FREEPORT-MCMORAN INC
Form 10-Q
August 10, 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 June 30, 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 July 31, 2015, there were issued and outstanding 1,040,228,261 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)

	June 30, 2015	December 31, 2014
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$466	$464
Trade accounts receivable	949	953
Other accounts receivable	1,323	1,610
Inventories:		
Materials and supplies, net	2,014	1,886
Mill and leach stockpiles	1,933	1,914
Product	1,484	1,561
Other current assets	528	657
Total current assets	8,697	9,045
Property, plant, equipment and mining development costs, net	27,095	26,220
Oil and gas properties, net - full cost method		
Subject to amortization, less accumulated amortization	4,649	9,187
Not subject to amortization	9,312	10,087
Long-term mill and leach stockpiles	2,277	2,179
Other assets	1,978	1,956
Total assets	$54,008	$58,674
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$3,376	$3,653
Current portion of debt	791	478
Current portion of environmental and asset retirement obligations	330	296
Dividends payable	175	335
Accrued income taxes	67	410
Total current liabilities	4,739	5,172
Long-term debt, less current portion	20,111	18,371
Deferred income taxes	4,870	6,398
Environmental and asset retirement obligations, less current portion	3,716	3,647
Other liabilities	1,760	1,861
Total liabilities	35,196	35,449
Redeemable noncontrolling interest	757	751
Equity:		
Stockholders’ equity:		
Common stock	117	117
Capital in excess of par value	22,330	22,281

(Accumulated deficit) retained earnings	(4,417)	128
Accumulated other comprehensive loss	(523)	(544)
Common stock held in treasury	(3,702)	(3,695)
Total stockholders’ equity	13,805	18,287
Noncontrolling interests	4,250	4,187
Total equity	18,055	22,474
Total liabilities and equity	$54,008	$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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In millions, except per share amounts)			
Revenues	$4,248	$5,522	$8,401	$10,507
Cost of sales:				
Production and delivery	2,848	3,082	5,760	5,819
Depreciation, depletion and amortization	890	1,013	1,829	1,979
Impairment of oil and gas properties	2,686	—	5,790	—
Total cost of sales	6,424	4,095	13,379	7,798
Selling, general and administrative expenses	151	164	305	299
Mining exploration and research expenses	36	34	69	64
Environmental obligations and shutdown costs	11	76	24	82
Net gain on sale of assets	—	—	(39)	—
Total costs and expenses	6,622	4,369	13,738	8,243
Operating (loss) income	(2,374)	1,153	(5,337)	2,264
Interest expense, net	(149)	(164)	(295)	(325)
Insurance and other third-party recoveries	92	—	92	—
Net gain on early extinguishment of debt	—	5	—	5
Other (expense) income, net	(55)	(8)	(48)	25
(Loss) income before income taxes and equity in affiliated companies' net earnings	(2,486)	986	(5,588)	1,969
Benefit from (provision for) income taxes	687	(328)	1,382	(685)
Equity in affiliated companies’ net earnings	—	2	1	2
Net (loss) income	(1,799)	660	(4,205)	1,286
Net income attributable to noncontrolling interests	(42)	(168)	(100)	(274)
Preferred dividends attributable to redeemable noncontrolling interest	(10)	(10)	(20)	(20)
Net (loss) income attributable to common stockholders	$(1,851)	$482	$(4,325)	$992
Net (loss) income per share attributable to common stockholders:				
Basic	$(1.78)	$0.46	$(4.16)	$0.95
Diluted	$(1.78)	$0.46	$(4.16)	$0.95
Weighted-average common shares outstanding:				
Basic	1,040	1,039	1,040	1,039
Diluted	1,040	1,045	1,040	1,045
Dividends declared per share of common stock	$0.1605	$0.3125	$0.2105	$0.6250

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In millions)			
Net (loss) income	$(1,799)	$660	$(4,205)	$1,286
Other comprehensive income, net of taxes:				
Defined benefit plans:				
Amortization of unrecognized amounts included in net periodic benefit costs	8	4	16	7
Foreign exchange gains (losses)	1	(3)	5	(3)
Other comprehensive income	9	1	21	4
Total comprehensive (loss) income	(1,790)	661	(4,184)	1,290
Total comprehensive income attributable to noncontrolling interests	(42)	(168)	(100)	(274)
Preferred dividends attributable to redeemable noncontrolling interest	(10)	(10)	(20)	(20)
Total comprehensive (loss) income attributable to common stockholders	$(1,842)	$483	$(4,304)	$996

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

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

	Six Months Ended June 30, 2015	2014
	(In millions)	
Cash flow from operating activities:		
Net (loss) income	$(4,205)	$1,286
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,829	1,979
Impairment of oil and gas properties	5,790	—
Lower of cost or market inventory adjustments	63	—
Net gain on sale of assets	(39)	—
Net (gains) losses on crude oil and natural gas derivative contracts	(58)	120
Net charges for environmental and asset retirement obligations, including accretion	109	97
Payments for environmental and asset retirement obligations	(81)	(96)
Net gain on early extinguishment of debt	—	(5)
Deferred income taxes	(1,432)	37
Increase in long-term mill and leach stockpiles	(104)	(131)
Other, net	104	77
Changes in working capital and other tax payments, excluding amounts from acquisitions and disposition:		
Accounts receivable	493	(243)
Inventories	8	(230)
Other current assets	(1)	35
Accounts payable and accrued liabilities	(205)	(186)
Accrued income taxes and changes in other tax payments	(485)	(153)
Net cash provided by operating activities	1,786	2,587
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(214)	(627)
South America	(902)	(839)
Indonesia	(438)	(479)
Africa	(97)	(60)
Molybdenum mines	(7)	(33)
United States oil and gas operations	(1,795)	(1,484)
Other	(75)	(40)
Acquisition of Deepwater Gulf of Mexico interests	—	(925)
Net proceeds from sale of Eagle Ford shale assets	—	3,009
Other, net	136	(363)
Net cash used in investing activities	(3,392)	(1,841)
Cash flow from financing activities:		
Proceeds from debt	4,422	1,248
Repayments of debt	(2,360)	(1,611)
Cash dividends and distributions paid:		
Common stock	(380)	(653)

Noncontrolling interests	(60)	(250)
Stock-based awards net (payments) proceeds, including excess tax benefit	(7)	3
Debt financing costs and other, net	(7)	(10)
Net cash provided by (used in) financing activities	1,608	(1,273)
Net increase (decrease) in cash and cash equivalents	2	(527)
Cash and cash equivalents at beginning of year	464	1,985
Cash and cash equivalents at end of period	$466	$1,458

