FREEPORT-MCMORAN INC
Form 10-Q
May 08, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-11307-01
Freeport-McMoRan Inc.
(Exact name of registrant as specified in its charter)

Delaware	74-2480931
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
333 North Central Avenue	
Phoenix, AZ	85004-2189
(Address of principal executive offices)	(Zip Code)

(602) 366-8100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
o Yes þ No

On April 30, 2015, there were issued and outstanding 1,040,044,809 shares of the registrant’s common stock, par value $0.10 per share.

FREEPORT-McMoRan INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

FREEPORT-McMoRan INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	March 31, 2015	December 31, 2014
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$549	$464
Trade accounts receivable	995	953
Other accounts receivable	1,401	1,610
Inventories:		
Materials and supplies, net	1,919	1,886
Mill and leach stockpiles	1,877	1,914
Product	1,442	1,561
Other current assets	671	657
Total current assets	8,854	9,045
Property, plant, equipment and mining development costs, net	26,595	26,220
Oil and gas properties, net - full cost method		
Subject to amortization, less accumulated amortization	6,713	9,187
Not subject to amortization	9,665	10,087
Long-term mill and leach stockpiles	2,261	2,179
Other assets	1,977	1,956
Total assets	$56,065	$58,674
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$3,111	$3,653
Current portion of debt	558	478
Accrued income taxes	364	410
Current portion of environmental and asset retirement obligations	317	296
Dividends payable	60	335
Total current liabilities	4,410	5,172
Long-term debt, less current portion	19,754	18,371
Deferred income taxes	5,625	6,398
Environmental and asset retirement obligations, less current portion	3,678	3,647
Other liabilities	1,812	1,861
Total liabilities	35,279	35,449
Redeemable noncontrolling interest	755	751
Equity:		
Stockholders' equity:		
Common stock	117	117
Capital in excess of par value	22,307	22,281

(Accumulated deficit) retained earnings	(2,398)	128
Accumulated other comprehensive loss	(532)	(544)
Common stock held in treasury	(3,701)	(3,695)
Total stockholders’ equity	15,793	18,287
Noncontrolling interests	4,238	4,187
Total equity	20,031	22,474
Total liabilities and equity	$56,065	$58,674

The accompanying notes are an integral part of these consolidated financial statements.

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FREEPORT-McMoRan INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(In millions, except per share amounts)	
Revenues	$4,153	$4,985
Cost of sales:		
Production and delivery	2,912	2,737
Depreciation, depletion and amortization	939	966
Impairment of oil and gas properties	3,104	—
Total cost of sales	6,955	3,703
Selling, general and administrative expenses	154	135
Mining exploration and research expenses	33	30
Environmental obligations and shutdown costs	13	6
Net gain on sale of assets	(39)	—
Total costs and expenses	7,116	3,874
Operating (loss) income	(2,963)	1,111
Interest expense, net	(146)	(161)
Other income, net	7	33
(Loss) income before income taxes and equity in affiliated companies' net earnings	(3,102)	983
Benefit from (provision for) income taxes	695	(357)
Equity in affiliated companies’ net earnings	1	—
Net (loss) income	(2,406)	626
Net income attributable to noncontrolling interests	(58)	(106)
Preferred dividends attributable to redeemable noncontrolling interest	(10)	(10)
Net (loss) income attributable to common stockholders	$(2,474)	$510
Net (loss) income per share attributable to common stockholders:		
Basic	$(2.38)	$0.49
Diluted	$(2.38)	$0.49
Weighted-average common shares outstanding:		
Basic	1,040	1,038
Diluted	1,040	1,044
Dividends declared per share of common stock	$0.05	$0.3125

The accompanying notes are an integral part of these consolidated financial statements.

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FREEPORT-McMoRan INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Net (loss) income	$(2,406)	$626
Other comprehensive income, net of taxes:		
Defined benefit plans:		
Amortization of unrecognized amounts included in net periodic benefit costs	8	3
Foreign exchange gains	4	—
Other comprehensive income	12	3
Total comprehensive (loss) income	(2,394)	629
Total comprehensive income attributable to noncontrolling interests	(58)	(106)
Preferred dividends attributable to redeemable noncontrolling interest	(10)	(10)
Total comprehensive (loss) income attributable to common stockholders	$(2,462)	$513

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FREEPORT-McMoRan INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Cash flow from operating activities:		
Net (loss) income	$(2,406)	$626
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, depletion and amortization	939	966
Impairment of oil and gas properties	3,104	—
Net gain on sale of assets	(39)	—
Net (gains) losses on crude oil and natural gas derivative contracts	(52)	50
Net charges for environmental and asset retirement obligations, including accretion	53	46
Payments for environmental and asset retirement obligations	(42)	(45)
Deferred income taxes	(709)	90
Increase in long-term mill and leach stockpiles	(82)	(86)
Other, net	37	(33)
Decreases (increases) in working capital and changes in other tax payments, excluding amounts from disposition:		
Accounts receivable	316	179
Inventories	165	(180)
Other current assets	(42)	(34)
Accounts payable and accrued liabilities	(402)	(362)
Accrued income taxes and other tax payments	(123)	(16)
Net cash provided by operating activities	717	1,201
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(107)	(303)
South America	(445)	(423)
Indonesia	(225)	(236)
Africa	(39)	(31)
Molybdenum mines	(3)	(19)
United States oil and gas operations	(1,018)	(579)
Other	(30)	(21)
Other, net	127	7
Net cash used in investing activities	(1,740)	(1,605)
Cash flow from financing activities:		
Proceeds from debt	2,273	1,149
Repayments of debt	(802)	(987)
Cash dividends and distributions paid:		
Common stock	(327)	(326)
Noncontrolling interests	(23)	(77)
Stock-based awards net (payments) proceeds, including excess tax benefit	(6)	3
Debt financing costs and other, net	(7)	(1)
Net cash provided by (used in) financing activities	1,108	(239)

Net increase (decrease) in cash and cash equivalents	85	(643)
Cash and cash equivalents at beginning of year	464	1,985
Cash and cash equivalents at end of period	$549	$1,342

The accompanying notes are an integral part of these consolidated financial statements.

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FREEPORT-McMoRan INC.
CONSOLIDATED STATEMENT OF EQUITY (Unaudited)

	Stockholders' Equity									
	Common Stock					Common Stock Held in Treasury				
	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings (Accum-ulated Deficit)	Accumu-lated Other Compre-hensive Loss	Number of Shares	At Cost	Total Stock-holders' Equity	Non-controlling Interests	Total Equity
	(In millions)									
Balance at December 31, 2014	1,167	$117	$22,281	$ 128	$(544)	128	$(3,695)	$ 18,287	$4,187	$22,474
Exercised and issued stock-based awards	1	—	1	—	—	—	—	1	—	1
Stock-based compensation	—	—	28	—	—	—	—	28	7	35
Reserve of tax benefit for stock-based awards	—	—	(2)	—	—	—	—	(2)	—	(2)
Tender of shares for stock-based awards	—	—	—	—	—	—	(6)	(6)	—	(6)
Dividends on common stock	—	—	—	(52)	—	—	—	(52)	—	(52)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	—	(15)	(15)
Noncontrolling interests' share of contributed capital in subsidiary	—	—	(1)	—	—	—	—	(1)	1	—
Net loss attributable to common stockholders	—	—	—	(2,474)	—	—	—	(2,474)	—	(2,474)
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	58	58
Other comprehensive income	—	—	—	—	12	—	—	12	—	12
Balance at March 31, 2015	1,168	$117	$22,307	$ (2,398)	$(532)	128	$(3,701)	$ 15,793	$4,238	$20,031

The accompanying notes are an integral part of these consolidated financial statements.

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FREEPORT-McMoRan INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1. GENERAL INFORMATION
The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all information and disclosures required by generally accepted accounting principles (GAAP) in the United States (U.S.). Therefore, this information should be read in conjunction with Freeport-McMoRan Inc.'s (FCX) consolidated financial statements and notes contained in its annual report on Form 10-K for the year ended December 31, 2014. The information furnished herein reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. With the exception of the oil and gas properties impairment discussed below and the related tax charge to establish a deferred tax valuation allowance, all such adjustments are, in the opinion of management, of a normal recurring nature. Operating results for the three-month period ended March 31, 2015, are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

Oil and Gas Properties. Under the U.S. Securities and Exchange Commission's (SEC) full cost accounting rules, FCX reviews the carrying value of its oil and gas properties each quarter on a country-by-country basis. Under these rules, capitalized costs of oil and gas properties (net of accumulated depreciation, depletion and amortization, and related deferred income taxes) for each cost center may not exceed a “ceiling” equal to:

- the present value, discounted at 10 percent, of estimated future net cash flows from the related proved oil and natural gas reserves, net of estimated future income taxes; plus
- the cost of the related unproved properties not being amortized; plus
- the lower of cost or estimated fair value of the related unproved properties included in the costs being amortized (net of related tax effects).

These rules require that FCX price its future oil and gas production at the twelve-month average of the first-day-of-the-month historical reference prices as adjusted for location and quality differentials. FCX's reference prices are West Texas Intermediate (WTI) for oil and the Henry Hub spot price for natural gas. Such prices are utilized except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts. The reserve estimates exclude the effect of any crude oil derivatives FCX has in place. The estimated future net cash flows also exclude future cash outflows associated with settling asset retirement obligations included in the net book value of the oil and gas properties. The rules require an impairment if the capitalized costs exceed this “ceiling.”

At March 31, 2015, the net capitalized costs with respect to FCX's proved U.S. oil and gas properties exceeded the related ceiling; therefore, an impairment charge of $3.1 billion was recorded in first-quarter 2015, primarily because of the lower twelve-month average of the first-day-of-the-month historical reference oil price and higher capitalized costs at March 31, 2015. The SEC requires that the twelve-month average of the first-day-of-the-month historical reference oil price be used in determining the ceiling amount under its full cost accounting rules. This price (using WTI as the reference oil price) was $82.72 per barrel at March 31, 2015 (the twelve-month average was $94.99 per barrel at December 31, 2014). Because the ceiling limitation uses a twelve-month historical average price, if WTI oil prices remain below the twelve-month average of $82.72 per barrel, the ceiling limitation will decrease, resulting in potentially significant additional ceiling test impairments of FCX's oil and gas properties during the remainder of 2015. In addition, increases in capitalized costs subject to amortization, negative reserve revisions or other factors could result in additional impairments.

NOTE 2. EARNINGS PER SHARE

FCX's basic net (loss) income per share of common stock was computed by dividing net (loss) income attributable to common stockholders by the weighted-average shares of common stock outstanding during the period. Diluted net income per share of common stock was computed using the most dilutive of (a) the two-class method or (b) the treasury stock method. Under the two-class method, net income is allocated to each class of common stock and participating securities as if all of the earnings for the period had been distributed. FCX's participating securities consist of vested restricted stock units (RSUs) for which the underlying common shares are not yet issued and entitle holders to non-forfeitable dividends.

