

James R. Moffett
Chairman of the Board (left)

Richard C. Adkerson
President and
Chief Executive Officer (right)



near term, \$78.2 million in 2005 and an annual average of approximately \$104 million for the next five years. We continue to explore alternatives to reduce debt in advance of the required maturities.

Our Board reinstated annual dividends on our common stock in February 2003 at \$0.36 per share, after several years when no dividends were paid. In October 2003, the regular annual common dividend was increased to \$0.80 per share and again increased to \$1.00 per share in October 2004. In addition, our Board declared incremental special dividends of \$0.25 per share paid in December 2004 and \$0.50 per share to be paid in March 2005. During 2004, we purchased 3.4 million shares of our common stock for \$99.5 million under the 20 million share open market common share purchase program authorized by our Board. During March 2004, we also purchased 23.9 million shares of our common stock previously owned by our ongoing joint venture partner, Rio Tinto plc, for \$881.9 million. The purchase was funded by the issuance of \$1.1 billion of 5½% convertible perpetual preferred stock.

Entering 2005 with \$552 million of cash and an outlook for strong operations, commodity prices and cash flows, we are enthusiastic about the future prospects for our Company. We are focused on executing our business strategy effectively while pursuing a financial strategy of continuing to reduce debt and enhance our balance sheet and returning cash to shareholders through dividends and share purchases.

Through our active exploration efforts in the immediate vicinity of the Grasberg mine, we continue to add significantly to our proven and probable reserves, extending the productive life of our operations. Since its discovery in 1988, the Grasberg district has already produced 16.1 billion pounds of copper and 23.3 million ounces of gold net to PT Freeport Indonesia. As we enter 2005, the district contains proven and probable reserves sufficient to allow us to mine for decades to come — more than 40 billion pounds of copper and more than 46 million ounces of gold net to PT Freeport Indonesia.

We are enthusiastic about our future exploration opportunities outside the Grasberg district. After conducting field exploration in the 1990s, we suspended activities. Conditions are improving and we look forward to exploring this highly prospective area. The Grasberg is the only produc-

ing mine in the Indonesian province of Papua. We have significant exploration rights and data throughout the mountainous area of the province and believe this will be important to our Company in the future.

Following our acquisition of Rio Tinto's common shares in Freeport-McMoRan Copper & Gold Inc., R. Leigh Clifford, Director and Chief Executive of Rio Tinto plc and Rio Tinto Limited, and Oscar Y. L. Groeneveld, Chief Executive of the Rio Tinto Copper Group and a director of Rio Tinto plc and Rio Tinto Limited, resigned from our Board of Directors in 2004. We appreciate the many years of service and guidance provided by Messrs. Clifford and Groeneveld during their terms on our Board. Our Board of Directors has nominated each of our Advisory Directors, Gabrielle K. McDonald and J. Stapleton Roy, to stand for election at the Company's 2005 annual meeting of stockholders.

We want to offer our deepest appreciation to our employees and management team, whose hard work and keen focus made 2004 a successful year of progress for our Company, positioning us to continue to provide long-term values for our shareholders. We also wish to express our gratitude to our Board of Directors, which continues to provide excellent guidance and counsel. Our employees, management and Board of Directors have made possible a future of strong operating and financial results for our Company. Like the Grasberg ore body we mine, they are fine examples of "Making the Grade."

Respectfully yours,

A handwritten signature in blue ink, appearing to read "J. Moffett".

James R. Moffett
Chairman of the Board

March 9, 2005

A handwritten signature in blue ink, appearing to read "R. Adkerson".

Richard C. Adkerson
President and
Chief Executive Officer