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	—	3	—	—	—	—	3	—	3
Stock-based compensation	—	—	50	—	—	—	—	50	7	57
Reserve of tax benefit for stock-based awards	—	—	(2)	—	—	—	—	(2)	—	(2)
Tender of shares for stock-based awards	—	—	—	—	—	—	(7)	(7)	—	(7)
Dividends on common stock	—	—	—	(220)	—	—	—	(220)	—	(220)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	—	(46)	(46)
Noncontrolling interests' share of contributed capital in subsidiary	—	—	(2)	—	—	—	—	(2)	2	—
Net loss attributable to common stockholders	—	—	—	(4,325)	—	—	—	(4,325)	—	(4,325)
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	100	100
Other comprehensive income	—	—	—	—	21	—	—	21	—	21
Balance at June 30, 2015	1,168	$117	$22,330	$ (4,417)	$(523)	128	$(3,702)	$ 13,805	$4,250	$18,055

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 quarter and six months ended June 30, 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, amortization and impairment, 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 June 30, 2015, and March 31, 2015, net capitalized costs with respect to FCX's proved U.S. oil and gas properties exceeded the related ceiling test limitation; therefore, impairment charges of $2.7 billion were recorded in second-quarter 2015 and $5.8 billion for the first six months of 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 such dates. 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 $71.68 per barrel at June 30, 2015 (the twelve-month average was $82.72 per barrel at March 31, 2015).

NOTE 2. ACQUISITIONS AND DISPOSITIONS
Eagle Ford Disposition. On June 20, 2014, FCX completed the sale of its Eagle Ford shale assets to a subsidiary of Encana Corporation for cash consideration of $3.1 billion, before closing adjustments from the April 1, 2014, effective date. Under full cost accounting rules, the proceeds were recorded as a reduction of capitalized oil and gas properties, with no gain or loss recognition, except for $58 million of deferred tax expense recorded in connection with the allocation of $221 million of goodwill (for which deferred taxes were not previously provided) to the Eagle

Ford shale assets. Approximately $1.3 billion of proceeds from this transaction was placed in a like-kind exchange escrow and was used to reinvest in additional Deepwater Gulf of Mexico (GOM) oil and gas interests, as discussed below and in Note 2 of FCX's annual report on Form 10-K for the year ended December 31, 2014. The remaining proceeds were used to repay debt.

Deepwater GOM Acquisition. On June 30, 2014, FCX completed the acquisition of interests in the Deepwater GOM from a subsidiary of Apache Corporation, including interests in the Lucius and Heidelberg oil fields and several exploration leases, for $918 million ($451 million for oil and gas properties subject to amortization and $477 million for costs not subject to amortization, including transaction costs and $10 million of asset retirement costs). The Deepwater GOM acquisition was funded by the like-kind exchange escrow.

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NOTE 3. 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.

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 follows (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net (loss) income	$(1,799)	$660	$(4,205)	$1,286
Net income attributable to noncontrolling interests	(42)	(168)	(100)	(274)
Preferred dividends on redeemable noncontrolling interest	(10)	(10)	(20)	(20)
Undistributed earnings allocable to participating securities	(3)	(2)	(3)	(3)
Net (loss) income allocable to common stockholders	$(1,854)	$480	$(4,328)	$989
Basic weighted-average shares of common stock outstanding	1,040	1,039	1,040	1,039
Add shares issuable upon exercise or vesting of dilutive stock options and RSUs	— [a]	6 [a]	— [a]	6 [a]
Diluted weighted-average shares of common stock outstanding	1,040	1,045	1,040	1,045
Basic net (loss) income per share attributable to common stockholders	$(1.78)	$0.46	$(4.16)	$0.95
Diluted net (loss) income per share attributable to common stockholders	$(1.78)	$0.46	$(4.16)	$0.95

a. Excludes approximately four million shares of common stock for both the quarter and six months ended June 30, 2015, and three million shares of common stock for both the quarter and six months ended June 30, 2014, associated with outstanding stock options with exercise prices less than the average market price of FCX's common stock and RSUs 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 both the quarter and six months ended June 30, 2015, and 30 million for both the quarter and six months ended June 30, 2014.

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NOTE 4. INVENTORIES, INCLUDING LONG-TERM MILL AND LEACH STOCKPILES

The components of inventories follow (in millions):

	June 30, 2015	December 31, 2014
Current inventories:		
Mill stockpiles	$130	$86
Leach stockpiles	1,803	1,828
Total current mill and leach stockpiles	$1,933	$1,914
Total materials and supplies, net[a]	$2,014	$1,886
Raw materials (primarily concentrates)	$306	$288
Work-in-process	155	174
Finished goods	1,023	1,099
Total product inventories	$1,484	$1,561
Long-term inventories:		
Mill stockpiles	$361	$360
Leach stockpiles	1,916	1,819
Total long-term mill and leach stockpiles[b]	$2,277	$2,179

a. Materials and supplies inventory was net of obsolescence reserves totaling $25 million at June 30, 2015, and $20 million at December 31, 2014.

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

FCX recorded charges for lower of cost or market (LCM) inventory adjustments of $59 million ($48 million for molybdenum inventories and $11 million for copper inventories) for second-quarter 2015 and $63 million ($52 million for molybdenum inventories and $11 million for copper inventories) for the first six months of 2015, primarily because of lower molybdenum and copper prices.

NOTE 5. INCOME TAXES

Variations in the relative proportions of jurisdictional income result in fluctuations to FCX's consolidated effective income tax rate. FCX’s consolidated effective income tax rate was 25 percent for the first six months of 2015 and 35 percent for the first six months of 2014. Geographic sources of FCX's (benefit from) provision for income taxes follow (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
U.S. operations	$(829)[a]	$149[b]	$(1,664)[a]	$285[b]
International operations	142	179	282	400
Total	$(687)	$328	$(1,382)	$685

a. As a result of the impairment to oil and gas properties, FCX recorded tax charges of $305 million for second-quarter 2015 and $763 million for the first six months of 2015 to establish a valuation allowance primarily against U.S. federal alternative minimum tax credits. Excluding this charge, FCX's consolidated effective income tax rate was 38 percent for the first six months of 2015.

b. FCX recognized a $58 million charge for deferred taxes recorded in connection with the allocation of goodwill to the sale of Eagle Ford shale assets.