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A reconciliation of net (loss) income and weighted-average shares of common stock outstanding for purposes of calculating basic and diluted net (loss) income per share for the three months ended March 31 follows (in millions, except per share amounts):

	Three Months Ended March 31, 2015	2014
Net (loss) income	$(2,406)	$626
Net income attributable to noncontrolling interests	(58)	(106)
Preferred dividends on redeemable noncontrolling interest	(10)	(10)
Undistributed earnings allocable to participating securities	(3)	(1)
Net (loss) income allocable to common stockholders	$(2,477)	$509
Basic weighted-average shares of common stock outstanding	1,040	1,038
Add shares issuable upon exercise or vesting of dilutive stock options and RSUs	— [a]	6 [a]
Diluted weighted-average shares of common stock outstanding	1,040	1,044
Basic net (loss) income per share attributable to common stockholders	$(2.38)	$0.49
Diluted net (loss) income per share attributable to common stockholders	$(2.38)	$0.49

a. Excludes shares of common stock totaling approximately three million for first-quarter 2015 and two million for first-quarter 2014 associated with outstanding stock options with exercise prices less than the average market price of FCX's common stock and RSU's that were anti-dilutive.

Outstanding stock options with exercise prices greater than the average market price of FCX's common stock during the period are excluded from the computation of diluted net income per share of common stock. Excluded stock options totaled 40 million for first-quarter 2015 and 30 million for first-quarter 2014.

NOTE 3. INVENTORIES, INCLUDING LONG-TERM MILL AND LEACH STOCKPILES

The components of inventories follow (in millions):

	March 31, 2015	December 31, 2014
Current inventories:		
Mill stockpiles	$101	$86
Leach stockpiles	1,776	1,828
Total current mill and leach stockpiles	$1,877	$1,914
Total materials and supplies, net[a]	$1,919	$1,886
Raw materials (primarily concentrates)	$272	$288
Work-in-process	158	174
Finished goods	1,012	1,099
Total product inventories	$1,442	$1,561
Long-term inventories:		
Mill stockpiles	$346	$360
Leach stockpiles	1,915	1,819
Total long-term mill and leach stockpiles[b]	$2,261	$2,179

a. Materials and supplies inventory was net of obsolescence reserves totaling $21 million at March 31, 2015, and $20 million at December 31, 2014.

b. Estimated metals in stockpiles not expected to be recovered within the next 12 months.

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NOTE 4. INCOME TAXES

Variations in the relative proportions of jurisdictional income result in fluctuations to FCX's consolidated effective income tax rate. Geographic sources of FCX's (benefit from) provision for income taxes follow (in millions):

	Three Months Ended March 31,	
	2015	2014
U.S. operations	$(835)	$136
International operations	140	221
Total	$(695)	$357

FCX’s consolidated effective income tax rate was 22 percent for first-quarter 2015 and 36 percent for first-quarter 2014. During first-quarter 2015, as a result of the impairment to oil and gas properties, FCX recorded a tax charge of $458 million to establish a valuation allowance primarily against U.S. federal alternative minimum tax credits. The valuation allowance was recorded because it is no longer more likely than not that the related benefits of all deferred tax assets will be realized.

NOTE 5. DEBT AND EQUITY TRANSACTIONS

At March 31, 2015, FCX had $20.3 billion in debt, which included additions for unamortized fair value adjustments of $233 million (primarily from the oil and gas acquisitions in 2013), and net of reductions attributable to unamortized net discounts of $21 million and unamortized debt issuance costs of $122 million. Refer to Note 11 for discussion of a change in the presentation of debt issuance costs.

In February 2015, FCX's revolving credit facility and $4.0 billion unsecured bank term loan (Term Loan) were modified to amend the maximum total leverage ratio. In addition, the Term Loan amortization schedule was extended such that, as amended, the Term Loan’s scheduled payments total $205 million in 2016, $272 million in 2017, $1.0 billion in 2018, $313 million in 2019 and $1.3 billion in 2020, compared with the previous amortization schedule of $650 million in 2016, $200 million in 2017 and $2.2 billion in 2018.

At March 31, 2015, $985 million was outstanding and $42 million of letters of credit were issued under FCX's revolving credit facility, resulting in availability of approximately $3.0 billion, of which $1.5 billion could be used for additional letters of credit.

In March 2014, Sociedad Minera Cerro Verde S.A.A. (Cerro Verde, FCX's mining subsidiary in Peru) entered into a five-year, $1.8 billion senior unsecured credit facility that is nonrecourse to FCX and the other shareholders of Cerro Verde. During first-quarter 2015, Cerro Verde borrowed an additional $422 million under its credit facility. At March 31, 2015, the outstanding principal amount was $847 million and no letters of credit were issued under Cerro Verde’s credit facility.

Consolidated interest expense (excluding capitalized interest) totaled $210 million in first-quarter 2015 and $224 million in first-quarter 2014. Capitalized interest added to property, plant, equipment and mining development costs, net, totaled $45 million in first-quarter 2015 and $40 million in first-quarter 2014. Capitalized interest added to oil and gas properties not subject to amortization totaled $19 million in first-quarter 2015 and $23 million in first-quarter 2014.

On March 24, 2015, FCX's Board of Directors (the Board) declared a quarterly dividend of $0.05 per share, which was paid on May 1, 2015, to common shareholders of record at the close of business on April 15, 2015. This quarterly dividend was reduced from the previous quarterly rate of $0.3125 per share in response to the impact of lower commodity prices.

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NOTE 6. FINANCIAL INSTRUMENTS
FCX does not purchase, hold or sell derivative financial instruments unless there is an existing asset or obligation, or it anticipates a future activity that is likely to occur and will result in exposure to market risks, which FCX intends to offset or mitigate. FCX does not enter into any derivative financial instruments for speculative purposes, but has entered into derivative financial instruments in limited instances to achieve specific objectives. These objectives principally relate to managing risks associated with commodity price changes, foreign currency exchange rates and interest rates.

Commodity Contracts. From time to time, FCX has entered into derivative contracts to hedge the market risk associated with fluctuations in the prices of commodities it purchases and sells. As a result of the acquisition of the oil and gas business in 2013, FCX assumed a variety of crude oil and natural gas commodity derivatives to hedge the exposure to the volatility of crude oil and natural gas commodity prices. Derivative financial instruments used by FCX to manage its risks do not contain credit risk-related contingent provisions. As of March 31, 2015, and December 31, 2014, FCX had no price protection contracts relating to its mine production. A discussion of FCX’s derivative contracts and programs follows.

Derivatives Designated as Hedging Instruments – Fair Value Hedges
Copper Futures and Swap Contracts. Some of FCX’s U.S. copper rod customers request a fixed market price instead of the Commodity Exchange Inc. (COMEX), a division of the New York Mercantile Exchange, average copper price in the month of shipment. FCX hedges this price exposure in a manner that allows it to receive the COMEX average price in the month of shipment while the customers pay the fixed price they requested. FCX accomplishes this by entering into copper futures or swap contracts. Hedging gains or losses from these copper futures and swap contracts are recorded in revenues. FCX did not have any significant gains or losses during the three-month periods ended March 31, 2015 and 2014, resulting from hedge ineffectiveness. At March 31, 2015, FCX held copper futures and swap contracts that qualified for hedge accounting for 55 million pounds at an average contract price of $2.75 per pound, with maturities through December 2016.

A summary of gains (losses) recognized in revenues for derivative financial instruments related to commodity contracts that are designated and qualify as fair value hedge transactions, along with the unrealized gains (losses) on the related hedged item follows (in millions):

	Three Months Ended March 31,	
	2015	2014
Copper futures and swap contracts:		
Unrealized gains (losses):		
Derivative financial instruments	$6	$(12)
Hedged item – firm sales commitments	(6)	12
Realized (losses) gains:		
Matured derivative financial instruments	(10)	2

Derivatives Not Designated as Hedging Instruments
Embedded Derivatives. As described in Note 1 to FCX's annual report on Form 10-K for the year ended December 31, 2014, under “Revenue Recognition,” certain FCX copper concentrate, copper cathode and gold sales contracts provide for provisional pricing primarily based on the London Metal Exchange (LME) copper price or the COMEX copper price and the London Bullion Market Association (London) gold price at the time of shipment as specified in the contract. Similarly, FCX purchases copper under contracts that provide for provisional pricing. FCX applies the normal purchases and normal sales scope exception in accordance with derivatives and hedge accounting guidance to

the host sales agreements since the contracts do not allow for net settlement and always result in physical delivery. Sales and purchases with a provisional sales price contain an embedded derivative (i.e., the price settlement mechanism is settled after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale or purchase of the metals contained in the concentrates or cathodes at the then-current LME or COMEX copper price or the London gold price as defined in the contract. Mark-to-market price fluctuations from these embedded derivatives are recorded through the settlement date and are reflected in revenues for sales contracts and in cost of sales as production and delivery costs for purchase contracts.

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A summary of FCX’s embedded commodity derivatives at March 31, 2015, follows:

	Open Positions	Average Price Per Unit Contract	Market	Maturities Through
Embedded derivatives in provisional sales contracts:				
Copper (millions of pounds)	577	$2.75	$2.74	September 2015
Gold (thousands of ounces)	155	1,195	1,183	July 2015
Embedded derivatives in provisional purchase contracts:				
Copper (millions of pounds)	126	2.68	2.75	July 2015

Crude Oil Contracts. As a result of the acquisition of the oil and gas business, FCX has derivative contracts extending through 2015 that consist of crude oil options. These crude oil derivatives are not designated as hedging instruments and are recorded at fair value with the mark-to-market gains and losses recorded in revenues.

The crude oil options were entered into by the oil and gas business to protect the realized price of a portion of expected future sales in order to limit the effects of crude oil price decreases. At March 31, 2015, these contracts are composed of crude oil put spreads consisting of put options with a floor limit. The premiums associated with put options are deferred until the settlement period. At March 31, 2015, the deferred option premiums and accrued interest associated with the crude oil option contracts totaled $159 million, which was included as a component of the fair value of the crude oil options contracts. At March 31, 2015, the outstanding 2015 crude oil option contracts, which settle monthly and cover approximately 23 million barrels over the remainder of 2015, follow:

2015 Period	Instrument Type	Daily Volumes (thousand barrels)	Average Strike Price (per barrel)[a] Floor	Floor Limit	Weighted-Average Deferred Premium (per barrel)	Index
April - December	Put options[b]	84	$90	$70	$ 6.89	Brent

a. The average strike prices do not reflect any premiums to purchase the put options.

b. If the index price is less than the per barrel floor, FCX receives the difference between the per barrel floor and the index price up to a maximum of $20 per barrel less the option premium. If the index price is at or above the per barrel floor, FCX pays the option premium and no cash settlement is received.

Copper Forward Contracts. Atlantic Copper, FCX's wholly owned smelting and refining unit in Spain, enters into copper forward contracts designed to hedge its copper price risk whenever its physical purchases and sales pricing periods do not match. These economic hedge transactions are intended to hedge against changes in copper prices, with the mark-to-market hedging gains or losses recorded in cost of sales. At March 31, 2015, Atlantic Copper held net copper forward purchase contracts for 36 million pounds at an average contract price of $2.68 per pound, with maturities through May 2015.

