turns to deficit

Current

Record prices led by strong demand from China

Copper Inventories Remain at Historical Lows

Strong market fundamentals support well above average price expectations

Source: Bloomberg, November 2006.

Strong and Sustainable Copper Fundamentals

- > The combination of strong fundamentals has created extremely attractive market conditions for the copper industry
- > Supply is unlikely to increase meaningfully
 - o Absence of mega-development projects in the pipeline
 - o Potential for further supply disruptions
- > China continues to lead strong demand growth
- > 2005-2009 estimated global copper demand CAGR to exceed global supply CAGR by ~1%

Copper Demand

Strong demand growth projected

Source: Brook Hunt

9

World Class Discoveries Are Extremely Rare

Phelps Dodge's Tenke Fungurume is believed to be largest undeveloped,
high-grade copper/cobalt project in the world today

10

Short-Term Copper Price Considerations

- > Mine production lower than projected
 - o Labor disruptions
 - o Grade deterioration
 - o Maintenance and equipment supply issues
- > Inventories remain low, despite recent increases
 - o Approximately 4 days of global consumption available in exchange stocks
 - o Consumer inventories low
 - o Anticipated China restocking
- > Risk is on demand side

Longer-Term Copper Price Considerations

- > 60% of today's mines deplete or go underground by 2021
- > Lack of large scale exploration/development projects available to the industry
 - o World class assets are scarce
- > New mines taking longer to build
 - o Stiffer environmental regulation
 - o Political issues
 - o Availability of equipment and labor
 - o Concentration of projects in large, diversified companies

12

The Right Assets

13



Geographically Diverse, Long-Lived Asset Base

Major Mine Operations & Development Projects

All major assets majority-controlled and operated

North America (1)

Reserves

Cu 25.2 billion lbs

Mo 1.7 billion lbs

Production

Cu 1.6 billion lbs

Mo 70 million lbs

Candelaria/Ojos del Salado (80%)

Cu reserves 4.3 billion lbs

Production 335 million lbs

Mine Life 13 years

Cerro Verde (53.6%)

Reserves

Cu 7.7 billion lbs

Mo 0.1 billion lbs

Cu production 320 million lbs*

Mine Life 30 years

* expected annual production

El Abra (51%)

Cu reserves 1.2 billion lbs

Production 235 million lbs

Mine Life 6 years*

* before anticipated extension of mine life

Grasberg (90.6%)

Reserves

Cu 36.5 billion lbs

Au 39.8 million ozs

Ag 115 million ozs

Edgar Filing: PHELPS DODGE CORP - Form 425

Production

Cu 1.1 billion lbs
Au 1.7 million ozs
Ag 3.3 million ozs

Mine Life 35 years

Tenke (57.75%)

Feasibility study expected 4Q06

Note: Reserves and annual production net to pro forma FCX; Reserves as of December 31, 2005, Production figures are average annual estimates for 2007-2010.

(1) Cu operations: Morenci (85%), Sierrita (100%), Bagdad (100%), Chino/Cobre (100%), Tyrone (100%), and Miami (100%) Cu development: Safford (100%) Primary Mo: Henderson (100%) and Climax (100%) with feasibility study expected on Climax in 2007

14

Pro Forma Reserves and Production

Reserves	Pro forma	
	Consolidated	Net interest
	-----	-----
Copper (billion lbs)	87.6	75.0
Molybdenum (billion lbs)	2.0	1.9
Gold (million ozs)	45.4	41.0
Average Production Volumes (2006-2010)		
Copper (billion lbs)	4.3	3.6
Molybdenum (million lbs)	78	74
Gold (million ozs)	2.0	1.8
Implied Reserve Life (years)		
Copper	20	21
Molybdenum	26	26
Gold	24	24
Mineralized Material*		
Ore (million metric tons)	5,237	4,720
average % copper	0.53	0.51
average g/t gold	0.09	0.10

*Geologic resources are not included in reserves. The geologic resources will not qualify as reserves until comprehensive engineering studies establish their economic feasibility. Accordingly, no assurance can be given that the estimated resources and mineralization will become proven and probable reserves.