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NOTE 6. DEBT AND EQUITY TRANSACTIONS

Debt Transactions. At June 30, 2015, FCX had $20.9 billion in debt, which included additions for unamortized fair value adjustments of $225 million (primarily from the oil and gas acquisitions in 2013), and is net of reductions attributable to unamortized net discounts of $21 million and unamortized debt issuance costs of $116 million. Refer to Note 12 for discussion of a change in the presentation of debt issuance costs.

In February 2015, FCX's unsecured revolving credit facility and $4.0 billion 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 June 30, 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 approximately $1.5 billion could be used for additional letters of credit.

At June 30, 2015, $1.3 billion was outstanding and no letters of credit were issued under Sociedad Minera Cerro Verde S.A.A.'s (Cerro Verde, FCX's mining subsidiary in Peru) credit facility, resulting in availability of $531 million. Cerro Verde's five-year, $1.8 billion senior unsecured credit facility is nonrecourse to FCX and the other shareholders of Cerro Verde.

In April 2014, FCX redeemed $210 million of the aggregate principal amount of FCX Oil & Gas Inc.'s (FM O&G, FCX's oil and gas subsidiary) outstanding 6.625% Senior Notes due 2021. In accordance with the terms of the senior notes, the redemption was funded with cash contributions to FM O&G by FCX in exchange for additional equity, which is eliminated in the consolidated financial statements. Holders of these senior notes received the principal amount together with the redemption premium and accrued and unpaid interest to the redemption date. As a result of the redemption, FCX recorded a gain on early extinguishment of debt of $6 million in second-quarter 2014.

Consolidated interest expense (excluding capitalized interest) totaled $215 million in second-quarter 2015, $225 million in second-quarter 2014, $425 million for the first six months of 2015 and $449 million for the first six months of 2014. Capitalized interest added to property, plant, equipment and mining development costs, net, totaled $47 million in second-quarter 2015, $39 million in second-quarter 2014, $92 million for the first six months of 2015 and $79 million for the first six months of 2014. Capitalized interest added to oil and gas properties not subject to amortization totaled $19 million in second-quarter 2015, $22 million in second-quarter 2014, $38 million for the first six months of 2015 and $45 million for the first six months of 2014.

Equity Transactions. On June 24, 2015, FCX's Board of Directors (the Board) declared a dividend of $0.1605 per share, which was paid on August 3, 2015, to common shareholders of record at the close of business on July 15, 2015. This common stock dividend consisted of $0.05 per share for FCX's regular quarterly dividend and $0.1105 per share as a one-time special dividend related to the settlement of the shareholder derivative litigation (refer to Note 9 for further discussion).

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NOTE 7. 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 June 30, 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 or six-month periods ended June 30, 2015 and 2014, resulting from hedge ineffectiveness. At June 30, 2015, FCX held copper futures and swap contracts that qualified for hedge accounting for 51 million pounds at an average contract price of $2.71 per pound, with maturities through May 2017.

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Copper futures and swap contracts:				
Unrealized gains (losses):				
Derivative financial instruments	$(4)	$12	$2	$—
Hedged item – firm sales commitments	4	(12)	(2)	—
Realized (losses) gains:				
Matured derivative financial instruments	(1)	(2)	(11)	(4)

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 June 30, 2015, follows:

	Open Positions	Average Price Per Unit		Maturities Through
		Contract	Market	
Embedded derivatives in provisional sales contracts:				
Copper (millions of pounds)	572	$2.68	$2.58	November 2015
Gold (thousands of ounces)	229	1,189	1,174	September 2015
Embedded derivatives in provisional purchase contracts:				
Copper (millions of pounds)	134	2.75	2.61	October 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 June 30, 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 June 30, 2015, the deferred option premiums and accrued interest associated with the crude oil option contracts totaled $106 million, which was included as a component of the fair value of the crude oil options contracts. At June 30, 2015, the outstanding 2015 crude oil option contracts, which settle monthly and cover approximately 15.5 million barrels over the remainder of 2015, follow:

2015 Period	Instrument Type	Daily Volumes (thousand barrels)	Average Strike Price (per barrel)[a]		Weighted-Average Deferred Premium (per barrel)	Index
			Floor	Floor Limit		
July - 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 June 30, 2015, Atlantic Copper held net copper forward purchase contracts for 31 million pounds at an average contract price of $2.65 per pound, with maturities through August 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Embedded derivatives in provisional copper and gold sales contracts[a]	$(78)	$84	$(150)	$(85)
Crude oil options[a]	6	(68)	58	(104)
Natural gas swaps[a]	—	(2)	—	(16)
Copper forward contracts[b]	(6)	4	(7)	5

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):

	June 30, 2015	December 31, 2014
Commodity Derivative Assets:		
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper and gold sales/purchase contracts	$21	$15
Crude oil options[a]	174	316
Total derivative assets	$195	$331
Commodity Derivative Liabilities:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[b]	$5	$7
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper and gold sales/purchase contracts	65	93
Copper forward contracts	1	—
Total derivative liabilities	$71	$100

a. Amounts are net of $106 million at June 30, 2015, and $210 million at December 31, 2014, for deferred premiums and accrued interest.

b. FCX paid $9 million to brokers at June 30, 2015, and $10 million at December 31, 2014, for margin requirements (recorded in other current assets).

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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	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Gross amounts recognized:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	$21	$15	$65	$93
Crude oil derivatives	174	316	—	—
Copper derivatives	—	—	6	7
	195	331	71	100
Less gross amounts of offset:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	1	1	1	1
Copper derivatives	—	—	—	—
	1	1	1	1
Net amounts presented in balance sheet:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	20	14	64	92
Crude oil derivatives	174	316	—	—
Copper derivatives	—	—	6	7
	$194	$330	$70	$99
Balance sheet classification:				
Trade accounts receivable	$3	$5	$53	$56
Other current assets	174	316	—	—
Accounts payable and accrued liabilities	17	9	17	43
	$194	$330	$70	$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 June 30, 2015, the maximum amount of credit exposure associated with derivative transactions was $226 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 $27 million at June 30, 2015, and $48 million at December 31, 2014), accounts receivable, restricted cash, 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 8 for the fair values of investment securities, legally restricted funds and long-term debt).