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Summary of (Losses) Gains. A summary of the realized and unrealized (losses) gains recognized in (loss) income before income taxes and equity in affiliated companies' net earnings for commodity contracts that do not qualify as hedge transactions, including embedded derivatives, follows (in millions):

	Three Months Ended March 31, 2015	2014
Embedded derivatives in provisional copper and gold sales contracts[a]	$(72)	$(169)
Crude oil options[a]	52	(36)
Natural gas swaps[a]	—	(14)
Copper forward contracts[b]	(1)	1

a. Amounts recorded in revenues.
b. Amounts recorded in cost of sales as production and delivery costs.

Unsettled Derivative Financial Instruments

A summary of the fair values of unsettled commodity derivative financial instruments follows (in millions):

	March 31, 2015	December 31, 2014
Commodity Derivative Assets:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[a]	$4	$—
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper and gold sales/purchase contracts	46	15
Crude oil options[b]	268	316
Copper forward contracts	3	—
Total derivative assets	$321	$331
Commodity Derivative Liabilities:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[a]	$5	$7
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper and gold sales/purchase contracts	60	93
Total derivative liabilities	$65	$100

a. FCX paid $5 million to brokers at March 31, 2015, and $10 million at December 31, 2014, for margin requirements (recorded in other current assets).
b. Amounts are net of $159 million at March 31, 2015, and $210 million at December 31, 2014, for deferred premiums and accrued interest.

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FCX's commodity contracts have netting arrangements with counterparties with which the right of offset exists, and it is FCX's policy to offset balances by counterparty on the balance sheet. FCX's embedded derivatives on provisional sales/purchases are netted with the corresponding outstanding receivable/payable balances. A summary of these unsettled commodity contracts that are offset in the balance sheet follows (in millions):

	Assets		Liabilities	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Gross amounts recognized:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	$46	$15	$60	$93
Crude oil derivatives	268	316	—	—
Copper derivatives	7	—	5	7
	321	331	65	100
Less gross amounts of offset:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	9	1	9	1
Copper derivatives	5	—	5	—
	14	1	14	1
Net amounts presented in balance sheet:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	37	14	51	92
Crude oil derivatives	268	316	—	—
Copper derivatives	2	—	—	7
	$307	$330	$51	$99
Balance sheet classification:				
Trade accounts receivable	$32	$5	$22	$56
Other current assets	270	316	—	—
Accounts payable and accrued liabilities	5	9	29	43
	$307	$330	$51	$99

Credit Risk. FCX is exposed to credit loss when financial institutions with which FCX has entered into derivative transactions (commodity, foreign exchange and interest rate swaps) are unable to pay. To minimize the risk of such losses, FCX uses counterparties that meet certain credit requirements and periodically reviews the creditworthiness of these counterparties. FCX does not anticipate that any of the counterparties it deals with will default on their obligations. As of March 31, 2015, the maximum amount of credit exposure associated with derivative transactions was $333 million.

Other Financial Instruments. Other financial instruments include cash and cash equivalents, accounts receivable, restricted cash, investment securities, legally restricted funds, accounts payable and accrued liabilities, dividends payable and long-term debt. The carrying value for cash and cash equivalents (which included time deposits of $17 million at March 31, 2015, and $48 million at December 31, 2014), accounts receivable, accounts payable and accrued liabilities, and dividends payable approximates fair value because of their short-term nature and generally negligible credit losses (refer to Note 7 for the fair values of investment securities, legally restricted funds and long-term debt).

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NOTE 7. FAIR VALUE MEASUREMENT

Fair value accounting guidance includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

FCX recognizes transfers between levels at the end of the reporting period. FCX did not have any significant transfers in or out of Level 1, 2 or 3 for first-quarter 2015. A summary of the carrying amount and fair value of FCX's financial instruments, other than cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, and dividends payable (refer to Note 6), follows (in millions):

	At March 31, 2015				
	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Assets					
Investment securities:[a,b,c]					
U.S. core fixed income fund	$23	$23	$—	$23	$—
Money market funds	22	22	22	—	—
Equity securities	3	3	3	—	—
Total	48	48	25	23	—
Legally restricted funds:[a,b,d]					
U.S. core fixed income fund	52	52	—	52	—
Government bonds and notes	39	39	—	39	—
Government mortgage-backed securities	29	29	—	29	—
Corporate bonds	28	28	—	28	—
Asset-backed securities	16	16	—	16	—
Money market funds	10	10	10	—	—
Municipal bonds	1	1	—	1	—
Total	175	175	10	165	—
Derivatives:[a,e]					
Embedded derivatives in provisional sales/purchase contracts in a gross asset position	46	46	—	46	—
Crude oil options	268	268	—	—	268
Copper futures and swap contracts	4	4	4	—	—
Copper forward contracts	3	3	2	1	—
Total	321	321	6	47	268
Total assets		$544	$41	$235	$268
Liabilities					
Derivatives:[a,e]					
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	$60	$60	$—	$60	$—
Copper futures and swap contracts	5	5	4	1	—
Total	65	65	4	61	—

Long-term debt, including current portion[f]	20,312	19,866	—	19,866	—
Total liabilities		$19,931	$4	$19,927	$—

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	At December 31, 2014				
	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Assets					
Investment securities:[a,b,c]					
U.S. core fixed income fund	$23	$23	$—	$23	$—
Money market funds	20	20	20	—	—
Equity securities	3	3	3	—	—
Total	46	46	23	23	—
Legally restricted funds:[a,b,d]					
U.S. core fixed income fund	52	52	—	52	—
Government bonds and notes	39	39	—	39	—
Corporate bonds	27	27	—	27	—
Government mortgage-backed securities	25	25	—	25	—
Asset-backed securities	17	17	—	17	—
Money market funds	11	11	11	—	—
Municipal bonds	1	1	—	1	—
Total	172	172	11	161	—
Derivatives:[a,e]					
Embedded derivatives in provisional sales/purchase contracts in a gross asset position	15	15	—	15	—
Crude oil options	316	316	—	—	316
Total	331	331	—	15	316
Total assets		$549	$34	$199	$316
Liabilities					
Derivatives:[a,e]					
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	$93	$93	$—	$93	$—
Copper futures and swap contracts	7	7	6	1	—
Total	100	100	6	94	—
Long-term debt, including current portion[f]	18,849	18,735	—	18,735	—
Total liabilities		$18,835	$6	$18,829	$—

a. Recorded at fair value.

b. Current portion included in other current assets and long-term portion included in other assets.

c. Excludes time deposits of $116 million (which approximated fair value) included in other assets at March 31, 2015, and $115 million at December 31, 2014, associated with an assurance bond to support PT Freeport Indonesia's (PT-FI) commitment for smelter development in Indonesia.

d. Excludes time deposits of $18 million (which approximated fair value) included in other current assets at March 31, 2015, and $17 million at December 31, 2014, associated with a customs audit assessment and a reclamation guarantee at PT-FI. Also, excludes $115 million (which approximated fair value) included in other current assets at

March 31, 2015, associated with a restricted escrow account for the shareholder derivative litigation (refer to Note 8).

e. Refer to Note 6 for further discussion and balance sheet classifications. Crude oil options are net of $159 million at March 31, 2015, and $210 million at December 31, 2014, for deferred premiums and accrued interest.

f. Recorded at cost except for debt assumed in acquisitions, which were recorded at fair value at the respective acquisition dates.

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Valuation Techniques

Money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

Fixed income securities (U.S. core fixed income funds, government securities, corporate bonds, asset-backed securities and municipal bonds) are valued using a bid evaluation price or a mid-evaluation price. A bid evaluation price is an estimated price at which a dealer would pay for a security. A mid-evaluation price is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security. These evaluations are based on quoted prices, if available, or models that use observable inputs and, as such, are classified within Level 2 of the fair value hierarchy.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded and, as such, are classified within Level 1 of the fair value hierarchy.

FCX’s embedded derivatives on provisional copper concentrate, copper cathode and gold purchases and sales are valued using quoted monthly LME or COMEX copper forward prices and the London gold forward price at each reporting date based on the month of maturity (refer to Note 6 for further discussion); however, FCX's contracts themselves are not traded on an exchange. As a result, these derivatives are classified within Level 2 of the fair value hierarchy.

FCX's derivative financial instruments for crude oil options are valued using an option pricing model, which uses various inputs including Intercontinental Exchange Holdings, Inc. crude oil prices, volatilities, interest rates and contract terms. Valuations are adjusted for credit quality, using the counterparties' credit quality for asset balances and FCX's credit quality for liability balances (which considers the impact of netting agreements on counterparty credit risk, including whether the position with the counterparty is a net asset or net liability). For asset balances, FCX uses the credit default swap value for counterparties when available or the spread between the risk-free interest rate and the yield rate on the counterparties' publicly traded debt for similar instruments. The crude oil options are classified within Level 3 of the fair value hierarchy because the inputs used in the valuation models are not observable for substantially the full term of the instruments. The significant unobservable inputs used in the fair value measurement of the crude oil options are implied volatilities and deferred premiums. Significant increases (decreases) in implied volatilities in isolation would result in a significantly higher (lower) fair value measurement. The implied volatilities ranged from 31 percent to 56 percent, with a weighted average of 38 percent. The weighted-average cost of deferred premiums totals $6.89 per barrel at March 31, 2015. Refer to Note 6 for further discussion of these derivative financial instruments.

FCX’s derivative financial instruments for copper futures and swap contracts and copper forward contracts that are traded on the respective exchanges are classified within Level 1 of the fair value hierarchy because they are valued using quoted monthly COMEX or LME prices at each reporting date based on the month of maturity (refer to Note 6 for further discussion). Certain of these contracts are traded on the over-the-counter market and are classified within Level 2 of the fair value hierarchy based on COMEX and LME forward prices.

Long-term debt, including the current portion, is not actively traded and is valued using prices obtained from a readily available pricing source and, as such, is classified within Level 2 of the fair value hierarchy.

The techniques described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FCX believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the techniques used at March 31, 2015.

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A summary of the changes in the fair value of FCX's most significant Level 3 instruments, crude oil options, follows (in millions):

	Crude Oil Options	
Fair value at December 31, 2014	$316	
Net realized gains	3	[a]
Net unrealized gains included in earnings related to assets and liabilities still held at the end of the period	48	
Net settlement receipts	(99	)[b]
Fair value at March 31, 2015	$268	

a. Includes net realized gains of $4 million, partially offset by $1 million of interest expense associated with the deferred premiums.

b. Includes interest payments of $1 million.

NOTE 8. CONTINGENCIES AND COMMITMENTS

Litigation. The following information includes a discussion of updates to previously reported legal proceedings included in Note 12 of FCX's annual report on Form 10-K for the year ended December 31, 2014.

Shareholder Litigation. On April 7, 2015, the Delaware Court of Chancery approved the settlement of FCX’s consolidated stockholder derivative litigation captioned In Re Freeport-McMoRan Copper & Gold Inc. Derivative Litigation, No. 8145-VCN, and awarded the plaintiffs’ legal fees and expenses. This settlement resolved all pending derivative claims against directors and officers of FCX challenging FCX's 2013 acquisitions of Plains Exploration & Production Company and McMoRan Exploration Co. During first-quarter 2015, insurers under FCX’s directors and officers liability insurance policies funded an escrow account with the $115 million settlement amount, from which the proceeds, net of plaintiffs’ legal fees and expenses, are expected to be released to FCX in May 2015. Upon the release of funds, FCX expects to recognize a gain in second-quarter 2015 for the amount of the net proceeds. As a result and in accordance with the approved settlement terms, FCX expects the Board to declare a special dividend of approximately $115 million ($0.11 per share) that would be payable in early August 2015, corresponding with the timing of FCX’s next regular quarterly dividend.

