Freeport-McMoRan Reports Fourth-Quarter and Year Ended December 31, 2014 Results

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PHOENIX--(BUSINESS WIRE)-- Freeport-McMoRan Inc. (NYSE: FCX):

- **Net loss** attributable to common stock totaled $2.9 billion, $2.75 per share, for fourth-quarter 2014 and $1.3 billion, $1.26 per share, for the year 2014. After adjusting for special items (see page 2) totaling $3.1 billion, $3.00 per share, for fourth-quarter 2014 and $3.3 billion, $3.22 per share, for the year 2014, adjusted net income attributable to common stock totaled $257 million, $0.25 per share, for fourth-quarter 2014 and $2.0 billion, $1.96 per share, for the year 2014.
- **Consolidated sales** totaled 972 million pounds of copper, 377 thousand ounces of gold, 21 million pounds of molybdenum and 12.1 million barrels of oil equivalents (MMBOE) for fourth-quarter 2014 and 3.9 billion pounds of copper, 1.25 million ounces of gold, 95 million pounds of molybdenum and 56.8 MMBOE for the year 2014.
- **Consolidated sales** for the year 2015 are expected to approximate 4.3 billion pounds of copper, 1.3 million ounces of gold, 95 million pounds of molybdenum and 55.5 MMBOE, including 950 million pounds of copper, 225 thousand ounces of gold, 23 million pounds of molybdenum and 13.1 MMBOE for first-quarter 2015.
- **Average realized prices** for fourth-quarter 2014 were $2.95 per pound for copper, $1,193 per ounce for gold and $78.02 per barrel for oil.
- **Consolidated unit net cash costs** for fourth-quarter 2014 averaged $1.47 per pound of copper for mining operations and $21.93 per barrel of oil equivalents (BOE) for oil and gas operations.
- **Operating cash flows** totaled $1.1 billion for fourth-quarter 2014 and $5.6 billion (net of $0.6 billion in working capital uses and changes in other tax payments) for the year 2014. Based on current sales volume and cost estimates and assuming average prices of $2.60 per pound for copper, $1,300 per ounce for gold, $9 per pound for molybdenum and $50 per barrel for Brent crude oil, operating cash flows for the year 2015 are

estimated to approximate $4 billion (including $0.2 billion of working capital sources and changes in other tax payments).

- **Capital expenditures** totaled $1.8 billion for fourth-quarter 2014 and $7.2 billion for the year 2014, including $2.9 billion for major projects at mining operations and $3.2 billion for oil and gas operations. Capital expenditures are expected to approximate $6.0 billion for the year 2015, including $2.5 billion for major projects at mining operations and $2.3 billion for oil and gas operations, reflecting a 34 percent decrease in oil and gas expenditures.

- On November 3, 2014, FCX **completed the sale** of its 80 percent ownership interests in the Candelaria and Ojos del Salado copper mining operations for $1.8 billion in cash.

- During fourth-quarter 2014, FM O&G **achieved several positive results** in its exploration and development program, including positive well results at Holstein Deep, Power Nap and Dorado in the Deepwater Gulf of Mexico (GOM) and a successful well test at Highlander onshore in South Louisiana.

- FCX is taking aggressive actions to **reduce or defer capital expenditures and other costs** and has initiated efforts to obtain third-party funding for a significant portion of its oil and gas capital expenditures to maintain financial strength and flexibility in response to recent sharp declines in oil prices. In addition, FCX is monitoring copper markets and will be responsive to market conditions. As a first step, FCX has reduced budgeted 2015 capital expenditures, exploration and other costs by a total of $2 billion. FCX has a broad set of natural resource assets that provide many alternatives for future actions to enhance its financial flexibility. Additional capital cost reductions, potential additional divestitures or monetizations and other actions will be pursued as required to maintain a strong balance sheet while preserving a strong resource position and portfolio of assets with attractive long-term growth prospects.

- At December 31, 2014, **consolidated debt** totaled $19.0 billion and **consolidated cash** totaled $464 million.