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NOTE 8. 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 second-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 7), follows (in millions):

	At June 30, 2015				
	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Assets					
Investment securities:[a,b]					
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,c,d]					
U.S. core fixed income fund	51	51	—	51	—
Government bonds and notes	35	35	—	35	—
Corporate bonds	28	28	—	28	—
Government mortgage-backed securities	24	24	—	24	—
Asset-backed securities	14	14	—	14	—
Money market funds	9	9	9	—	—
Collateralized mortgage-backed securities	8	8	—	8	—
Municipal bonds	1	1	—	1	—
Total	170	170	9	161	—
Derivatives:[a,e]					
Embedded derivatives in provisional sales/purchase					
contracts in a gross asset position	21	21	—	21	—
Crude oil options	174	174	—	—	174
Total	195	195	—	21	174
Total assets		$413	$34	$205	$174
Liabilities					
Derivatives:[a,e]					
Embedded derivatives in provisional sales/purchase					
contracts in a gross liability position	$65	$65	$—	$65	$—
Copper futures and swap contracts	5	5	5	—	—
Copper forward contracts	1	1	—	1	—
Total	71	71	5	66	—

Long-term debt, including current portion[f]	20,902	20,191	—	20,191	—
Total liabilities		$20,262	$5	$20,257	$—

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	At December 31, 2014				
	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Assets					
Investment securities:[a,b]					
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,c,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	19	19	—	19	—
Asset-backed securities	17	17	—	17	—
Money market funds	11	11	11	—	—
Collateralized mortgage-backed securities	6	6	—	6	—
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 (which approximated fair value) included in other assets of $117 million at June 30, 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 (which approximated fair value) included in other current assets of $10 million at June 30, 2015, and $8 million at December 31, 2014, associated with a reclamation guarantee at PT-FI. Also, excludes a time deposit of $9 million at December 31, 2014, associated with a customs audit assessment.

e. Refer to Note 7 for further discussion and balance sheet classifications. Crude oil options are net of $106 million at June 30, 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.

The U.S. core fixed income fund is valued at net asset value. The fund strategy seeks total return consisting of income and capital appreciation primarily by investing in a broad range of investment-grade debt securities, including U.S. government obligations, corporate bonds, mortgage-backed securities, asset-backed securities and money market instruments. There are no restrictions on redemptions (usually within one business day of notice) and, as such, this fund is classified within Level 2 of the fair value hierarchy.

Fixed income securities (government securities, corporate bonds, asset-backed securities, collateralized mortgage-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 7 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 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 28 percent to 41 percent, with a weighted average of 32 percent. The weighted-average cost of deferred premiums totals $6.89 per barrel at June 30, 2015. Refer to Note 7 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 7 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 June 30, 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	21
Net unrealized gains included in earnings related to assets and liabilities still held at the end of the period	36 [a]
Net settlement receipts	(199) [b]
Fair value at June 30, 2015	$174

a. Includes net unrealized gains of $37 million, partially offset by $1 million of interest expense associated with the deferred premiums.
b. Includes interest payments of $2 million.

NOTE 9. 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, as updated in Note 8 of FCX's quarterly report on Form 10-Q for the quarterly period ended March 31, 2015.

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 and other third parties funded an escrow account with the $125 million settlement amount, from which the proceeds, net of plaintiffs’ legal fees and expenses totaling $33 million, were released to FCX in May 2015. Upon the release of funds, FCX recognized a gain of $92 million in second-quarter 2015. As a result and in accordance with the approved settlement terms, FCX's Board declared a special dividend that was paid on August 3, 2015, together with the regular quarterly dividend paid on the same day (refer to Note 6 for further discussion).

Tax and Other Matters. There were no significant changes to the Cerro Verde royalty dispute or other Peruvian tax matters during the second 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, as updated in Note 8 of FCX's quarterly report on Form 10-Q for the quarterly period ended March 31, 2015.

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 June 2015. PT-FI has filed or will file 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. The aggregate amount of all assessments received through August 3, 2015, including penalties, was 2.5 trillion Indonesian rupiah ($190 million based on exchange rates at June 30, 2015). Additional penalties, which could be significant, may be assessed depending on the outcome of the appeals process. No amounts have been accrued for these assessments as of June 30, 2015, because PT-FI believes its Contract of Work (COW) exempts it from these payments and that it has the right to contest these assessments in the tax court and ultimately the Indonesian Supreme Court.

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NOTE 10. BUSINESS SEGMENTS

FCX has organized its mining operations into five primary divisions – North America copper mines, South America mining, Indonesia mining, Africa mining and Molybdenum mines. 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 (FCX's wholly owned smelter and refinery in Spain) and on 25 percent of PT-FI's sales to PT Smelting (FCX's 25 percent-owned smelter and refinery in Indonesia), 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.

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	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Other Mining & Eliminations	Total Mining	U.S. Oil & Gas Operations	Corporate, Other & Eliminations[b]	FCX Total
Three Months Ended June 30, 2015																
Revenues:																
Unaffiliated customers	$180	$92	$272	$195	$221	$416	$792 [c]	$310	$—	$1,089	$495	$305 [d]	$3,679	$569 [e]	$—	$4,248
Intersegment	427	706	1,133	37	—	37	(2) [f]	41	102	8	5	(1,324)	—	—	—	—
Production and delivery	386	576 [g]	962	165	150	315	455	190	84 [g]	1,088	468	(997) [g]	2,565	281	2	2,848
Depreciation, depletion and amortization	55	84	139	40	32	72	78	57	25	3	9	19	402	485	3	890
Impairment of oil and gas properties	—	—	—	—	—	—	—	—	—	—	—	—	—	2,686	—	2,686
Selling, general and administrative expenses	—	2	2	—	1	1	25	3	—	—	4	5	40	49	62	151
Mining exploration and research expenses	—	2	2	—	—	—	—	—	—	—	—	34	36	—	—	36
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	11	11	—	—	11
Operating income (loss)	166	134	300	27	38	65	232	101	(7)	6	19	(91)	625	(2,932)	(67)	(2,374)
Interest expense, net	—	1	1	—	—	—	—	—	—	—	2	39	42	41	66	149
Provision for (benefit from) income taxes	—	—	—	(5)	11	6	95	27	—	—	—	—	128	—	(815)	(687)
Total assets at June 30, 2015	3,806	5,582	9,388	8,567	1,935	10,502	8,959	5,125	2,052	286	786	1,336	38,434	15,393	181	54,008
	79	28	107	444	13	457	213	58	4	—	4	11	854	777	30	1,661