Tax and Other Matters. There were no significant changes to the Cerro Verde royalty dispute or other Peruvian tax matters during the first quarter of 2015 (refer to Note 12 of FCX’s annual report on Form 10-K for the year ended December 31, 2014, for further discussion of these matters).

Indonesia Tax Matters. The following information includes a discussion of updates to previously reported Indonesia tax matters included in Note 12 of FCX’s annual report on Form 10-K for the year ended December 31, 2014.

PT-FI received assessments from the local regional tax authority in Papua, Indonesia, for additional taxes and penalties related to water rights tax payments for the period from January 2011 through January 2015. PT-FI has filed objections to these assessments. In March 2015, the local government of Papua rejected PT-FI’s objections to the assessments related to the period from January 2011 through December 2014, and in April 2015, PT-FI filed appeals with the Indonesian tax court. As of March 31, 2015, the aggregate amount of these assessments, including penalties, was 2.3 trillion Indonesian rupiah ($177 million based on exchange rates at March 31, 2015). No amounts have been accrued for these assessments as of March 31, 2015, because PT-FI believes its Contract of Work exempts it from these payments. PT-FI may be required to record a charge in second-quarter 2015 for all or a portion of the assessments.

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NOTE 9. BUSINESS SEGMENTS
FCX has organized its operations into six primary divisions – North America copper mines, South America mining, Indonesia mining, Africa mining, Molybdenum mines and U.S. oil & gas operations. Notwithstanding this structure, FCX internally reports information on a mine-by-mine basis for its mining operations. Therefore, FCX concluded that its operating segments include individual mines or operations relative to its mining operations. For oil and gas operations, FCX determines its operating segments on a country-by-country basis. Operating segments that meet certain thresholds are reportable segments, which are separately disclosed in the following table.

Intersegment Sales. Intersegment sales between FCX's mining operations are based on similar arms-length transactions with third parties at the time of the sale. Intersegment sales may not be reflective of the actual prices ultimately realized because of a variety of factors, including additional processing, timing of sales to unaffiliated customers and transportation premiums.

FCX defers recognizing profits on sales from its mines to other divisions, including Atlantic Copper and on 25 percent of PT-FI's sales to PT Smelting, until final sales to third parties occur. Quarterly variations in ore grades, the timing of intercompany shipments and changes in product prices result in variability in FCX's net deferred profits and quarterly earnings.
Allocations. FCX allocates certain operating costs, expenses and capital expenditures to its operating divisions and individual segments. However, not all costs and expenses applicable to an operation are allocated. U.S. federal and state income taxes are recorded and managed at the corporate level (included in corporate, other & eliminations), whereas foreign income taxes are recorded and managed at the applicable country level. In addition, most mining exploration and research activities are managed on a consolidated basis, and those costs along with some selling, general and administrative costs are not allocated to the operating divisions or individual segments. Accordingly, the following segment information reflects management determinations that may not be indicative of what the actual financial performance of each operating division or segment would be if it was an independent entity.

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Financial Information by Business Segments

(In millions)	Mining Operations															
	North America Copper Mines			South America			Indonesia	Africa								
	Morenci	Other Mines	Total	Cerro Verde	Other Mines[a]	Total	Grasberg	Tenke	Molyb-denum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Other Mining & Elimi-nations	Total Mining	U.S. Oil & Gas Operations	Corporate Other & Elimi-nations[b]	FCX Total
Three Months Ended March 31, 2015																
Revenues:																
Unaffiliated customers	$106	$115	$221	$248	$231	$479	$621 [c]	$382	$—	$1,062	$540	$348 [d]	$3,653	$500 [e]	$—	$4,15
Intersegment	450	664	1,114	14	(7)[f]	7	(14)[f]	28	113	7	6	(1,261)	—	—	—	—
Production and delivery	374	569	943	198	147	345	439	235	83	1,063	519	(1,001)	2,626	283	3	2,912
Depreciation, depletion and amortization	51	82	133	37	38	75	70	73	26	2	10	16	405	530	4	939
Impairment of oil and gas properties	—	—	—	—	—	—	—	—	—	—	—	—	—	3,104	—	3,104
Selling, general and administrative expenses	1	—	1	1	—	1	25	3	—	—	5	6	41	54	59	154
Mining exploration and research expenses	—	3	3	—	—	—	—	—	—	—	—	30	33	—	—	33
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	13	13	—	—	13
Net gain on sale of assets	—	(39)	(39)	—	—	—	—	—	—	—	—	—	(39)	—	—	(39
Operating income (loss)	130	164	294	26	39	65	73	99	4	4	12	23	574	(3,471)	(66)	(2,96
Interest expense, net	1	—	1	1	—	1	—	—	—	—	3	40	45	37	64	146
Provision for (benefit from) income taxes	—	—	—	5	19	24	29	26	—	—	—	—	79	—	(774)	(695)
	3,802	5,646	9,448	7,991	1,970	9,961	8,882	5,108	2,075	314	809	1,379	37,976	17,887	202	56,06

Total assets at March 31, 2015																
Capital expenditures	84	23	107	431	14	445	225	39	3	1	4	16	840	1,018	9	1,867
Three Months Ended March 31, 2014																
Revenues:																
Unaffiliated customers	$23	$61	$84	$280	$422	$702	$462 [c]	$306	$—	$1,146	$588	$436 [d]	$3,724	$1,261 [e]	$—	$4,98
Intersegment	444	758	1,202	64	132	196	8	21	12[illegible]	[illegible]	5	(1,566)	—	—	—	—
Production and delivery	283	503	786	165	311	476	383	152	76	1,148	588	(1,183)	2,426	311	—	2,737
Depreciation, depletion and amortization	34	73	107	36	51	87	48	51	222		10	19	346	616	4	966
Selling, general and administrative expenses	—	1	1	1	1	2	21	3	—	—	4	7	38	57	40	135
Mining exploration and research expenses	—	2	2	—	—	—	—	—	—	—	—	28	30	—	—	30
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	6	6	—	—	6
Operating income (loss)	150	240	390	142	191	333	18	121	284		(9)	(7)	878	277	(44)	1,111
Interest expense, net	1	—	1	—	—	—	—	—	—	—	4	18	23	76	62	161
Provision for income taxes	—	—	—	57	70	127	18	24	—	—	—	—	169	—	188	357
Total assets at March 31, 2014	3,412	5,827	9,239	6,730	4,059	10,789	7,466	4,904	2,1[illegible]	[illegible]	951	1,119	36,858	26,385	489	63,73
Capital expenditures	244	59	303	400	23	423	236	31	191		1	10	1,024	579	9	1,612

a. First-quarter 2014 amounts include the results of the Candelaria and Ojos del Salado mining operations, which were sold in November 2014.

b. First-quarter 2014 includes the results from Eagle Ford, which was sold in June 2014.

c. Includes PT-FI’s sales to PT Smelting totaling $350 million in first-quarter 2015 and $373 million in first-quarter 2014.

d. Includes revenues from FCX's molybdenum sales company, which includes sales of molybdenum produced by the Molybdenum mines and by certain of the North and South America copper mines.

e. Includes net mark-to-market gains (losses) associated with crude oil and natural gas derivative contracts totaling $52 million in first-quarter 2015 and $(50) million in first-quarter 2014.

f. Amounts include net reductions for provisional pricing adjustments to prior period open sales. There were no intersegment sales from El Abra or Grasberg in first-quarter 2015.

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NOTE 10. GUARANTOR FINANCIAL STATEMENTS

All of the senior notes issued by FCX are fully and unconditionally guaranteed on a senior basis jointly and severally by Freeport-McMoRan Oil & Gas LLC (FM O&G LLC), as guarantor, which is a 100 percent owned subsidiary of FCX Oil & Gas Inc. (FM O&G) and FCX. The guarantee is an unsecured obligation of the guarantor and ranks equal in right of payment with all existing and future indebtedness of FM O&G LLC, including indebtedness under the revolving credit facility. The guarantee ranks senior in right of payment with all of FM O&G LLC's future subordinated obligations and is effectively subordinated in right of payment to any debt of FM O&G LLC's subsidiaries. In the future, FM O&G LLC's guarantee may be released or terminated for certain obligations under the following circumstances: (i) all or substantially all of the equity interests or assets of FM O&G LLC are sold to a third party; or (ii) FM O&G LLC no longer has any obligations under any FM O&G senior notes or any refinancing thereof and no longer guarantees any obligations of FCX under the revolver, the Term Loan or any other senior debt.

The following condensed consolidating financial information includes information regarding FCX, as issuer, FM O&G LLC, as guarantor, and all other non-guarantor subsidiaries of FCX. Included are the condensed consolidating balance sheets at March 31, 2015, and December 31, 2014, and the related condensed consolidating statements of comprehensive (loss) income and cash flows for the three months ended March 31, 2015 and 2014 (in millions), which should be read in conjunction with FCX's notes to the consolidated financial statements.

CONDENSED CONSOLIDATING BALANCE SHEET

March 31, 2015

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
ASSETS					
Current assets	$288	$3,623	$8,257	$(3,314)	$8,854
Property, plant, equipment and mining development costs, net	21	48	26,526	—	26,595
Oil and gas properties, net - full cost method:					
Subject to amortization, less accumulated amortization	—	2,309	4,404	—	6,713
Not subject to amortization	—	2,553	7,112	—	9,665
Investments in consolidated subsidiaries	25,828	4,117	7,005	(36,950)	—
Other assets	9,814	4,276	4,160	(14,012)	4,238
Total assets	$35,951	$16,926	$57,464	$(54,276)	$56,065
LIABILITIES AND EQUITY					
Current liabilities	$1,819	$400	$5,505	$(3,314)	$4,410
Long-term debt, less current portion	15,900	4,771	9,625	(10,542)	19,754
Deferred income taxes	2,390 [a]	—	3,235	—	5,625
Environmental and asset retirement obligations, less current portion	—	303	3,375	—	3,678
Other liabilities	49	3,359	1,874	(3,470)	1,812
Total liabilities	20,158	8,833	23,614	(17,326)	35,279
Redeemable noncontrolling interest	—	—	755	—	755
Equity:					
Stockholders' equity	15,793	8,093	29,376	(37,469)	15,793

Noncontrolling interests	—	—	3,719	519	4,238
Total equity	15,793	8,093	33,095	(36,950)	20,031
Total liabilities and equity	$35,951	$16,926	$57,464	$(54,276)	$56,065

a. All U.S. related deferred income taxes are recorded at the parent company.