Freeport-McMoRan Inc. (NYSE: FCX) reported net loss attributable to common stock of $2.9 billion, $2.75 per share, for fourth-quarter 2014 and $1.3 billion, $1.26 per share, for the year 2014, compared with net income of $707 million, $0.68 per share, for fourth-quarter 2013 and $2.7 billion, $2.64 per share, for the year 2013. FCX's net loss attributable to common stock included net charges of $3.1 billion ($3.00 per share) in fourth-quarter 2014 and $3.3 billion ($3.22 per share) for the year 2014, primarily comprised of amounts associated with a reduction in the carrying values of oil and gas properties pursuant to full cost

accounting rules and goodwill impairment charges, partly offset by net noncash mark-to-market gains on oil and gas derivative contracts and a net gain from the sale of the Candelaria and Ojos del Salado mining operations. Net income attributable to common stock included net charges of $166 million ($0.16 per share) in fourth-quarter 2013 and $47 million ($0.04 per share) for the year 2013, comprised of net noncash mark-to-market losses on oil and gas derivative contracts and other items described in the summary financial data below.

James R. Moffett, Chairman of the Board; Richard C. Adkerson, Vice Chairman, and FCX President and Chief Executive Officer; and James C. Flores, Vice Chairman, and FM O&G President and Chief Executive Officer, said, "During 2014, our organization achieved strong operating performance and project development milestones despite challenging commodity market conditions, which emerged late in the year. As we enter 2015, we are implementing a series of initiatives to reduce capital and operating costs to maintain financial strength during a period of weaker commodity prices while preserving a strong resource position and a portfolio of assets with attractive long-term growth prospects. With our high quality portfolio of large scale assets, exposure to markets with favorable long-term fundamentals, and track record for effective management of our operations and balance sheet, we are confident in our ability to generate value for shareholders."

SUMMARY FINANCIAL DATA

	Thre D	
	2014	
Revenues[b]	$ 5,235	c,d
Operating (loss) income[b]	$ (3,299)	e,f,g
Net (loss) income attributable to common stock[j]	$ (2,852)	c,d,e
Diluted net (loss) income per share of common stock	$ (2.75)	c,d,e
Diluted weighted-average common shares outstanding	1,039	
Operating cash flows[n]	$ 1,118	
Capital expenditures[b]	$ 1,800	
At December 31:		
Cash and cash equivalents	$ 464	
Total debt, including current portion	$ 18,970	

a. Includes the results of FCX Oil & Gas Inc. (FM O&G) beginning June 1, 2013.
b. For segment financial results, refer to the supplemental schedules, "Business Segments," begi
c. Includes unfavorable adjustments to provisionally priced concentrate and cathode copper sales per share) for fourth-quarter 2014, $21 million ($9 million to net income attributable to common st