Capital expenditures																
Three Months Ended June 30, 2014																
Revenues:																
Unaffiliated customers	$52	$55	$107	$421	$524	$945	$523 [c]	$386	$—	$1,234	$623	$468 [d]	$4,286	$1,236 [e]	$—	$5,522
Intersegment	474	888	1,362	23	63	86	—	32	170	8	6	(1,664)	—	—	—	—
Production and delivery	312	558	870	195	335	530	511	198	81	1,233	618	(1,287)	2,754	329	(1)	3,082
Depreciation, depletion and amortization	43	85	128	43	52	95	54	63	24	3	10	17	394	616	3	1,013
Selling, general and administrative expenses	1	—	1	1	1	2	25	3	—	—	5	6	42	59	63	164
Mining exploration and research expenses	—	2	2	—	—	—	—	—	—	—	—	32	34	—	—	34
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	76	76	—	—	76
Operating income (loss)	170	298	468	205	199	404	(67)	154	65	6	(4)	(40)	986	232	(65)	1,153
Interest expense, net	—	1	1	—	—	—	—	—	—	—	3	18	22	74	68	164
Provision for (benefit from) income taxes	—	—	—	73	67	140	(33)	33	—	—	—	—	140	—	188	328
Total assets at June 30, 2014	3,675	5,822	9,497	6,876	3,791	10,667	7,972	4,952	2,095	299	882	1,127	37,491	25,293	1,1[illegible]	68,903
Capital expenditures	289	35	324	391	25	416	243	29	14	1	5	17	1,049	903	(2)	1,950

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

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

c. Includes PT-FI’s sales to PT Smelting totaling $293 million in second-quarter 2015 and $540 million in second-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 $6 million in second-quarter 2015 and $(70) million in second-quarter 2014.

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

g.

Includes LCM inventory adjustments totaling $11 million at other North America copper mines, $3 million at Molybdenum mines and $45 million at other mining & eliminations (see Note 4).

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(In millions)	Mining Operations													
	North America Copper Mines			South America			Indonesia	Africa						
	Morenci	Other Mines	Total	Cerro Verde	Other Mines[a]	Total	Grasberg	Tenke	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Other Mining & Eliminations	Total Mining	U.S. Oil & Gas Operations
Six Months Ended June 30, 2015														
Revenues:														
Unaffiliated customers	$286	$207	$493	$443	$452	$895	$1,413 [c]	$692	$—	$2,151	$1,035	$653 [d]	$7,332	$1,069 [e]
Intersegment	877	1,370	2,247	51	(7)[f]	44	(16)[f]	69	215	15	11	(2,585)	—	—
Production and delivery	760	1,145 [g]	1,905	363	297	660	894	425	167 [g]	2,151	987	(1,998) [g]	5,191	564
Depreciation, depletion and amortization	106	166	272	77	70	147	148	130	51	5	19	35	807	1,015
Impairment of oil and gas properties	—	—	—	—	—	—	—	—	—	—	—	—	—	5,790
Selling, general and administrative expenses	1	2	3	1	1	2	50	6	—	—	9	11	81	103
Mining exploration and research expenses	—	5	5	—	—	—	—	—	—	—	—	64	69	—
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	24	24	—
Net gain on sales of assets	—	(39)	(39)	—	—	—	—	—	—	—	—	—	(39)	—
Operating income (loss)	296	298	594	53	77	130	305	200	(3)	10	31	(68)	1,199	(6,403)
Interest expense, net	1	1	2	1	—	1	—	—	—	—	5	79	87	78
Provision for (benefit from) income taxes	—	—	—	—	30	30	124	53	—	—	—	—	207	—
	163	51	214	875	27	902	438	97	7	1	8	27	1,694	1,795

Capital expenditures														
Six Months Ended June 30, 2014														
Revenues:														
Unaffiliated customers	$75	$116	$191	$701	$946	$1,647	$985 [c]	$692	$—	$2,380	$1,211	$904 [d]	$8,010	$2,497 [e]
Intersegment	918	1,646	2,564	87	195	282	8	53	296	16	11	(3,230)	—	—
Production and delivery	595	1,061	1,656	360	646	1,006	894	350	157	2,381	1,206	(2,470)	5,180	640
Depreciation, depletion and amortization	77	158	235	79	103	182	102	114	46	5	20	36	740	1,232
Selling, general and administrative expenses	1	1	2	2	2	4	46	6	—	—	9	13	80	116
Mining exploration and research expenses	—	4	4	—	—	—	—	—	—	—	—	60	64	—
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	82	82	—
Operating income (loss)	320	538	858	347	390	737	(49)	275	93	10	(13)	(47)	1,864	509
Interest expense, net	1	1	2	—	—	—	—	—	—	—	7	36	45	150
Provision for (benefit from) income taxes	—	—	—	130	137	267	(15)	57	—	—	—	—	309	—
Capital expenditures	533	94	627	791	48	839	479	60	33	2	6	27	2,073	1,484

a. The first six months of 2014 include the results of the Candelaria and Ojos del Salado mining operations, which were sold in November 2014.

b. The first six months of 2014 include the results from Eagle Ford, which was sold in June 2014.

c. Includes PT-FI’s sales to PT Smelting totaling $643 million for the first six months of 2015 and $913 million for the first six months of 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 $58 million for the first six months 2015 and $(120) million for the first six months of 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 for the first six months of 2015.

g. Includes LCM inventory adjustments totaling $11 million at other North America copper mines, $3 million at Molybdenum mines and $49 million at other mining & eliminations (see Note 4).

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NOTE 11. 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 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. The indentures provide that 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 June 30, 2015, and December 31, 2014, and the related condensed consolidating statements of comprehensive (loss) income for the three and six months ended June 30, 2015 and 2014, and condensed consolidating statements of cash flows for the six months ended June 30, 2015 and 2014 (in millions), which should be read in conjunction with FCX's notes to the consolidated financial statements.

CONDENSED CONSOLIDATING BALANCE SHEET
June 30, 2015

	FCX	FM O&G LLC	Non-guarantor	Eliminations	Consolidated
	Issuer	Guarantor	Subsidiaries		FCX
ASSETS					
Current assets	$257	$2,900	$9,665	$(4,125)	$8,697
Property, plant, equipment and mining development costs, net	20	51	27,024	—	27,095
Oil and gas properties, net - full cost method:					
Subject to amortization, less accumulated amortization	—	1,507	3,142	—	4,649
Not subject to amortization	—	2,649	6,659	4	9,312
Investments in consolidated subsidiaries	24,153	2,216	4,019	(30,388)	—
Other assets	9,991	4,703	4,179	(14,618)	4,255
Total assets	$34,421	$14,026	$54,688	$(49,127)	$54,008
LIABILITIES AND EQUITY					
Current liabilities	$3,106	$433	$5,325	$(4,125)	$4,739
Long-term debt, less current portion	15,841	5,181	10,221	(11,132)	20,111
Deferred income taxes	1,613 [a]	—	3,257	—	4,870
Environmental and asset retirement obligations, less current portion	—	307	3,409	—	3,716
Other liabilities	56	3,361	1,829	(3,486)	1,760
Total liabilities	20,616	9,282	24,041	(18,743)	35,196
Redeemable noncontrolling interest	—	—	757	—	757