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CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2014

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
ASSETS					
Current assets	$323	$2,635	$8,659	$(2,572)	$9,045
Property, plant, equipment and mining development costs, net	22	46	26,152	—	26,220
Oil and gas properties, net - full cost method:					
Subject to amortization, less accumulated amortization	—	3,296	5,907	(16)	9,187
Not subject to amortization	—	2,447	7,640	—	10,087
Investments in consolidated subsidiaries	28,765	6,460	10,246	(45,471)	—
Other assets	8,914	3,947	4,061	(12,787)	4,135
Total assets	$38,024	$18,831	$62,665	$(60,846)	$58,674
LIABILITIES AND EQUITY					
Current liabilities	$1,592	$560	$5,592	$(2,572)	$5,172
Long-term debt, less current portion	14,930	3,874	8,879	(9,312)	18,371
Deferred income taxes	3,161 [a]	—	3,237	—	6,398
Environmental and asset retirement obligations, less current portion	—	302	3,345	—	3,647
Other liabilities	54	3,372	1,910	(3,475)	1,861
Total liabilities	19,737	8,108	22,963	(15,359)	35,449
Redeemable noncontrolling interest	—	—	751	—	751
Equity:					
Stockholders' equity	18,287	10,723	35,268	(45,991)	18,287
Noncontrolling interests	—	—	3,683	504	4,187
Total equity	18,287	10,723	38,951	(45,487)	22,474
Total liabilities and equity	$38,024	$18,831	$62,665	$(60,846)	$58,674

a. All U.S. related deferred income taxes are recorded at the parent company.

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CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Three Months Ended March 31, 2015

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Revenues	$—	$181	$3,972	$—	$4,153
Total costs and expenses	16	1,318 [a]	5,798 [a]	(16)	7,116
Operating (loss) income	(16)	(1,137)	(1,826)	16	(2,963)
Interest expense, net	(115)	(4)	(57)	30	(146)
Other income (expense), net	29	—	8	(30)	7
(Loss) income before income taxes and equity in affiliated companies' net (losses) earnings	(102)	(1,141)	(1,875)	16	(3,102)
(Provision for) benefit from income taxes	(421)	1,157	(35)	(6)	695
Equity in affiliated companies' net (losses) earnings	(1,951)	(2,359)	(3,530)	7,841	1
Net (loss) income	(2,474)	(2,343)	(5,440)	7,851	(2,406)
Net income and preferred dividends attributable to noncontrolling interests	—	—	(56)	(12)	(68)
Net (loss) income attributable to common stockholders	$(2,474)	$(2,343)	$(5,496)	$7,839	$(2,474)
Other comprehensive income (loss)	12	—	12	(12)	12
Total comprehensive (loss) income	$(2,462)	$(2,343)	$(5,484)	$7,827	$(2,462)

a. Includes impairment charges totaling $1.1 billion at the FM O&G LLC guarantor and $2.0 billion at the non-guarantor subsidiaries related to ceiling test impairment charges for FCX's oil and gas properties pursuant to full cost accounting rules.

Three Months Ended March 31, 2014

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Revenues	$—	$644	$4,341	$—	$4,985
Total costs and expenses	11	526	3,339	(2)	3,874
Operating (loss) income	(11)	118	1,002	2	1,111
Interest expense, net	(82)	(41)	(58)	20	(161)
Other income (expense), net	20	—	33	(20)	33
(Loss) income before income taxes and equity in affiliated companies' net earnings (losses)	(73)	77	977	2	983
Provision for income taxes	(21)	(43)	(292)	(1)	(357)
Equity in affiliated companies' net earnings (losses)	604	130	185	(919)	—
Net income (loss)	510	164	870	(918)	626
Net income and preferred dividends attributable to noncontrolling interests	—	—	(111)	(5)	(116)
Net income (loss) attributable to common stockholders	$510	$164	$759	$(923)	$510

Other comprehensive income (loss)	3	—	3	(3)	3
Total comprehensive income (loss)	$513	$164	$762	$(926)	$513

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Three Months Ended March 31, 2015

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Cash flow from operating activities:					
Net (loss) income	$(2,474)	$(2,343)	$ (5,440)	$ 7,851	$ (2,406)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization	1	119	835	(16)	939
Impairment of oil and gas properties	—	1,062	2,042	—	3,104
Net gains on crude oil derivative contracts	—	(52)	—	—	(52)
Equity in losses (earnings) of consolidated subsidiaries	1,951	2,359	3,530	(7,841)	(1)
Other, net	(701)	6	(86)	—	(781)
Decreases (increases) in working capital and changes in other tax payments	1,171	(1,321)	58	6	(86)
Net cash (used in) provided by operating activities	(52)	(170)	939	—	717
Cash flow from investing activities:					
Capital expenditures	—	(302)	(1,565)	—	(1,867)
Intercompany loans	(905)	(400)	—	1,305	—
Dividends from (investments in) consolidated subsidiaries	310	(14)	32	(328)	—
Other, net	—	—	127	—	127
Net cash (used in) provided by investing activities	(595)	(716)	(1,406)	977	(1,740)
Cash flow from financing activities:					
Proceeds from debt	1,515	—	758	—	2,273
Repayments of debt	(530)	—	(272)	—	(802)
Intercompany loans	—	903	402	(1,305)	—
Cash dividends and distributions paid, and contributions received	(327)	—	(319)	296	(350)
Other, net	(11)	(18)	(16)	32	(13)
Net cash provided by (used in) financing activities	647	885	553	(977)	1,108
Net (decrease) increase in cash and cash equivalents	—	(1)	86	—	85
Cash and cash equivalents at beginning of period	—	1	463	—	464
Cash and cash equivalents at end of period	$—	$—	$ 549	$ —	$ 549

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Three Months Ended March 31, 2014

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Cash flow from operating activities:					
Net income (loss)	$510	$164	$ 870	$ (918)	$ 626
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization	1	285	682	(2)	966
Net losses on crude oil and natural gas derivative contracts	—	50	—	—	50
Equity in (earnings) losses of consolidated subsidiaries	(604)	(130)	(185)	919	—
Other, net	134	(9)	(140)	(13)	(28)
(Increases) decreases in working capital and changes in other tax payments	(234)	339	(518)	—	(413)
Net cash (used in) provided by operating activities	(193)	699	709	(14)	1,201
Cash flow from investing activities:					
Capital expenditures	—	(335)	(1,277)	—	(1,612)
Intercompany loans	190	(43)	—	(147)	—
Dividends from (investments in) consolidated subsidiaries	212	(96)	(430)	314	—
Other, net	—	4	3	—	7
Net cash provided by (used in) investing activities	402	(470)	(1,704)	167	(1,605)
Cash flow from financing activities:					
Proceeds from debt	895	—	254	—	1,149
Repayments of debt	(780)	—	(207)	—	(987)
Intercompany loans	—	(213)	66	147	—
Cash dividends and distributions paid, and contributions received	(326)	(14)	237	(300)	(403)
Other, net	2	—	—	—	2
Net cash (used in) provided by financing activities	(209)	(227)	350	(153)	(239)
Net increase (decrease) in cash and cash equivalents	—	2	(645)	—	(643)
Cash and cash equivalents at beginning of period	—	—	1,985	—	1,985
Cash and cash equivalents at end of period	$—	$2	$ 1,340	$ —	$ 1,342

NOTE 11. NEW ACCOUNTING STANDARDS

In April 2015, the Financial Accounting Standards Board issued an Accounting Standards Update (ASU) to simplify the presentation of debt issuance costs. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For public entities, this ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. FCX adopted this ASU in the first quarter of 2015 and retrospectively adjusted its previously issued financial statements. Upon adoption, FCX adjusted its December 31, 2014, balance sheet by decreasing other assets and long-term debt by $121 million for debt issuance costs related to corresponding debt balances. FCX elected to continue presenting debt issuance costs for its revolving credit facility as a deferred charge (asset) because of the volatility of its borrowings and repayments under the facility.

NOTE 12. SUBSEQUENT EVENTS

FCX evaluated events after March 31, 2015, and through the date the consolidated financial statements were issued, and determined any events or transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these consolidated financial statements.

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REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
FREEPORT-McMoRan INC.

We have reviewed the condensed consolidated balance sheet of Freeport-McMoRan Inc. as of March 31, 2015, and the related consolidated statements of operations, comprehensive (loss) income and cash flows for the three-month periods ended March 31, 2015 and 2014, and the consolidated statement of equity for the three-month period ended March 31, 2015. These financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Freeport-McMoRan Inc. as of December 31, 2014, and the related consolidated statements of operations, comprehensive (loss) income, cash flows and equity for the year then ended (not presented herein), and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 27, 2015. In our opinion, the accompanying condensed consolidated balance sheet of Freeport-McMoRan Inc. as of December 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Phoenix, Arizona
May 8, 2015

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

In Management’s Discussion and Analysis of Financial Condition and Results of Operations, "we," "us" and "our" refer to Freeport-McMoRan Inc. (FCX) and its consolidated subsidiaries. You should read this discussion in conjunction with our financial statements, the related Management’s Discussion and Analysis of Financial Condition and Results of Operations and the discussion of our Business and Properties in our annual report on Form 10-K for the year ended December 31, 2014, filed with the United States (U.S.) Securities and Exchange Commission (SEC). The results of operations reported and summarized below are not necessarily indicative of future operating results (refer to "Cautionary Statement" for further discussion). References to "Notes" are Notes included in our Notes to Consolidated Financial Statements. Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, all references to earnings or losses per share are on a diluted basis.

OVERVIEW

We are a premier U.S.-based natural resources company with an industry-leading global portfolio of mineral assets, significant oil and gas resources and a growing production profile. We are the world's largest publicly traded copper producer. Our portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; significant mining operations in North and South America; the Tenke Fungurume (Tenke) minerals district in the Democratic Republic of Congo (DRC) in Africa; and significant U.S. oil and natural gas assets, including reserves in the Deepwater Gulf of Mexico (GOM), onshore and offshore California, in the Haynesville shale play in Louisiana, in the Madden area in Central Wyoming, and an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend in the shallow waters of the GOM and onshore in South Louisiana.

Our results for first-quarter 2015, compared with first-quarter 2014, reflect lower oil volumes and lower commodity price realizations, partly offset by higher copper and gold sales volumes. Results for first-quarter 2015 were also significantly impacted by net charges of $3.1 billion ($2.4 billion to net loss attributable to common stockholders) related to the impairment of our oil and gas properties pursuant to full cost accounting rules and the related tax charge to establish a deferred tax valuation allowance. Refer to “Consolidated Results” for further discussion of our consolidated financial results for the three-month periods ended March 31, 2015 and 2014.

At March 31, 2015, we had $0.5 billion in consolidated cash and cash equivalents and $20.3 billion in total debt. We have taken actions to reduce or defer capital expenditures and other costs and are evaluating funding alternatives to advance growth projects in our oil and gas business, including consideration of a sale of public equity for a minority interest in our oil and gas business. Additional capital cost reductions, potential additional divestitures or monetizations and other actions will be pursued as required to maintain a strong balance sheet while preserving a strong resource position and portfolio of assets with attractive long-term growth prospects. We have a broad set of natural resource assets that provide many alternatives for future actions to enhance our financial flexibility.

OUTLOOK

We view the long-term outlook for our business positively, supported by limitations on supplies of copper and by the requirements for copper and oil in the world’s economy. Our financial results vary as a result of fluctuations in market prices primarily for copper, gold, molybdenum and oil, as well as other factors. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Because we cannot control the price of our products, the key measures that management focuses on in operating our business are sales volumes, unit net cash costs for our mining operations, cash production costs per barrel of oil equivalent (BOE) for our oil and gas operations and operating cash flow. The outlook for each of these measures follows.