stock or $0.06 per share) for the year 2014 and $26 million ($12 million to net income attributable
schedule, "Derivative Instruments," beginning on page X, which is available on FCX's website, "
d. Includes net noncash mark-to-market gains (losses) associated with crude oil and natural gas
share) for fourth-quarter 2014, $(118) million ($(73) million to net income attributable to common
common stock or $0.37 per share) for the year 2014 and $(312) million ($(194) million to net inco
December 31, 2013. For further discussion, refer to the supplemental schedule, "Derivative Instru
e. Includes charges of $3.4 billion ($2.1 billion to net loss attributable to common stock or $2.05 p
per share) for the year 2014 to reduce the carrying value of oil and gas properties pursuant to full
billion ($1.7 billion to net loss attributable to common stock or $1.65 per share).
f. Includes gains of $671 million ($450 million to net loss attributable to common stock or $0.43 pe
$0.46 per share) for the year 2014, primarily from the sale of FCX's 80 percent interests in the Ca
g. Includes net (charges) credits for adjustments to environmental obligations and related litigatio
quarter 2014, $(33) million ($(24) million to net income attributable to common stock or $(0.02) pe
per share) for the year 2014 and $(19) million ($(17) million to net income attributable to common
h. The 2014 periods include charges totaling $37 million ($23 million to net loss attributable to co
gas operations.
i. The 2013 periods include charges of (i) $76 million ($49 million to net income attributable to co
recoverable copper in leach stockpiles, (ii) $37 million ($23 million to net income attributable to c
($13 million to net income attributable to common stock or $0.01 per share) associated with a ne
million ($50 million to net income attributable to common stock or $0.05 per share) principally ass
j. FCX defers recognizing profits on intercompany sales until final sales to third parties occur. For
Profits," on page XI, which is available on FCX's website.
k. Includes net gains (losses) on early extinguishment of debt totaling $10 million ($(18) million to
to net loss attributable to common stock or less than $0.01 per share) for the year 2014 related to
$(0.03) per share) for the year 2013 primarily related to the termination of the acquisition bridge l
l. Includes a net tax benefit (charge) of $6 million (less than $0.01 per share) in fourth-quarter 201
(charges) impacting the 2014 periods, refer to the supplemental schedule, "Income Taxes," on pa
m. Includes gains associated with the oil and gas acquisitions, including (i) $16 million to net inco
attributable to common stock ($0.20 per share) for the year 2013 associated with net reductions i
attributable to common stock ($0.13 per share) for the year 2013 related to FCX's preferred stock
n. Includes net working capital sources (uses) and changes in other tax payments of $67 million f
for the year 2013.

SUMMARY OPERATING DATA

Copper (millions of recoverable pounds)
Production
Sales, excluding purchases
Average realized price per pound
Site production and delivery costs per pound[b]
Unit net cash costs per pound[b]

Gold (thousands of recoverable ounces)
Production
Sales, excluding purchases
Average realized price per ounce
Molybdenum (millions of recoverable pounds)
Production
Sales, excluding purchases
Average realized price per pound
Oil Equivalents
Sales volumes:
MMBOE
Thousand BOE (MBOE) per day
Cash operating margin per BOE:[e]
Realized revenues
Cash production costs
Cash operating margin

a. Includes the results of FM O&G beginning June 1, 2013.
b. Reflects per pound weighted-average production and delivery costs and unit net cash costs (ne
reconciliations of per pound unit costs by operating division to production and delivery costs appl
schedules, "Product Revenues and Production Costs," beginning on page XIV, which is available
c. Excludes $0.04 per pound of copper for fixed costs charged directly to cost of sales as a result
d. Includes $0.05 per pound of copper in fourth-quarter 2014 and $0.03 per pound of copper for th
e. Cash operating margin for oil and gas operations reflects realized revenues less cash productio
and cash production costs exclude accretion and other costs. For reconciliations of realized rever
in FCX's consolidated financial statements, refer to the supplemental schedules, “Product Revenu
“www.fcx.com.”

Consolidated Sales Volumes

Fourth-quarter 2014 consolidated **copper** sales of 972 million pounds were lower than fourth-quarter 2013 sales of 1.14 billion pounds, primarily reflecting the sale of Candelaria in November 2014 and lower sales from Cerro Verde and Indonesia, partly offset by higher sales from North America. Fourth-quarter 2014 sales were approximately three percent lower than the October 2014 estimate of 1.0 billion pounds, primarily reflecting lower production from Indonesia as a result of labor-related work stoppages during the period.

Fourth-quarter 2014 consolidated **gold** sales of 377 thousand ounces were lower than fourth-quarter 2013 sales of 512 thousand ounces because of anticipated lower ore grades, but higher than the October 2014 estimate of 350 thousand ounces.

Fourth-quarter 2014 consolidated **molybdenum** sales of 21 million pounds were slightly lower than fourth-quarter 2013 sales of 22 million pounds, but

approximated the October 2014 estimate of 21 million pounds.