Equity:					
Stockholders' equity	13,805	4,744	26,173	(30,917)	13,805
Noncontrolling interests	—	—	3,717	533	4,250
Total equity	13,805	4,744	29,890	(30,384)	18,055
Total liabilities and equity	$34,421	$14,026	$54,688	$(49,127)	$54,008

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 June 30, 2015

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Revenues	$—	$169	$4,079	$—	$4,248
Total costs and expenses	19	1,217 [a]	5,383 [a]	3	6,622
Operating (loss) income	(19)	(1,048)	(1,304)	(3)	(2,374)
Interest expense, net	(121)	(2)	(67)	41	(149)
Other income (expense), net	127	—	(56)	(34)	37
(Loss) income before income taxes and equity in affiliated companies' net (losses) earnings	(13)	(1,050)	(1,427)	4	(2,486)
(Provision for) benefit from income taxes	(265)	374	580	(2)	687
Equity in affiliated companies' net (losses) earnings	(1,573)	(1,920)	(2,972)	6,465	—
Net (loss) income	(1,851)	(2,596)	(3,819)	6,467	(1,799)
Net income and preferred dividends attributable to noncontrolling interests	—	—	(38)	(14)	(52)
Net (loss) income attributable to common stockholders	$(1,851)	$(2,596)	$(3,857)	$6,453	$(1,851)
Other comprehensive income (loss)	9	—	9	(9)	9
Total comprehensive (loss) income	$(1,842)	$(2,596)	$(3,848)	$6,444	$(1,842)

a. Includes charges totaling $1.0 billion at the FM O&G LLC guarantor and $1.7 billion at the non-guarantor subsidiaries related to ceiling test impairment of FCX's oil and gas properties pursuant to full cost accounting rules.

Six Months Ended June 30, 2015

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Revenues	$—	$350	$8,051	$—	$8,401
Total costs and expenses	35	2,535 [a]	11,181 [a]	(13)	13,738
Operating (loss) income	(35)	(2,185)	(3,130)	13	(5,337)
Interest expense, net	(236)	(6)	(124)	71	(295)
Other income (expense), net	156	—	(48)	(64)	44
(Loss) income before income taxes and equity in affiliated companies' net (losses) earnings	(115)	(2,191)	(3,302)	20	(5,588)
(Provision for) benefit from income taxes	(686)	790	1,286	(8)	1,382
Equity in affiliated companies' net (losses) earnings	(3,524)	(4,279)	(6,502)	14,306	1
Net (loss) income	(4,325)	(5,680)	(8,518)	14,318	(4,205)
Net income and preferred dividends attributable to noncontrolling interests	—	—	(94)	(26)	(120)
Net (loss) income attributable to common stockholders	$(4,325)	$(5,680)	$(8,612)	$14,292	$(4,325)
Other comprehensive income (loss)	21	—	21	(21)	21

Total comprehensive (loss) income	$(4,304)	$(5,680)	$(8,591)	$ 14,271	$(4,304)

a. Includes charges totaling $2.1 billion at the FM O&G LLC guarantor and $3.7 billion at the non-guarantor subsidiaries related to ceiling test impairment of FCX's oil and gas properties pursuant to full cost accounting rules.

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CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Three Months Ended June 30, 2014

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Revenues	$—	$570	$4,952	$—	$5,522
Total costs and expenses	21	489	3,865	(6)	4,369
Operating (loss) income	(21)	81	1,087	6	1,153
Interest expense, net	(87)	(44)	(51)	18	(164)
Net (loss) gain on early extinguishment of debt	(1)	6	—	—	5
Other income (expense), net	17	1	(8)	(18)	(8)
(Loss) income before income taxes and equity in affiliated companies' net earnings (losses)	(92)	44	1,028	6	986
Benefit from (provision for) income taxes	26	26	(378)	(2)	(328)
Equity in affiliated companies' net earnings (losses)	548	126	154	(826)	2
Net income (loss)	482	196	804	(822)	660
Net income and preferred dividends attributable to noncontrolling interests	—	—	(180)	2	(178)
Net income (loss) attributable to common stockholders	$482	$196	$624	$(820)	$482
Other comprehensive income (loss)	1	—	1	(1)	1
Total comprehensive income (loss)	$483	$196	$625	$(821)	$483

Six Months Ended June 30, 2014

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Revenues	$—	$1,214	$9,293	$—	$10,507
Total costs and expenses	32	1,015	7,204	(8)	8,243
Operating (loss) income	(32)	199	2,089	8	2,264
Interest expense, net	(169)	(85)	(109)	38	(325)
Net (loss) gain on early extinguishment of debt	(1)	6	—	—	5
Other income (expense), net	37	1	25	(38)	25
(Loss) income before income taxes and equity in affiliated companies' net earnings (losses)	(165)	121	2,005	8	1,969
Benefit from (provision for) income taxes	5	(17)	(670)	(3)	(685)
Equity in affiliated companies' net earnings (losses)	1,152	256	339	(1,745)	2
Net income (loss)	992	360	1,674	(1,740)	1,286
Net income and preferred dividends attributable to noncontrolling interests	—	—	(291)	(3)	(294)
Net income (loss) attributable to common stockholders	$992	$360	$1,383	$(1,743)	$992

Other comprehensive income (loss)	4	—	4	(4)	4
Total comprehensive income (loss)	$996	$360	$1,387	$(1,747)	$996

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2015

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Cash flow from operating activities:					
Net (loss) income	$(4,325)	$(5,680)	$ (8,518)	$ 14,318	$ (4,205)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization	2	223	1,638	(34)	1,829
Impairment of oil and gas properties	—	2,052	3,717	21	5,790
Net gains on crude oil derivative contracts	—	(58)	—	—	(58)
Equity in losses (earnings) of consolidated subsidiaries	3,524	4,279	6,502	(14,306)	(1)
Other, net	(1,431)	9	43	—	(1,379)
Changes in working capital and other tax payments	2,222	(550)	(1,870)	8	(190)
Net cash (used in) provided by operating activities	(8)	275	1,512	7	1,786
Cash flow from investing activities:					
Capital expenditures	—	(734)	(2,787)	(7)	(3,528)
Intercompany loans	(1,073)	(794)	—	1,867	—
Dividends from (investments in) consolidated subsidiaries	438	(31)	74	(481)	—
Other, net	(10)	(1)	137	10	136
Net cash (used in) provided by investing activities	(645)	(1,560)	(2,576)	1,389	(3,392)
Cash flow from financing activities:					
Proceeds from debt	2,735	—	1,687	—	4,422
Repayments of debt	(1,690)	—	(670)	—	(2,360)
Intercompany loans	—	1,321	546	(1,867)	—
Cash dividends and distributions paid, and contributions received	(380)	—	(481)	421	(440)
Other, net	(12)	(37)	(15)	50	(14)
Net cash provided by (used in) financing activities	653	1,284	1,067	(1,396)	1,608
Net (decrease) increase in cash and cash equivalents	—	(1)	3	—	2
Cash and cash equivalents at beginning of period	—	1	463	—	464
Cash and cash equivalents at end of period	$—	$—	$ 466	$ —	$ 466