2006E Production by Geography

Indonesia	35%
North America	42%
Peru	4%
Chile	19%

2005 Reserves by Geography

Indonesia	49%
North America	34%

Edgar Filing: PHELPS DODGE CORP - Form 425

Peru	10%
Chile	7%

15



Enhanced Diversification

2005 Mining Revenue by Commodity

2005 Mining Revenue by Geography

Pro forma for the transaction, approximately 60% of production will come from
investment grade countries

16

Proven Technical Expertise

2006 Copper Production by Method

Pro forma FCX will be a world leader

- > Open pit mining
- > SX/EW production technology
- > Block cave underground mining
- > Copper concentrate leaching

Smelting/Refining (000 metric tons)

	Atlantic Copper, Spain (100%)
Anode production: 285	Cathode production: 255
	PT Smelting, Indonesia (1) (25%)
Anode production: 270	Cathode production: 270
	Miami Smelter, Arizona (2) (100%)
	Anode production: 208
	El Paso, Texas (100%)
	Cathode production: 408

(1) Smelting and refining production capacity shown on a 100% basis FCX's share approximates 62,000 metric tons per year

(2) Miami Refinery permanently shut down

Attractive Project Pipeline

Brownfield Projects

* development of access to Deep Grasberg already initiated. Deep Grasberg, Kucing Liar, & MLZ/Deep MLZ production post-Grasberg pit.

2006.....2014

Greenfield Projects

Additional Development Upside

Morenci (85%)

- o Mill restart and concentrate leach project
- o \$210 million capital cost
- o Adds 115MM lbs Cu/year and enhances cost profile

Safford (100%)

- o SX/EW project
- o \$550 million capital cost
- o 240MM lbs Cu/year
- o Substantial district potential

El Abra (51%)

- o Large sulfide mineral deposit underlying current oxide pit
- o Extends mine life through 2021 with sulfide Cu production beginning in 2010
- o Adds 325MM lbs Cu/year

Note: All data reflect aggregate interest in properties

Henderson/Climax (100%)

- o Henderson production capacity increased to 40 MM lbs Mo/year from 32MM lbs Mo
- o Possible 2009 restart of Climax at 20-30MM lbs Mo/year at \$200-250MM capital cost

Cerro Verde Sulfide (53.6%)

- o Major project with conventional concentrator
- o \$850MM capital cost
- o Adds 430MM lbs Cu/year

Edgar Filing: PHELPS DODGE CORP - Form 425

Grasberg (90.6%)

- o DOZ expansions (50K t/d & 80K t/d)
- o Big Gossan development
- o Development of Deep Grasberg & balance of mineral district reserves
- o Significant exploration potential

Tenke Fungurume (57.75%)

- o Believed to be largest Cu/Co project in the world today
- o Oxide leach operation
- o \$650MM capital cost
- o 200MM lbs Cu/year; 8 ktpa (initial development)
- o Potential expansions

19

Significant Exploration Potential

Papua, Indonesia

- > Rights to 2.2 million acres
- > Highly prospective exploration areas provide opportunities to continue to add to our long-lived reserves

Tenke Fungurume,
Democratic Republic of the Congo

- > Believed to be largest undeveloped, high grade copper/cobalt project in the world today
- > Less than half of 600 square miles concession explored; cumulative strike length greater than 80 kilometers
- > Initial production rates currently planned = +100 ktpa copper; +8 ktpa cobalt
- > Project schedule -- feasibility study: 4Q 06; start-up: late 2008 to early 2009
- > ~\$650 million aggregate capital and related project expenditures

The Right Company

21

Premier North American Mining Company

Enterprise Value
(US\$ billions)

Source: Public filings, prices as of November 17, 2006; Goldcorp pro forma for Glamis transaction

Pro forma FCX based on closing share price of \$57.40, pro forma 358 million diluted shares outstanding, net debt and minority interest as of September 30, 2006 and debt incurred through the transaction

22

World's Leading Public Copper Company

Top 10 Copper Producers (2006E) (1)

Pro forma FCX is poised to take advantage of favorable industry fundamentals

Source: Brook Hunt 3Q Report.