Fourth-quarter 2014 sales from oil and gas operations of 12.1 MMBOE, including 8.1 million barrels (MMBbls) of **crude oil**, 20.9 billion cubic feet (Bcf) of **natural gas** and 0.6 MMBbls of **natural gas liquids** (NGLs), were lower than fourth-quarter 2013 sales of 16.6 MMBOE because of the sale of the Eagle Ford properties in June 2014, but were higher than the October 2014 estimate of 11.5 MMBOE, reflecting strong well performance and reduced downtime.

Consolidated sales for the year 2015 are expected to approximate 4.3 billion pounds of copper, 1.3 million ounces of gold, 95 million pounds of molybdenum and 55.5 MMBOE, including 950 million pounds of copper, 225 thousand ounces of gold, 23 million pounds of molybdenum and 13.1 MMBOE in first-quarter 2015.

Consolidated Unit Costs

Mining Unit Net Cash Costs. Consolidated average unit net cash costs (net of by-product credits) for FCX's copper mines of $1.47 per pound of copper in fourth-quarter 2014 were higher than unit net cash costs of $1.16 per pound in fourth-quarter 2013, primarily reflecting lower copper and gold sales volumes.

Assuming average prices of $1,300 per ounce of gold and $9 per pound of molybdenum and achievement of current sales volume and cost estimates, consolidated unit net cash costs (net of by-product credits) for 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 on 2015 consolidated unit net cash costs would approximate $0.015 per pound for each $50 per ounce change in the average price of gold and $0.02 per pound for each $2 per pound change in the average price of molybdenum.

Oil and Gas Cash Production Costs per BOE. Cash production costs for oil and gas operations of $21.93 per BOE in fourth-quarter 2014 were higher than cash production costs of $17.63 per BOE in fourth-quarter 2013, but were lower than the October 2014 estimate of $24 per BOE, primarily reflecting improved volumes. Higher cash production costs per BOE in fourth-quarter 2014, compared to fourth-quarter 2013, primarily reflected the sale of lower cost Eagle Ford properties in June 2014 and higher operating costs for the GOM.

Based on current sales volume and cost estimates, cash production costs are expected to approximate $18 per BOE for the year 2015.

MINING OPERATIONS

North America Copper Mines. FCX operates seven open-pit copper mines in North America - Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and

Chino and Tyrone in New Mexico. All of the North America mining operations are wholly owned, except for Morenci. FCX records its 85 percent joint venture interest in Morenci using the proportionate consolidation method. In addition to copper, molybdenum concentrates are also produced by certain of FCX's North America copper mines.

Operating and Development Activities. FCX has increased production from its North America copper mines in recent years and continues to evaluate a number of opportunities to add production capacity following positive exploration results. Future investments will be undertaken based on the results of economic and technical feasibility studies and market conditions.

At Morenci, the mill expansion project commenced operations in May 2014 and is expected to achieve full rates in first-quarter 2015. The project targets average incremental annual production of approximately 225 million pounds of copper through an increase in milling rates from 50,000 metric tons of ore per day to approximately 115,000 metric tons of ore per day. Morenci's mill rates averaged 100,900 metric tons per day in fourth-quarter 2014. Morenci's copper production is expected to average over 900 million pounds per year over the next five years, compared with 691 million pounds in 2014.

Construction of the expanded Morenci milling facility is substantially complete. Remaining items include completion of the molybdenum circuit, which adds capacity of approximately 9 million pounds of molybdenum per year, and the construction of an expanded tailings storage facility, which is expected to be completed in 2015. At December 31, 2014, approximately $1.6 billion had been incurred for the Morenci mill expansion project, with approximately $55 million remaining to be incurred.

