

## Notes To Consolidated Financial Statements

**Foreign Currency Exchange Contracts.** PT Freeport Indonesia and Atlantic Copper enter into foreign currency forward contracts to hedge the market risks of their forecasted costs denominated in a currency other than the U.S. dollar, their functional currency. The primary objective of these contracts is either to lock in an exchange rate or to minimize the impact of adverse exchange rate changes. As of December 31, 2004, PT Freeport Indonesia had foreign currency contracts to hedge 450.0 billion in rupiah payments from April 2005 through December 2005, or approximately 32 percent of aggregate projected rupiah payments for 2005, at an average exchange rate of 10,059 rupiah to one U.S. dollar. PT Freeport Indonesia accounts for these contracts as cash flow hedges. As of December 31, 2004, PT Freeport Indonesia expects to reclass \$2.9 million of unrealized gains to 2005 earnings related to its outstanding foreign currency contracts.

**Debt and Interest Rate Contracts.** Atlantic Copper entered into interest rate swaps to manage exposure to interest rate changes on a portion of its variable-rate debt. The primary objective of these contracts is to lock in an interest rate considered to be favorable. Under the terms of its swaps, Atlantic Copper will pay 3.6 percent on \$36.5 million in the first quarter of 2005. Interest on comparable floating rate debt averaged 3.6 percent in 2004, 4.4 percent in 2003 and 1.9 percent in 2002, resulting in additional interest costs totaling \$1.4 million in 2004, \$2.1 million in 2003 and \$3.2 million in 2002.

Atlantic Copper is a party to letters of credit totaling \$13.0 million at December 31, 2004. Fair value of these letters of credit approximates their face value at December 31, 2004.

### **Note 12. Segment Information**

FCX follows SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. FCX has two operating segments: "mining and exploration" and "smelting and refining." The mining and exploration segment includes the copper and gold mining operations of PT Freeport Indonesia in Indonesia and FCX's Indonesian exploration activities. The smelting and refining segment includes Atlantic Copper's operations in Spain and PT Freeport Indonesia's equity investment in PT Smelting in Gresik, Indonesia. The segment data presented below were prepared on the same basis as the consolidated FCX financial statements.