(1) Xstrata shown pro forma the acquisition of Falconbridge.

23

Pro Forma FCX -- Growing Sales Profile

Copper Sales (billion lbs)

Gold Sales (million oz)

Molybdenum Sales (million lbs)

Note: Consolidated copper sales include approximately 550 mm lbs in 2006, 700 mm lbs in 2007, 750 mm lbs in 2008, 800 mm lbs in 2009 and 740 mm lbs in 2010 for minority interest; excludes purchased copper

Note: Consolidated gold sales include approximately 175 k oz in 2006, 180 k oz in 2007, 190 k oz in 2008, 180 k oz in 2009 and 210 k oz in 2010 for minority interest

EBITDA and Cash Flow at Various Copper Prices

Average Annual EBITDA 2007-2009 (\$500 Gold & \$15 Molybdenum)

Cu \$1.50/lb

Cu \$3.00/lb

Average Annual Operating Cash Flow 2007-2009 (\$500 Gold & \$15 Molybdenum)

Note: Each \$50/oz change in gold approximates \$90 million to EBITDA and \$50 million to operating cash flow; each \$2.00/lb of molybdenum equates to \$100 million to EBITDA and \$80 million to operating cash flow

EBITDA equals operating income plus depreciation, depletion, and amortization; Operating cash flow shown after merger adjustments

Sensitivity to Commodity Prices

Change in metal price	Annual Financial Impact	
	Net income	EPS
Copper: +/- \$0.20/lb	\$500	\$1.50
Molybdenum: +/- \$2.00/lb	\$80	\$0.24
Gold: +/- \$50/ounce	\$50	\$0.15

Note: Annual financial impact based on estimated average annual production for 2007-2010

Pro Forma Capital Expenditures

27

Significant Debt Reduction

Year-End Net Debt at Varying Copper Prices

Note: Sensivity assumes \$15 Molybdenum and \$500 Gold; EBITDA equals operating income plus depreciation, depletion, and amortization

Financial Policy

- > FCX is committed to maintaining a strong financial position
- > Combined company will
 - o Invest in future growth opportunities with high rates of return
 - o Aggressively seek to reduce debt incurred in the acquisition using the substantial cash flows generated from the combined business
- > Continuation of positive copper markets is expected to provide substantial cash flows that will enable the combined company to achieve significant near-term debt reduction
 - o FCX intends to consider opportunities over time to reduce debt further through issuances of equity and equity-linked securities and possibly through asset sales
- > FCX anticipates continuing regular annual common dividend of \$1.25 per share
- > Committed to long-standing tradition of maximizing value for shareholders

Strong Management Track Record

- > Leader in safety and environmental excellence
- > World class open pit and underground mining expertise
- > Established exploration and development expertise
- > Proven project management expertise
- > Global leader in mining and processing technologies
- > Strong tradition of shareholder value creation

30

Value for FCX Shareholders

- > Meaningfully accretive to FCX earnings and cash flow
- > Enhanced operating base
 - o Combination of world class mining operations and significant growth through exploration and development
 - o Geographically diverse asset base
 - o Approximately 60% of production from investment grade countries
- > Scale to capitalize on global opportunities
- > Strengthened leadership position in copper

Value for Phelps Dodge Shareholders

- > Premium of 33% to Phelps Dodge's closing share price on November 17, 2006
- > 70% cash consideration
- > Phelps Dodge shareholders will own approximately 38% of new FCX on a fully diluted basis
- > Continued participation through new FCX