Operating Data. Following is summary consolidated operating data for the North America copper mines for the fourth quarters and years ended 2014 and 2013:

Copper (millions of recoverable pounds)
Production
Sales, excluding purchases
Average realized price per pound

Molybdenum (millions of recoverable pounds)
Production[a]

Unit net cash costs per pound of copper[b]

Site production and delivery, excluding adjustments
By-product credits
Treatment charges
Unit net cash costs

a. Refer to summary operating data on page 4 for FCX's consolidated molybdenum sales, which
b. For a reconciliation of unit net cash costs per pound to production and delivery costs applicable
schedules, "Product Revenues and Production Costs," beginning on page XIV, which is available

North America's consolidated copper sales volumes of 434 million pounds in fourth-quarter 2014 were higher than fourth-quarter 2013 sales of 334 million pounds, primarily reflecting higher mining and milling rates at Morenci and higher ore grades at Chino. Copper sales from North America are expected to increase to approximately 1.9 billion pounds of copper for the year 2015, compared with 1.66 billion pounds of copper in 2014, primarily as a result of higher rates from the Morenci mill expansion.

Average unit net cash costs (net of by-product credits) for the North America copper mines of $1.74 per pound of copper in fourth-quarter 2014 were lower than unit net cash costs of $1.82 per pound in fourth-quarter 2013, primarily reflecting higher copper sales volumes. Average unit net cash costs (net of by-product credits) for the North America copper mines are expected to approximate $1.67 per pound of copper for the year 2015, based on current sales volume and cost estimates and assuming an average molybdenum price of $9 per pound. North America's average unit net cash costs for the year 2015 would change by approximately $0.04 per pound for each $2 per pound change in the average price of molybdenum.

South America Mining. FCX operates two copper mines in South America - Cerro Verde in Peru (in which FCX owns a 53.56 percent interest) and El Abra in Chile (in which FCX owns a 51 percent interest). All operations in South America are consolidated in FCX's financial statements. In addition to copper, the Cerro Verde mine produces molybdenum concentrates.

On November 3, 2014, FCX completed the previously announced sale of its 80 percent ownership interests in the Candelaria and Ojos del Salado copper mining operations and supporting infrastructure to Lundin Mining Corporation for $1.8 billion in cash, before closing adjustments and contingent consideration of up to $200 million. Excluding contingent consideration, FCX received after-tax net proceeds of $1.5 billion and recorded an after-tax net gain of $450 million.

Development Activities. Construction activities associated with a large-scale expansion at Cerro Verde are advancing toward completion in late 2015. Detailed engineering and major procurement activities are complete and construction progress is more than 50 percent complete. The project will expand the

concentrator facilities from 120,000 metric tons of ore per day to 360,000 metric tons of ore per day and provide incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum beginning in 2016. As of December 31, 2014, $3.1 billion had been incurred for this project, with approximately $1.5 billion remaining to be incurred.

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

Operating Data. Following is summary consolidated operating data for the South America mining operations for the fourth quarters and years ended 2014 and 2013:

Copper (millions of recoverable pounds)
Production
Sales
Average realized price per pound

Gold (thousands of recoverable ounces)
Production
Sales
Average realized price per ounce

Molybdenum (millions of recoverable pounds)
Production[b]

Unit net cash costs per pound of copper[c]
Site production and delivery, excluding adjustments
By-product credits
Treatment charges
Royalty on metals
Unit net cash costs

a. Includes the results of the Candelaria and Ojos del Salado mines through November 3, 2014.
b. Refer to summary operating data on page 4 for FCX's consolidated molybdenum sales, which
c. For a reconciliation of unit net cash costs per pound to production and delivery costs applicable
schedules, "Product Revenues and Production Costs," beginning on page XIV, which is available
d. The 2013 periods include charges of $36 million ($0.09 per pound of copper for fourth-quarter

South America's consolidated copper sales volumes of 247 million pounds in fourth-quarter 2014 were lower than fourth-quarter 2013 sales of 402 million pounds, primarily reflecting the sale of the Candelaria and Ojos del Salado operations and anticipated lower ore grades at Cerro Verde. Sales from South America mining are expected to approximate 0.9 billion pounds of copper for the year 2015, compared with sales of 1.14 billion pounds of copper in 2014.