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2014

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Cash flow from operating activities:					
Net income (loss)	$992	$360	$ 1,674	$ (1,740)	$ 1,286
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization	2	545	1,440	(8)	1,979
Net losses on crude oil and natural gas derivative contracts	—	120	—	—	120
Net gain (loss) on early extinguishment of debt	1	(6)	—	—	(5)
Equity in (earnings) losses of consolidated subsidiaries	(1,152)	(256)	39	1,367	(2)
Other, net	121	(12)	(123)	—	(14)
Changes in working capital and other tax payments	(164)	(2,165)	1,552	—	(777)
Net cash (used in) provided by operating activities	(200)	(1,414)	4,582	(381)	2,587
Cash flow from investing activities:					
Capital expenditures	—	(897)	(2,665)	—	(3,562)
Acquisition of Deepwater GOM interests	—	—	(925)	—	(925)
Intercompany loans	1,318	1,629	—	(2,947)	—
(Investments in) dividends from consolidated subsidiaries	(364)	(96)	1,079	(619)	—
Net proceeds from sale of Eagle Ford shale assets	—	3,009	—	—	3,009
Other, net	—	(381)	18	—	(363)
Net cash provided by (used in) investing activities	954	3,264	(2,493)	(3,566)	(1,841)
Cash flow from financing activities:					
Proceeds from debt	890	—	358	—	1,248
Repayments of debt	(990)	(224)	(397)	—	(1,611)
Intercompany loans	—	(170)	(2,777)	2,947	—
Cash dividends and distributions paid, and contributions received	(653)	(1,453)	203	1,000	(903)
Other, net	(1)	(2)	(4)	—	(7)
Net cash (used in) provided by financing activities	(754)	(1,849)	(2,617)	3,947	(1,273)
Net increase (decrease) in cash and cash equivalents	—	1	(528)	—	(527)
Cash and cash equivalents at beginning of period	—	—	1,985	—	1,985
Cash and cash equivalents at end of period	$—	$1	$ 1,457	$ —	$ 1,458

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NOTE 12. 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 first-quarter 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 13. SUBSEQUENT EVENTS

As reported in Note 13 of FCX's annual report on Form 10-K for the year ended December 31, 2014, PT-FI entered into a Memorandum of Understanding (MOU) with the Indonesian government in July 2014. Under the MOU, PT-FI provided a $115 million assurance bond to support its commitment for smelter development, agreed to increased royalty rates and agreed to pay export duties (which were set at 7.5 percent, declining to 5.0 percent when smelter development progress exceeds 7.5 percent and are eliminated when development progress exceeds 30 percent). The MOU also anticipated an amendment of the COW within six months to address other matters; however, no terms of the COW other than those relating to the smelter bond, increased royalties and export duties were changed. In January 2015, the MOU was extended to July 25, 2015, and it expired on that date. The increased royalty rates, export duties and smelter assurance bond remain in effect.

PT-FI is also required to apply for renewal of export permits at six-month intervals. On July 29, 2015, PT-FI's export permit was renewed through January 28, 2016. In connection with the renewal, export duties were reduced to 5.0 percent, as a result of smelter development progress.

FCX evaluated events after June 30, 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. (formerly Freeport-McMoRan Copper & Gold Inc.) as of June 30, 2015, and the related consolidated statements of operations and comprehensive (loss) income for the three- and six-month periods ended June 30, 2015 and 2014, the consolidated statements of cash flows for the six-month periods ended June 30, 2015 and 2014, and the consolidated statement of equity for the six-month period ended June 30, 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
August 10, 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, the Haynesville shale play in Louisiana, the Madden area in Central Wyoming and a position in the Inboard Lower Tertiary/Cretaceous natural gas trend onshore in South Louisiana.

Our results for the second quarter and first six months of 2015, compared with 2014 periods, reflect lower commodity price realizations and lower oil sales volumes, partly offset by higher gold sales volumes. The first six months of 2015 also reflects higher copper sales volumes, compared with the first six months of 2014. Results for the 2015 periods were impacted by net charges of $2.7 billion ($2.0 billion to net loss attributable to common stockholders) in second-quarter 2015 and $5.8 billion ($4.4 billion to net loss attributable to common stockholders) for the first six months of 2015, for the impairment of our oil and gas properties pursuant to full cost accounting rules and the related tax charges to establish a deferred tax valuation allowance. Refer to "Consolidated Results" for further discussion of our consolidated financial results for the three- and six-month periods ended June 30, 2015 and 2014.

At June 30, 2015, we had $466 million in consolidated cash and cash equivalents and $20.9 billion in total debt. We have made substantial progress toward the completion of our major mining development projects, which are expected to result in increased near-term production, lower unit costs, declining capital expenditures and to contribute to cash flow from operations after capital expenditures in future years. In addition, positive oil and gas drilling and development activities are expected to result in a growing oil production profile. We remain focused on maintaining a strong balance sheet and on continuing to manage costs, capital spending plans and other actions as required to maintain financial strength.

Subsequent to June 30, 2015, copper and molybdenum prices have fallen and at July 31, 2015, prices we would expect to record additional charges for LCM inventory adjustments in third-quarter 2015. Additionally, as further discussed in "Critical Accounting Estimates" in Part II, Items 7. And 7A. of our annual report on Form 10-K for the year ended December 31, 2014, we regularly assess the carrying values of our long-lived mining assets, and decreases in metal prices or other factors may result in impairment of our long-lived mining assets. Also, refer to "Operations - Oil and Gas" for further discussion of potentially significant additional ceiling test impairments of our oil and gas properties.