32

Transaction Highlights

- > Creates world's premier publicly traded copper company
- > Leading North American-based metals and mining investment
- > World class, long-lived, geographically diverse operations
- > Significant exploration potential and management track record of adding value through exploration
- > Strong cash flows and pro forma financial strength
- > Operating and development expertise
- > Attractive project pipeline supports growing production profile
- > Compelling value creation for FCX and Phelps Dodge shareholders

Cautionary Statement Regarding Forward-Looking Statements

This document contains certain forward-looking statements about FCX and Phelps Dodge. When used in this document, the words "anticipates", "may", "can", "believes", "expects", "projects", "intends", "likely", "will", "to be" and expressions and any other statements that are not historical facts, in each case as they relate to FCX or Phelps Dodge, the management of either such company or the transaction are intended to identify those assertions as forward-looking statements. In making any of those statements, the person making them believes that its expectations are based on reasonable assumptions. However, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected or anticipated. These forward-looking statements are subject to numerous risks and uncertainties. There are various important factors that could cause actual results to differ materially from those in any such forward-looking statements, many of which are beyond the control of FCX and Phelps Dodge, including macroeconomic conditions and general industry conditions such as the competitive environment of the mining industry, unanticipated mining, milling and other processing problems, accidents that lead to personal injury or property damage, persistent commodity price reductions, changes in political, social or economic circumstances in areas where FCX and Phelps Dodge operate, variances in ore grades, labor relations, adverse weather conditions, the speculative nature of mineral exploration, fluctuations in interest rates and other adverse financial market conditions, regulatory and litigation matters and risks, changes in tax and other laws, the risk that a condition to closing of the transaction may not be satisfied, the risk that a regulatory approval that may be required for the transaction is not obtained or is obtained subject to conditions that are not anticipated and other risks to consummation of the transaction. The actual results or performance by FCX or Phelps Dodge, and issues relating to the transaction, could differ materially from those expressed in, or implied by, any forward-looking statements relating to those matters. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of FCX or Phelps Dodge, the combined company or the transaction. Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Important Information for Investors and Stockholders

FCX and Phelps Dodge will file a joint proxy statement/prospectus with the SEC in connection with the proposed merger. FCX and Phelps Dodge urge investors and stockholders to read the joint proxy statement/prospectus when it becomes available and any other relevant documents filed by either party with the SEC because they will contain important information.

Investors and stockholders will be able to obtain the joint proxy statement / prospectus and other documents filed with the SEC free of charge at the website maintained by the SEC at www.sec.gov. In addition, documents filed with the SEC by FCX will be available free of charge on the investor relations portion of the FCX website at <http://www.fcx.com>. Documents filed with the SEC by Phelps Dodge will be available free of charge on the investor relations portion of the Phelps Dodge website at www.phelpsdodge.com.

FCX, and certain of its directors and executive officers are participants in the solicitation of proxies from the stockholders of FCX in connection with the merger. Information concerning the interests of FCX's directors and

executive officers in FCX is set forth in the proxy statement for FCX's 2006 annual meeting of stockholders, which was filed with the SEC on March 22, 2006. Phelps Dodge, and certain of its directors and executive officers may be deemed to be participants in the solicitation of proxies from its shareholders in connection with the merger. Information concerning the interests of Phelps Dodge's directors and executive officers in Phelps Dodge is set forth in the proxy statement for Phelps Dodge's 2006 annual meeting of shareholders, which was filed with the SEC on April 13, 2006.

Other information regarding the direct and indirect interests, by security holdings or otherwise, of the participants will be described in the definitive joint proxy statement/prospectus relating to the merger. Investors and stockholders can obtain more detailed information regarding the direct and indirect interests of FCX's and Phelps Dodge's directors and executive officers in the merger by reading the definitive joint proxy statement/prospectus when it becomes available.