Average unit net cash costs (net of by-product credits) for South America mining of $1.71 per pound of copper in fourth-quarter 2014 were higher than unit net cash costs of $1.30 per pound in fourth-quarter 2013, primarily reflecting lower volumes from Cerro Verde combined with lower by-product credits primarily resulting from the sale of the Candelaria and Ojos del Salado mining operations. Average unit net cash costs (net of by-product credits) for South America mining are expected to approximate $1.70 per pound of copper for the year 2015, based on current sales volume and cost estimates and assuming an average price $9 per pound of molybdenum.

Indonesia Mining. Through its 90.64 percent owned and consolidated subsidiary PT-FI, FCX's assets include one of the world's largest copper and gold deposits at the Grasberg minerals district in Papua, Indonesia. PT-FI operates a proportionately consolidated joint venture, which produces copper concentrates that contain significant quantities of gold and silver.

Regulatory Matters. On July 25, 2014, PT-FI entered into a Memorandum of Understanding (MOU) with the Indonesian government under which PT-FI and the government agreed to negotiate an amended Contract of Work (COW) to address provisions related to the size of PT-FI's concession area, royalties and taxes, domestic processing and refining, divestment, local content, and continuation of operations post-2021. PT-FI is engaged in active discussion with the Indonesian government regarding an amended COW. The MOU has been extended to July 25, 2015.

Provisions being addressed include the development of new copper smelting and refining capacity in Indonesia, divestment to the Indonesian government and/or Indonesian nationals of up to a 30 percent interest (an additional 20.64 percent interest) in PT-FI at fair value, and continuation of operations from 2022 through 2041. Negotiations are taking into consideration PT-FI's need for assurance of legal and fiscal terms post-2021 for PT-FI to continue with its large-scale investment program for the development of its underground reserves.

In July 2014, PT-FI provided a $115 million assurance bond to support its commitment for smelter development, agreed to increase royalties to 4.0 percent for copper and 3.75 percent for gold from the previous rates of 3.5 percent for copper and 1.0 percent for gold, and to pay export duties initially as set forth in a

new regulation. The Indonesian government revised its January 2014 regulations regarding export duties, which are now set at 7.5 percent, declining to 5.0 percent when smelter development progress exceeds 7.5 percent and are eliminated when smelter development progress exceeds 30 percent.

Under the MOU, no terms of the COW other than those relating to export duties, the smelter bond and royalties described above will be changed until the completion of an amended COW.

PT-FI is advancing plans for the construction of new smelter capacity in parallel with completion of negotiations of its long-term operating rights. PT-FI has identified a site adjacent to the existing PT Smelting site in Gresik, Indonesia, for the construction of additional smelter capacity. In addition, PT-FI will discuss the possibility of developing industrial activities in Papua.

PT-FI is required to apply for renewal of export permits at six-month intervals. In January 2015, PT-FI obtained a renewal of its export license through July 25, 2015.

Development Activities. PT-FI has several projects in progress in the Grasberg minerals district related to the development of large-scale, long-lived, high-grade underground ore bodies. In aggregate, these underground ore bodies are expected to ramp up over several years to process approximately 240,000 metric tons of ore per day following the transition from the Grasberg open pit, currently anticipated to occur in late 2017. Development of the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) underground mines is advancing to enable DMLZ to commence production in late 2015 and the Grasberg Block Cave mine to commence production in early 2018. Over the next five years, estimated aggregate capital spending on these projects is currently expected to average $0.9 billion per year ($0.7 billion per year net to PT-FI). Considering the long-term nature and size of these projects, actual costs could vary from these estimates. Additionally, PT-FI may reduce or defer these activities pending resolution of negotiations for an amended COW.