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Sales Volumes. Following are our projected consolidated sales volumes for the year 2015:

Copper (millions of recoverable pounds):		
North America copper mines	1,935	
South America mining	935	
Indonesia mining	885	
Africa mining	455	
	4,210	
Gold (thousands of recoverable ounces)	1,300	
Molybdenum (millions of recoverable pounds)	95	a
Oil Equivalents (million BOE or MMBOE)	52.3	

a. Projected molybdenum sales include 50 million pounds produced by our Molybdenum mines and 45 million pounds produced by our North and South America copper mines.

Consolidated sales for second-quarter 2015 are expected to approximate 960 million pounds of copper, 300 thousand ounces of gold, 25 million pounds of molybdenum and 12.9 MMBOE. Projected sales volumes are dependent on a number of factors, including operational performance and other factors. Projected 2015 copper sales are approximately 60 million pounds less than the estimate provided in our annual report on Form 10-K for the year ended December 31, 2014, primarily reflecting reduced mining rates in Indonesia; projected 2015 oil and gas sales are 3.2 MMBOE lower than the estimate provided in our annual report on Form 10-K for the year ended December 31, 2014, primarily reflecting the timing of the Lucius ramp-up and the timing of maintenance activites in the Deepwater GOM. For other important factors that could cause results to differ materially from projections, refer to "Cautionary Statement."

Mining Unit Net Cash Costs. Assuming average prices of $1,200 per ounce of gold and $8 per pound of molybdenum for the remainder of 2015, and achievement of current sales volume and cost estimates, consolidated unit net cash costs (net of by-product credits) for our copper mines are expected to be lower in the second half of 2015 and average $1.53 per pound of copper for the year 2015. Quarterly unit net cash costs vary with fluctuations in sales volumes and average realized prices (primarily gold and molybdenum prices). The impact of price changes for the remainder of 2015 on consolidated unit net cash costs would approximate $0.015 per pound for each $50 per ounce change in the average price of gold and $0.015 per pound for each $2 per pound change in the average price of molybdenum. Refer to “Consolidated Results – Production and Delivery Costs” for further discussion of consolidated production and delivery costs for our mining operations.

Oil and Gas Cash Production Costs per BOE. Based on current sales volume and cost estimates for the remainder of 2015, oil and gas cash production costs are expected to approximate $19 per BOE for the year 2015. Refer to “Operations – Oil and Gas” for further discussion of oil and gas production costs.

Consolidated Operating Cash Flow. Our consolidated operating cash flows vary with prices realized from copper, gold, molybdenum and oil sales, sales volumes, production costs, income taxes, other working capital changes and other factors. Based on current sales volume and cost estimates, and assuming average prices of $2.75 per pound of copper, $1,200 per ounce of gold, $8 per pound of molybdenum and $65 per barrel of Brent crude oil for the remainder of 2015, consolidated operating cash flows are estimated to approximate $4.4 billion for the year 2015. Projected consolidated operating cash flows for the year 2015 also reflect an estimated tax benefit of $0.4 billion (refer to “Consolidated Results – Income Taxes” for further discussion of our projected consolidated effective annual tax rate for 2015). The impact of price changes during the remainder of 2015 on operating cash flows would approximate $250 million for each $0.10 per pound change in the average price of copper, $30 million for each $50 per ounce change in the average price of gold, $95 million for each $2 per pound change in the average price of molybdenum and $80 million for each $5 per barrel change in the average Brent crude oil price.

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MARKETS

Metals. World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2005 through April 2015, the London Metal Exchange (LME) spot copper price varied from a low of $1.26 per pound in 2008 to a record high of $4.60 per pound in 2011; the London Bullion Market Association (London) PM gold price fluctuated from a low of $411 per ounce in 2005 to a record high of $1,895 per ounce in 2011; and the Metals Week Molybdenum Dealer Oxide weekly average price ranged from a low of $7.83 per pound in 2009 to a record high of $39.25 per pound in 2005. Copper, gold and molybdenum prices are affected by numerous factors beyond our control as described further in our “Risk Factors” contained in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2014.

This graph presents LME spot copper prices and the combined reported stocks of copper at the LME, Commodity Exchange Inc., a division of the New York Mercantile Exchange (NYMEX), and the Shanghai Futures Exchange from January 2005 through April 2015. From 2006 through most of 2008, limited supplies, combined with growing demand from China and other emerging economies, resulted in high copper prices and low levels of inventories. We believe current copper prices are supported by a combination of demand from developing economies and pro-growth monetary fiscal policy decisions in Europe, China and the U.S. Since mid-2014, copper prices have declined because of concerns about slowing growth rates in China, a stronger U.S. dollar and a broad-based decline in commodity prices, led by a sharp decline in oil prices. Copper prices remain under pressure as a result of slowing Chinese economic growth, a strong U.S. dollar and broad-based weakness in commodity prices, but remain supported by supply-side constraints. During first-quarter 2015, LME spot copper prices ranged from a low of $2.45 per pound to a high of $2.86 per pound, averaged $2.64 per pound and closed at $2.74 per pound on March 31, 2015. Since hitting a year-to-date low of $2.45 per pound on January 29, 2015, copper prices have improved. LME spot copper prices closed at $2.83 per pound on April 30, 2015.

We believe the underlying long-term fundamentals of the copper business remain positive, supported by the significant role of copper in the global economy and a challenging long-term supply environment attributable to difficulty in replacing exiting large mines' output with new production sources. Future copper prices are expected to be volatile and are likely to be influenced by demand from China and emerging markets, as well as economic activity in the U.S. and other industrialized countries, the timing of the development of new supplies of copper, and production levels of mines and copper smelters.

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This graph presents London PM gold prices from January 2005 through April 2015. An improving economic outlook and positive equity performance contributed to lower demand for gold in 2014 and early 2015, resulting in generally lower prices. During first-quarter 2015, London PM gold prices ranged from a low of $1,147 per ounce to a high of $1,296 per ounce, averaged $1,218 per ounce and closed at $1,187 per ounce on March 31, 2015. Gold prices closed at $1,180 per ounce on April 30, 2015.

This graph presents the Metals Week Molybdenum Dealer Oxide weekly average prices from January 2005 through April 2015. Molybdenum prices improved during the first half of 2014, resulting from improved demand in the metallurgical sector, but have since declined because of weaker demand from European steel and stainless steel producers. During first-quarter 2015, the weekly average price of molybdenum ranged from a low of $7.62 per pound to a high of $9.35 per pound, averaged $8.49 per pound and was $8.47 on March 31, 2015. The Metals Week Molybdenum Dealer Oxide weekly average price was $7.80 per pound on April 30, 2015.

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Oil and Gas. Market prices for crude oil and natural gas can fluctuate significantly. During the period from January 2005 through April 2015, the Brent crude oil price ranged from a low of $36.61 per barrel to a high of $146.08 per barrel in 2008 and the NYMEX natural gas price fluctuated from a low of $2.04 per million British thermal units (MMBtu) in 2012 to a high of $13.91 per MMBtu in 2005. Crude oil and natural gas prices are affected by numerous factors beyond our control as described further in our "Risk Factors" contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2014.

This graph presents Brent crude oil prices and NYMEX natural gas contract prices from January 2005 through April 2015. Crude oil prices reached a record high in July 2008 as economic growth in emerging economies and the U.S. created high global demand for oil and lower inventories. By the end of 2008, financial turmoil in the U.S. contributed to a global economic slowdown and a decline in many commodity prices. Crude oil prices rebounded after 2008, supported by a gradually improving global economy and demand outlook. Since mid-2014, oil prices have significantly declined associated with global oversupply primarily attributable to U.S. shale production and increased Brazilian and Libyan output, coupled with weak economic data in Europe and slowing Chinese demand. During first-quarter 2015, Brent crude oil prices ranged from a low of $46.59 per barrel to a high of $62.58 per barrel, averaged $55.19 per barrel and were $55.11 per barrel on March 31, 2015. The Brent crude oil price was $66.78 per barrel on April 30, 2015.

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CONSOLIDATED RESULTS

	Three Months Ended March 31,			
	2015		2014[a]	
SUMMARY FINANCIAL DATA	(in millions, except per share amounts)			
Revenues[b]	$4,153	c,d	$4,985	c,d
Operating (loss) income[b]	$(2,963)	c,d,e,f	$1,111	c,d,g
Net (loss) income attributable to common stockholders[h]	$(2,474)	c,d,e,f,i	$510	c,d,g
Diluted net (loss) income per share attributable to common stockholders	$(2.38)	c,d,e,f,i	$0.49	c,d,g
Diluted weighted-average common shares outstanding	1,040		1,044	
Operating cash flows[j]	$717		$1,201	
Capital expenditures	$1,867		$1,612	
At March 31:				
Cash and cash equivalents	$549		$1,342	
Total debt, including current portion	$20,312		$20,739	

a. Includes the results of the Candelaria and Ojos del Salado mines that were sold in November 2014, and the Eagle Ford properties that were sold in June 2014.

b. As further detailed in Note 9, following is a summary of revenues and operating income (loss) by operating division (in millions):

	Three Months Ended March 31,	
Revenues	2015	2014
North America copper mines	$1,335	$1,286
South America mining	486	898
Indonesia mining	607	470
Africa mining	410	327
Molybdenum mines	113	126
Rod & Refining	1,069	1,154
Atlantic Copper Smelting & Refining	546	593
U.S. oil & gas operations	500	1,261
Other mining, corporate, other & eliminations	(913)	(1,130)
Total revenues	$4,153	$4,985
Operating income (loss)		
North America copper mines	$294	$390
South America mining	65	333
Indonesia mining	73	18
Africa mining	99	121
Molybdenum mines	4	28
Rod & Refining	4	4
Atlantic Copper Smelting & Refining	12	(9)
U.S. oil & gas operations	(3,471)	277
Other mining, corporate, other & eliminations	(43)	(51)
Total operating (loss) income	$(2,963)	$1,111

c. Includes unfavorable adjustments to provisionally priced concentrate and cathode copper sales recognized in prior periods totaling $106 million ($59 million to net loss attributable to common stockholders or $0.06 per share) for first-quarter 2015 and $124 million ($66 million to net income attributable to common stockholders or $0.06 per share) for first-quarter 2014. Refer to “Revenues” for further discussion.

d. Includes net noncash mark-to-market (losses) gains associated with crude oil and natural gas derivative contracts totaling $(48) million ($(30) million to net loss attributable to common stockholders or $(0.03) per share) for first-quarter 2015 and $15 million ($9 million to net income attributable to common stock or $0.01 per share) for first-quarter 2014. Refer to "Revenues" for further discussion.

e. Includes a charge of $3.1 billion ($1.9 billion to net loss attributable to common stockholders or $1.87 per share) to reduce the carrying value of oil and gas properties pursuant to full cost accounting rules.

f. Includes (i) a gain of $39 million ($25 million to net loss attributable to common stockholders or $0.02 per share) associated with the $140 million sale of our one-third interest in the Luna Energy power facility in New Mexico and (ii) charges totaling

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$17 million ($10 million to net loss attributable to common stockholders or $0.01 per share) associated with idle/terminated rig costs and inventory write offs at oil and gas operations.

g. Includes $53 million ($28 million to net income attributable to common stockholders or $0.03 per share) of fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT Freeport Indonesia's (PT-FI) first-quarter 2014 operating rates.

h. We defer recognizing profits on intercompany sales until final sales to third parties occur. For a summary of net impacts from changes in these deferrals, refer to "Operations - Smelting & Refining."

i. As a result of the impairment to oil and gas properties, we recorded a tax charge of $458 million ($0.44 per share) to establish a valuation allowance primarily against U.S. federal alternative minimum tax credits.

j. Includes net working capital uses and changes in other tax payments of $86 million for first-quarter 2015 and $413 million for first-quarter 2014.

	Three Months Ended March 31,		
	2015	2014[a]	
SUMMARY OPERATING DATA			
Copper (recoverable)			
Production (millions of pounds)	915	948	
Sales, excluding purchases (millions of pounds)	960	871	
Average realized price per pound	$2.72	$3.14	
Site production and delivery costs per pound[b]	$1.93	$1.89	c
Unit net cash costs per pound[b]	$1.64	$1.54	c
Gold (recoverable)			
Production (thousands of ounces)	259	231	
Sales, excluding purchases (thousands of ounces)	263	187	
Average realized price per ounce	$1,186	$1,300	
Molybdenum (recoverable)			
Production (millions of pounds)	24	24	
Sales, excluding purchases (millions of pounds)	23	27	
Average realized price per pound	$10.17	$11.21	
Oil Equivalents			
Sales volumes			
MMBOE	12.5	16.1	
Thousand BOE (MBOE) per day	139	179	
Cash operating margin per BOE[d]			
Realized revenues	$43.71	$77.22	
Cash production costs	20.26	18.51	
Cash operating margin	$23.45	$58.71	

a. Includes the results of the Candelaria and Ojos del Salado mines that were sold in November 2014, and the Eagle Ford properties that were sold in June 2014. First-quarter 2014 sales volumes included 94 million pounds of copper and 23 thousand ounces of gold from the Candelaria and Ojos del Salado mines and 4.7 MMBOE (53 MBOE per day) from Eagle Ford. Excluding Candelaria and Ojos del Salado, first-quarter 2014 mining unit net cash costs averaged $1.57 per pound of copper; excluding Eagle Ford, first-quarter 2014 oil and gas cash production costs were $20.89 per BOE.

b. Reflects per pound weighted-average production and delivery costs and unit net cash costs (net of by-product credits) for all copper mines. For reconciliations of per pound unit costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements, refer to "Product Revenues and Production Costs."

c.

Excludes \$0.06 per pound of copper for fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT-FI's operating rates.

d. Cash operating margin for oil and gas operations reflects realized revenues less cash production costs. Realized revenues exclude noncash mark-to-market adjustments on derivative contracts. For reconciliations of realized revenues and cash production costs per BOE to revenues and production and delivery costs reported in our consolidated financial statements, refer to "Product Revenues and Production Costs."

Revenues

Consolidated revenues totaled \$4.2 billion in first-quarter 2015, compared with \$5.0 billion in first-quarter 2014. Revenues include the sale of copper concentrates, copper cathodes, copper rod, gold, molybdenum, silver and

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cobalt by our mining operations, and the sale of oil, natural gas and natural gas liquids (NGLs) by our oil and gas operations.

Following is a summary of changes in our consolidated revenues between periods (in millions):

	Three Months Ended March 31,
Consolidated revenues - 2014 period	$4,985
Mining operations:	
Higher (lower) sales volumes from mining operations:	
Copper	279
Gold	100
Molybdenum	(38)
Lower price realizations from mining operations:	
Copper	(403)
Gold	(29)
Molybdenum	(24)
Net adjustments for prior period provisionally priced copper sales	18
Lower revenues from purchased copper	(9)
Lower Atlantic Copper revenues	(47)
Oil and gas operations:	
Lower oil sales volumes	(320)
Lower oil price realizations, including cash realizations on derivative contacts	(312)
Net noncash mark-to-market adjustments on derivative contracts	(63)
Other, including intercompany eliminations	16
Consolidated revenues - 2015 period	$4,153

Mining Sales Volumes

Consolidated sales volumes were 960 million pounds of copper, 263 thousand ounces of gold and 23 million pounds of molybdenum in first-quarter 2015, and 871 million pounds of copper, 187 thousand ounces of gold and 27 million pounds of molybdenum in first-quarter 2014. Higher copper and gold sales volumes primarily reflected higher volumes in North America, Indonesia and Africa; partly offset by lower volumes in South America mostly associated with the sale of the Candelaria and Ojos del Salado mines. Refer to “Operations” for further discussion of sales volumes at our mining operations.

Metal Price Realizations

Our consolidated revenues can vary significantly as a result of fluctuations in the market prices of copper, gold, molybdenum, silver and cobalt. As presented above on the summary operating data table, metals price realizations were lower in first-quarter 2015, compared with first-quarter 2014. Refer to "Markets" for further discussion.

Provisionally Priced Copper Sales

For first-quarter 2015, 39 percent of our mined copper was sold in concentrate, 36 percent as cathode and 25 percent as rod from North America operations. Impacts of net adjustments for prior period provisionally priced sales primarily relate to copper sales. Substantially all of our copper concentrate and cathode sales contracts provide final copper pricing in a specified future month (generally one to four months from the shipment date) based primarily on quoted LME monthly average spot copper prices. We receive market prices based on prices in the specified future period, which results in price fluctuations recorded through revenues until the date of settlement. We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on our provisionally priced concentrate and cathode sales that is adjusted to fair value through earnings each period, using the period-end forward prices, until final pricing on the date of settlement. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. Accordingly, in times of rising copper prices, our revenues benefit from adjustments to the final pricing of provisionally priced sales pursuant to contracts entered into in prior periods; in times of falling copper prices, the opposite occurs. The unfavorable impacts of net adjustments to the prior periods' provisionally priced copper sales totaled $106 million for first-quarter 2015 and $124 million for first-quarter 2014.

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At March 31, 2015, we had provisionally priced copper sales at our copper mining operations, primarily South America and Indonesia, totaling 413 million pounds of copper (net of intercompany sales and noncontrolling interests) recorded at an average of $2.74 per pound, subject to final pricing over the next several months. We estimate that each $0.05 change in the price realized from the March 31, 2015, provisional price recorded would have an approximate $14 million effect on 2015 net income attributable to common stockholders. The LME spot copper price was $2.83 per pound on April 30, 2015.

Purchased Copper

We purchased copper cathode for processing by our Rod & Refining segment totaling 40 million pounds in first-quarter 2015 and 32 million pounds in first-quarter 2014.

Oil and Gas Revenues and Derivative Contracts

Oil sales volumes of 8.4 million barrels (MMBbls) in first-quarter 2015, were lower than sales volumes of 11.8 MMBbls in first-quarter 2014, primarily reflecting the sale of the Eagle Ford properties. Lower oil realizations, including realized cash gains on derivative contracts, of $56.51 per barrel in first-quarter 2015, compared with $93.76 per barrel for first-quarter 2014, primarily reflected lower oil prices. Refer to "Operations" for further discussion of average realizations and sales volumes at our oil and gas operations.

In connection with the acquisition of our oil and gas business, we have derivative contracts for 2015 consisting of crude oil options, and for 2014, had derivative contracts that consisted of crude oil options and natural gas swaps. These crude oil and natural gas derivative contracts are not designated as hedging instruments; accordingly, they are recorded at fair value with the mark-to-market gains and losses recorded in revenues each period. Realized cash gains (losses) on crude oil and natural gas derivative contracts totaled $100 million for first-quarter 2015 and $(65) million for first-quarter 2014. Net noncash mark-to-market (losses) gains on crude oil and natural gas derivative contracts totaled $(48) million for first-quarter 2015 and $15 million for first-quarter 2014.

Following presents the estimated (decrease) increase in the net asset on our balance sheet of a 10 percent change in Brent crude oil prices on the fair values of outstanding crude oil derivative contracts, compared with forward prices used to determine the March 31, 2015, fair values (in millions):

	10% Increase	10% Decrease
Crude oil options	$(31)	$19

Refer to Note 6 for further discussion of oil and natural gas derivative contracts.

Production and Delivery Costs

Consolidated production and delivery costs totaled $2.9 billion in first-quarter 2015, compared with $2.7 billion in first-quarter 2014. Higher production and delivery costs for first-quarter 2015 were primarily associated with higher costs at our mining operations mostly related to higher volumes in North America and Indonesia; partly offset by lower costs in South America mostly resulting from the sale of the Candelaria and Ojos del Salado mines.

Mining Unit Site Production and Delivery Costs

Site production and delivery costs for our copper mining operations primarily include labor, energy and commodity-based inputs, such as sulphuric acid, reagents, liners, tires and explosives. Consolidated unit site production and delivery costs (before net noncash and other costs) for our copper mines totaled $1.93 per pound of copper in first-quarter 2015 and $1.89 per pound in first-quarter 2014. Higher consolidated average site production and delivery costs in first-quarter 2015, compared with first-quarter 2014, primarily reflected higher costs and lower sales volumes in South America, partly offset by higher copper sales volumes in North America and Indonesia.

Assuming achievement of current volume and cost estimates, consolidated unit site production and delivery costs are expected to be lower in the second half of 2015 and average $1.81 per pound of copper for the year 2015. Refer to “Operations – Unit Net Cash Costs” for further discussion of unit net cash costs associated with our operating divisions and to “Product Revenues and Production Costs” for reconciliations of per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements.

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Oil and Gas Cash Production Costs per BOE

Production costs for our oil and gas operations primarily include costs incurred to operate and maintain wells and related equipment and facilities, such as lease operating expenses, steam gas costs, electricity, production and ad valorem taxes, and gathering and transportation expenses. Cash production costs for our oil and gas operations of $20.26 per BOE in first-quarter 2015 were higher than the $18.51 per BOE in first-quarter 2014, primarily reflecting the sale of lower-cost Eagle Ford properties.

Assuming achievement of current volume and cost estimates for the remainder of 2015, cash production costs are expected to approximate $19 per BOE for the year 2015. Refer to “Operations” for further discussion of cash production costs at our oil and gas operations.

Depreciation, Depletion and Amortization

Depreciation will vary under the unit-of-production (UOP) method as a result of changes in sales volumes and the related UOP rates at our mining and oil and gas operations. Consolidated depreciation, depletion and amortization (DD&A) totaled $939 million in first-quarter 2015 and $966 million in first-quarter 2014. DD&A in first-quarter 2015, compared with first-quarter 2014, reflected lower expense from our oil and gas operations associated with decreased production as a result of the sale of the Eagle Ford properties, offset by higher DD&A from our mining operations mostly associated with higher sales volumes in North America and Indonesia.