In July 2015, we announced that we are undertaking a comprehensive review of operating plans in our mining and oil and gas businesses to target significant additional reductions in capital spending and operating and administrative costs in response to weak market conditions for our major products. On August 5, 2015, we provided an update on our progress and announced the deferral of investments in several long-term projects in our oil and gas business, which will result in a reduction of $0.9 billion in projected capital expenditures for each of the years 2016 and 2017. We have also revised our estimate of the start-up of initial production from its recent drilling success in the Horn Mountain area to 2016 from the previously estimated start-up in 2017. The revised plans, together with the previously announced potential initial public offering (IPO) of a minority interest in our wholly owned subsidiary, Freeport-McMoRan Oil & Gas Inc., and potential other actions, will be pursued as required to

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fund oil and gas capital spending with cash flow for 2016 and subsequent years. Refer to “Operations - Oil and Gas” for further discussion of the potential IPO.

We are completing the review of operating plans at each of our copper and molybdenum mining operations and will revise operating and capital plans to strengthen our financial position in a weak copper price environment. The revised plans will target lower operating and capital costs to achieve maximum cash flow under the current market conditions. Production at certain operations challenged by low commodity prices will be curtailed. We expect to complete this review promptly and will report our revised plans during third-quarter 2015. We will also continue to assess opportunities to partner with strategic investors potentially interested in investing capital with FCX in the development of our oil and gas and mining properties. We have a broad set of assets with valuable infrastructure and associated resources with attractive long-term production and development potential.

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. As discussed above in "Overview," we are undertaking a comprehensive review of operating plans in our mining business to target significant additional reductions in capital spending, and operating and administrative costs, which we expect to report during third-quarter 2015. Accordingly, the following outlook is subject to change as a result of the review and other factors.

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

Copper (millions of recoverable pounds):		
North America copper mines	1,960	
South America mining	900	
Indonesia mining	860	
Africa mining	460	
	4,180	
Gold (thousands of recoverable ounces)	1,300	
Molybdenum (millions of recoverable pounds)	93	a
Oil Equivalents (million BOE or MMBOE)	52.9	

a. Projected molybdenum sales include 44 million pounds produced by our Molybdenum mines and 49 million pounds produced by our North and South America copper mines.

Consolidated sales for third-quarter 2015 are expected to approximate 1.0 billion pounds of copper, 315 thousand ounces of gold, 24 million pounds of molybdenum and 13.6 MMBOE. Projected sales volumes are dependent on a number of factors, including operational performance and other factors. 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 $1,150 per ounce of gold and $6 per pound of molybdenum for the second half 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 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 second half of 2015 on consolidated unit net cash costs would approximate $0.01 per pound for each $50 per ounce change in the average price of gold and $0.01 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.

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Oil and Gas Cash Production Costs per BOE. Based on current sales volume and cost estimates for the second half of 2015, oil and gas cash production costs are expected to approximate $20 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 (refer to “Consolidated Results – Income Taxes” for further discussion of projected income taxes), other working capital changes and other factors. Based on current sales volume and cost estimates, and assuming average prices of $2.50 per pound of copper, $1,150 per ounce of gold, $6 per pound of molybdenum and $56 per barrel of Brent crude oil for the second half of 2015, consolidated operating cash flows are estimated to approximate $3.6 billion for the year 2015. The impact of price changes during the second half of 2015 on operating cash flows would approximate $190 million for each $0.10 per pound change in the average price of copper, $25 million for each $50 per ounce change in the average price of gold, $60 million for each $2 per pound change in the average price of molybdenum and $55 million for each $5 per barrel change in the average Brent crude oil price.

MARKETS

Metals. World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2005 through July 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 $5.87 per pound in 2015 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 July 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. Renewed concerns about Chinese economic growth rates, concerns about Europe, continued U.S. dollar strength and broad-based weakness in commodity prices in general put downward pressure on copper prices during second-quarter 2015. LME spot copper prices ranged from a low of $2.56 per pound to a high of

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$2.92 per pound during second-quarter 2015, averaged $2.74 per pound and closed at $2.60 per pound on June 30, 2015. LME spot copper prices have declined further during July 2015, closing at $2.37 per pound on July 31, 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 existing 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.

This graph presents London PM gold prices from January 2005 through July 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 second-quarter 2015, London PM gold prices ranged from a low of $1,165 per ounce to a high of $1,225 per ounce, averaged $1,192 per ounce and closed at $1,171 per ounce on June 30, 2015. Gold prices have declined further during 2015 and closed at $1,098 per ounce on July 31, 2015.

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This graph presents the Metals Week Molybdenum Dealer Oxide weekly average prices from January 2005 through July 2015. Molybdenum prices have declined since mid-2014 because of weaker demand from European and U.S. steel and stainless steel producers. During second-quarter 2015, the weekly average price of molybdenum ranged from a low of $6.38 per pound to a high of $8.24 per pound, averaged $7.57 per pound and was $6.38 on June 30, 2015. The Metals Week Molybdenum Dealer Oxide weekly average price has declined further during July 2015 and was $5.87 per pound on July 31, 2015.

Oil and Gas. Market prices for crude oil and natural gas can fluctuate significantly. During the period from January 2005 through July 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 July 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 continued strong production from U.S. shale plays, the Organization of Petroleum Exporting Countries and Russia, coupled with weak economic data in Europe and slowing Chinese demand. During second-quarter 2015, Brent crude oil prices ranged from a low of $54.95 per barrel to a high of $67.77 per barrel, averaged $63.57 per barrel and were $63.59 per barrel on June 30, 2015. The Brent crude oil price has declined further during July 2015 and was $52.21 per barrel on July 31, 2015.

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CONSOLIDATED RESULTS

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015		2014[a]		2015		2014[a]	
SUMMARY FINANCIAL DATA	(in millions, except per share amounts)							
Revenues[b,c,d]	$4,248		$5,522		$8,401		$10,507	
Operating (loss) income[b,c,d]	$(2,374	) [e,f,g]	$1,153	[h,i]	$(5,337	) [e,f,g,j]	$2,264	[h,i]
Net (loss) income attributable to common stock[c,d,k]	$(1,851	) [e,f,g,l,m]	$482	[h,i,n]	$(4,325	) [e,f,g,j,l,m]	$992	[h,i,n]
Diluted net (loss) income per share attributable to common stock	$(1.78	) [e,f,g,l,m]	$0.46	[h,i,n]	$(4.16	) [e,f,g,j,l,m]	$0.95	[h,i,n]
Diluted weighted-average common shares outstanding	1,040		1,045		1,040		1,045	
Operating cash flows[o]	$1,069		$1,386		$1,786		$2,587	
Capital expenditures								