Operating Data. Following is summary consolidated operating data for the Indonesia mining operations for the fourth quarters and years ended 2014 and 2013:

Copper (millions of recoverable pounds)
Production
Sales

Average realized price per pound

Gold (thousands of recoverable ounces)
Production
Sales
Average realized price per ounce

Unit net cash costs per pound of copper[a]
Site production and delivery, excluding adjustments
Gold and silver credits
Treatment charges
Export duties
Royalty on metals
Unit net cash costs

a. For a reconciliation of unit net cash costs per pound to production and delivery costs applicable
"Product Revenues and Production Costs," beginning on page XIV, which is available on FCX's w
b. Excludes fixed costs totaling $0.22 per pound of copper charged directly to cost of sales as a r
c. Includes $0.08 per pound of copper in fourth-quarter 2014 and $0.05 per pound of copper for th

Indonesia's fourth-quarter 2014 sales of 180 million pounds of copper and 366 thousand ounces of gold were lower than fourth-quarter 2013 copper sales of 292 million pounds and gold sales of 476 thousand ounces, reflecting anticipated lower ore grades and unplanned work stoppages. During fourth-quarter 2014, reduced workforce attendance levels in certain operating areas (primarily in the Grasberg open-pit) unfavorably impacted productivity. Following discussions with union leadership and other stakeholders, attendance levels improved significantly by year-end 2014 and in January 2015.

At the Grasberg mine, the sequencing of mining areas with varying ore grades causes fluctuations in quarterly and annual production of copper and gold. Sales from Indonesia mining are expected to approximate 1.0 billion pounds of copper and 1.3 million ounces of gold for the year 2015, compared with 664 million pounds of copper and 1.2 million ounces of gold for the year 2014. PT-FI has updated its mine plans to incorporate lower than planned mining rates associated with work stoppages in late 2014, resulting in a deferral of completion of mining in the open pit from mid-2017 to late 2017 and resulting timing impacts of metal production.

A significant portion of PT-FI's costs are fixed and unit costs vary depending on production volumes. Indonesia's unit net cash costs (including gold and silver credits) of $0.58 per pound of copper in fourth-quarter 2014 were higher than unit net cash costs of $0.21 per pound in fourth-quarter 2013, primarily reflecting lower volumes, the impact of export duties and increased royalty rates.

Unit net cash costs (net of gold and silver credits) for Indonesia mining are expected to approximate $1.19 per pound of copper for the year 2015, based on current sales volume and cost estimates, and assuming an average gold price of $1,300 per ounce. Indonesia mining's projected unit net cash costs would change by approximately $0.06 per pound for each $50 per ounce change in the average price of gold. Because of the fixed nature of a large portion of Indonesia's costs, unit costs vary from quarter to quarter depending on copper and gold volumes.

Africa Mining. Through its 56 percent owned and consolidated subsidiary Tenke Fungurume Mining S.A.R.L. (TFM), FCX operates in the Tenke Fungurume (Tenke) minerals district in the Katanga province of the Democratic Republic of Congo (DRC). In addition to copper, the Tenke mine produces cobalt hydroxide.

Operating and Development Activities. TFM completed its second phase expansion project in early 2013, which included increasing mine, mill and processing capacity. Construction of a second sulphuric acid plant is under way, with completion expected in 2016. FCX continues to engage in exploration activities and metallurgical testing to evaluate the potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in future plans for potential expansions of production capacity. Future expansions are subject to a number of factors, including power availability, economic and market conditions, and the business and investment climate in the DRC.

Operating Data. Following is summary consolidated operating data for TFM's operations for the fourth quarters and years ended 2014 and 2013:

Copper (millions of recoverable pounds)
Production
Sales
Average realized price per pound[a]

Cobalt (millions of contained pounds)
Production
Sales
Average realized price per pound

Unit net cash costs per pound of copper[b]
Site production and delivery, excluding adjustments
Cobalt credits[c]
Royalty on metals
Unit net cash costs

a. Includes point-of-sale transportation costs as negotiated in customer contracts.
b. For a reconciliation of unit net cash costs per pound to production and delivery costs applicable
schedules, "Product Revenues and Production Costs," beginning on page XIV, which is available
c. