million in 2003 and $31.1 million in 2002. Management believes these costs do not differ materially from the costs that would have been incurred had the relevant personnel providing these services been employed directly by FCX. The amounts FM Services Company billed to the two other public companies totaled $4.3 million during 2004, $3.6 million during 2003 and $2.6 million during 2002. Long-term receivables from one of those companies totaled $3.2 million at December 31, 2004, and relate to certain FM Services Company long-term employee benefit obligations.

In July 2003, FCX acquired the 85.7 percent ownership interest in Puncakjaya Power owned by affiliates of Duke Energy Corporation for $78 million cash. Puncakjaya Power is the owner of assets supplying power to PT Freeport Indonesia's operations, including the 3x65 megawatt coal-fired power facilities. PT Freeport Indonesia purchases power from Puncakjaya Power under infrastructure asset financing arrangements. At December 31, 2004, PT Freeport Indonesia had infrastructure asset financing obligations to Puncakjaya Power totaling $258.7 million and Puncakjaya Power had a receivable from PT Freeport Indonesia for $340.1 million, including Rio Tinto's share. As a result of this transaction, FCX is now consolidating Puncakjaya Power and FCX's consolidated balance sheet no longer reflects PT Freeport Indonesia's obligation to Puncakjaya Power or Puncakjaya Power's receivable from PT Freeport Indonesia, but instead reflects the $187.0 million of outstanding Puncakjaya Power bank debt at December 31, 2004, and a $73.5 million receivable ($11.5 million in other accounts receivable and $62.0 million in long-term assets) for Rio Tinto's share of Puncakjaya Power's receivable as provided for in FCX's joint venture agreement with Rio Tinto.

Joint Ventures With Rio Tinto. In March 2004, FCX purchased Rio Tinto's 23.9 million shares of FCX common stock for $881.9 million (approximately $36.85 per share) with a portion of the proceeds from the sale of the 5 1/2% Convertible Perpetual Preferred Stock (see Note 7). Rio Tinto acquired these shares from FCX's former parent company in 1995 in connection with the spinoff of FCX as an independent company. FCX and Rio Tinto have established certain unincorporated joint ventures which are not impacted by FCX's purchase of its shares from Rio Tinto discussed above. Under the joint venture arrangements, Rio Tinto has a 40 percent interest in PT Freeport Indonesia's Contract of Work and Eastern Minerals' Contract of Work, and the option to participate in 40 percent of any other future exploration projects in Papua. Under the arrangements, Rio Tinto funded $100 million in 1996 for approved exploration costs in the areas covered by the PT Freeport Indonesia and Eastern Minerals Contracts of Work. Agreed-upon exploration costs in the joint venture areas are generally shared 60 percent by FCX and 40 percent by Rio Tinto.

Pursuant to the joint venture agreement, Rio Tinto has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021 in Block A of PT Freeport Indonesia's Contract of Work, and, after 2021, a 40 percent interest in all production from Block A. Operating, nonexpansion capital and administrative costs are shared proportionately between PT Freeport Indonesia and Rio Tinto based on the ratio of (a) the incremental revenues from production from PT Freeport Indonesia's most recent expansion completed in 1998 to (b) total revenues from production from Block A, including production from PT Freeport Indonesia's previously existing reserves. PT Freeport Indonesia will continue to receive 100 percent of the cash flow from specified annual amounts of copper, gold and silver through 2021 calculated by reference to its proven and probable reserves as of December 31, 1994, and 60 percent of all remaining cash flow. The agreement provides for adjustments to the specified annual amounts of copper, gold and silver attributable 100 percent to PT Freeport Indonesia upon the occurrence of certain events which cause an extended interruption in production to occur, including events such as the fourth-quarter 2003 Grasberg open-pit slippage and debris flow. As a result of the Grasberg slippage and debris flow events, the 2004 specified amounts attributable 100 percent to PT Freeport Indonesia were reduced by 178 million pounds for copper and 280,000 ounces for gold. These reductions were offset by increases in the specified amounts attributable to PT Freeport Indonesia totaling 111 million pounds for copper and 175,000 ounces for gold in 2005, and 67 million pounds for copper and 105,000 ounces for gold in 2021.

Note 3. Inventories

The components of inventories follow (in thousands):
The average cost method was used to determine the cost of essentially all materials and supplies inventory. Materials and supplies inventory is net of obsolescence reserves totaling $17.1 million at December 31, 2004, and $17.6 million at December 31, 2003.

December 31,		2004	2003
PT Freeport Indonesia:	Concentrates – Average cost	$ 11,830	$ 2,643
Atlantic Copper:	Concentrates – FIFO	148,246	81,668
	Work in process – FIFO	86,710	76,689
	Finished goods – FIFO	6,479	9,925
Total product inventories		253,265	170,925
Total materials and supplies, net		213,447	226,102
Total inventories		$466,712	$397,027