Impairment of Oil and Gas Properties

Under the full cost accounting rules, a "ceiling test" is conducted each quarter to review the carrying value of the oil and gas properties for impairment. At March 31, 2015, net capitalized costs with respect to FCX Oil & Gas Inc.'s (FM O&G) proved U.S. oil and gas properties exceeded the related ceiling limitation, which resulted in the recognition of an impairment charge of $3.1 billion ($1.9 billion to net loss attributable to common stockholders) for first-quarter 2015, reflecting the lower twelve-month average of the first-day-of-the-month historical reference oil price and higher capitalized costs at March 31, 2015. Refer to Note 1 and "Operations - Oil and Gas" for further discussion.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses totaled $154 million in first-quarter 2015 and $135 million in first-quarter 2014. Adjustments to reduce accrued incentive compensation amounts were $21 million higher in first-quarter 2014, compared with first-quarter 2015. Consolidated selling, general and administrative expenses were net of capitalized general and administrative expense at our oil and gas operations totaling $32 million in first-quarter 2015 and $34 million in first-quarter 2014.

Mining Exploration and Research Expenses

Consolidated exploration and research expenses for our mining operations totaled $33 million in first-quarter 2015 and $30 million in first-quarter 2014. Our exploration activities are generally near our existing mines with a focus on opportunities to expand reserves and resources to support development of additional future production capacity in the large mineral districts where we currently operate. Exploration results continue to indicate opportunities for what we believe could be significant future potential reserve additions in North and South America, and in the Tenke minerals district. The drilling data in North America also indicates the potential for significantly expanded sulfide production. Drilling results and exploration modeling in North America have identified large-scale potential sulfide resources in the Morenci and Safford/Lone Star districts, providing a long-term pipeline for future growth in reserves and production capacity in an established minerals district.

For the year 2015, mining exploration expenditures are expected to total approximately $100 million. As further discussed in Note 1 of our annual report on Form 10-K for the year ended December 31, 2014, under the full cost method of accounting, exploration costs for our oil and gas operations are capitalized to oil and gas properties.

Environmental Obligations and Shutdown Costs

Environmental obligation costs reflect net revisions to our long-term environmental obligations, which will vary from period to period because of changes to environmental laws and regulations, the settlement of environmental matters and/or circumstances affecting our operations that could result in significant changes in our estimates. Shutdown costs include care and maintenance costs and any litigation, remediation or related expenditures associated with closed facilities or operations. Net charges for environmental obligations and shutdown costs totaled $13 million in first-quarter 2015 and $6 million in first-quarter 2014. Refer to "Contingencies" for further discussion of environmental obligations and litigation matters associated with closed facilities or operations.

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Net Gain on Sale of Assets

Net gain on sale of assets totaled $39 million ($25 million to net income attributable to common stockholders) for first-quarter 2015, primarily related to the $140 million sale of our one-third interest in the Luna Energy power facility in New Mexico.

Interest Expense, Net

Consolidated interest expense (excluding capitalized interest) totaled $210 million in first-quarter 2015 and $224 million in first-quarter 2014. Capitalized interest is related to the level of expenditures for our development projects and average interest rates on our borrowings, and totaled $64 million in first-quarter 2015 and $63 million in first-quarter 2014. Refer to "Operations" and “Capital Resources and Liquidity - Investing Activities” for further discussion of current development projects.

Income Taxes

Following is a summary of the approximate amounts used in the calculation of our consolidated income tax benefit (provision) for the first quarters of 2015 and 2014 (in millions, except percentages):

	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	Income(Loss)[a]	Effective Tax Rate	Income Tax (Provision) Benefit	Income[a]	Effective Tax Rate	Income Tax Provision
U.S.	$(302)	42%	$126	$473	29%	$(136)
South America	60	40%	(24)	344	37%	(127)
Indonesia	61	47%	(29)	44	42%	(18)
Africa	55	47%	(26)	80	30%	(24)
Impairment of oil and gas properties	(3,104)	37%	1,163	—	N/A	—
Valuation allowance	—	N/A	(458)[b]	—	N/A	—
Eliminations and other	128	N/A	(27)	42	N/A	(11)
Annualized rate adjustment[c]	—	N/A	(30)	—	N/A	(41)
Consolidated FCX	$(3,102)	22%[d]	$695	$983	36%	$(357)

a. Represents income (loss) by geographic location before income taxes and equity in affiliated companies’ net earnings.

b. As a result of the impairment to oil and gas properties, we recorded a tax charge to establish a valuation allowance primarily against U.S. federal alternative minimum tax credits.

c. In accordance with applicable accounting rules, we adjust our interim provision for income taxes equal to our estimated annualized tax rate.

d. Our consolidated effective income tax rate is a function of the combined effective tax rates for the jurisdictions in which we operate. Accordingly, variations in the relative proportions of jurisdictional income result in fluctuations to our consolidated effective income tax rate. Assuming achievement of current sales volume and cost estimates and average prices of $2.75 per pound for copper, $1,200 per ounce for gold, $8 per pound for molybdenum and $65 per barrel of Brent crude oil for the remainder of 2015, we estimate that our consolidated effective tax rate will approximate 23 percent for the year 2015.

OPERATIONS

North America Copper Mines

We operate seven open-pit copper mines in North America – Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico. All of the North America mining operations are wholly owned, except for Morenci. We record our 85 percent joint venture interest in Morenci using the proportionate consolidation method.

The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and solution extraction/electrowinning (SX/EW) operations. A majority of the copper produced at our North America copper mines is cast into copper rod by our Rod & Refining segment. The remainder of our North America copper sales is in the form of copper cathode or copper concentrate, a portion of which is shipped to Atlantic Copper (our wholly owned smelter). Molybdenum concentrate and silver are also produced by certain of our North America copper mines.

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Operating and Development Activities. We have increased production from our North America copper mines by approximately 50 percent over the past five years and continue to evaluate a number of opportunities to add production capacity following positive exploration results. Future investments will be undertaken based on the results of economic and technical feasibility studies and market conditions.

Morenci Mill Expansion. The Morenci mill expansion project commenced operations in May 2014 and approached full rates in first-quarter 2015. The project expanded mill capacity from 50,000 metric tons of ore per day to approximately 115,000 metric tons of ore per day and is expected to add incremental annual production of approximately 225 million pounds of copper. Morenci's copper production is expected to average over 900 million pounds per year over the next five years. Additionally, the molybdenum circuit began production in first-quarter 2015 and is expected to reach design capacity of approximately 9 million pounds of molybdenum per year in second-quarter 2015. Remaining items associated with the project include construction of the expanded tailings storage facility, which is expected to be completed in third-quarter 2015.

Operating Data. Following is summary operating data for the North America copper mines for the first quarters of 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
Operating Data, Net of Joint Venture Interest		
Copper (recoverable)		
Production (millions of pounds)	452	385
Sales (millions of pounds)	472	371
Average realized price per pound	$2.73	$3.24
Molybdenum (recoverable)		
Production (millions of pounds)[a]	9	8
100% Operating Data		
SX/EW operations		
Leach ore placed in stockpiles (metric tons per day)	915,100	983,100
Average copper ore grade (percent)	0.25	0.24
Copper production (millions of recoverable pounds)	247	229
Mill operations		
Ore milled (metric tons per day)	301,500	255,300
Average ore grade (percent):		
Copper	0.48	0.42
Molybdenum	0.03	0.03
Copper recovery rate (percent)	85.4	86.1
Copper production (millions of recoverable pounds)	241	182

a. Refer to "Consolidated Results" for our consolidated molybdenum sales volumes, which includes sales of molybdenum produced at the North America copper mines.

Copper sales volumes from our North America copper mines increased to 472 million pounds in first-quarter 2015, compared with 371 million pounds in first-quarter 2014, primarily reflecting higher milling rates and ore grades at Morenci and higher ore grades at Chino.

Copper sales from North America are expected to approximate 1.94 billion pounds for the year 2015, compared with 1.66 billion pounds in 2014.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of

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performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper and Molybdenum

The following table summarizes unit net cash costs and gross profit per pound at our North America copper mines for the first quarters of 2015 and 2014. Refer to “Product Revenues and Production Costs” for an explanation of the “by-product” and “co-product” methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molybdenum[a]		Copper	Molybdenum[a]
Revenues, excluding adjustments	$2.73	$2.73	$8.81	$3.24	$3.24	$10.17
Site production and delivery, before net noncash and other costs shown below	1.81	1.70	6.25	1.88	1.78	6.14
By-product credits	(0.18)	—	—	(0.22)	—	—
Treatment charges	0.13	0.13	—	0.13	0.12	—
Unit net cash costs	1.76	1.83	6.25	1.79	1.90	6.14
Depreciation, depletion and amortization	0.28	0.27	0.63	0.29	0.27	0.53
Noncash and other costs, net	0.07	0.06	0.05	0.08	0.08	0.02
Total unit costs	2.11	2.16	6.93	2.16	2.25	6.69
Revenue adjustments, primarily for pricing on prior period open sales	(0.06)	(0.06)	—	(0.02)	(0.02)	—
Gross profit per pound	$0.56	$0.51	$1.88	$1.06	$0.97	$3.48
Copper sales (millions of recoverable pounds)	471	471		369	369	
Molybdenum sales (millions of recoverable pounds)[a]			9			8

a. Reflects sales of molybdenum produced by certain of the North America copper mines to our molybdenum sales company at market-based pricing.

Our North America copper mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-product credits and other factors. Average unit net cash costs (net of by-product credits) of $1.76 per pound of copper in first-quarter 2015 were lower than unit net cash costs of $1.79 per pound in first-quarter 2014, primarily reflecting higher sales volumes.

Because certain assets are depreciated on a straight-line basis, North America's average unit depreciation rate may vary with asset additions and the level of copper production and sales.

Assuming achievement of current sales volume and cost estimates, and an average price of $8 per pound of molybdenum for the remainder of 2015, average unit net cash costs (net of by-product credits) for our North America copper mines are expected to approximate $1.71 per pound of copper for the year 2015, compared with $1.73 per pound in 2014. North America's unit net cash costs for the remainder 2015 would change by approximately $0.03 per pound for each $2 per pound change in the average price of molybdenum.

South America Mining

We operate two copper mines in South America – Cerro Verde in Peru (in which we own a 53.56 percent interest) and El Abra in Chile (in which we own a 51 percent interest). All operations in South America are consolidated in our financial statements.

South America mining includes open-pit mining, sulfide ore concentrating, leaching and SX/EW operations. Production from our South America mines is sold as copper concentrate or copper cathode under long-term contracts. Our South America mines also ship a portion of their copper concentrate inventories to Atlantic Copper. In addition to copper, the Cerro Verde mine produces molybdenum concentrates and silver.

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Development Activities.
Cerro Verde Expansion. Construction activities associated with a large-scale expansion at Cerro Verde are advancing toward completion in late 2015. Detailed engineering and major procurement activities are complete and construction is approximately 70 percent complete. The project will expand the concentrator facilities from 120,000 metric tons of ore per day to 360,000 metric tons of ore per day and provide incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum beginning in 2016. As of March 31, 2015, $3.5 billion had been incurred for this project ($0.4 billion during first-quarter 2015), with approximately $1.1 billion remaining to be incurred.

El Abra Sulfide. We continue to evaluate a potential large-scale milling operation at El Abra to process additional sulfide material and to achieve higher recoveries. Exploration results in recent years at El Abra indicate a significant sulfide resource, which could potentially support a major mill project. Future investments will depend on technical studies, economic factors and global copper market conditions.

Operating Data. Following is summary operating data for our South America mining operations for the first quarters of 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014[a]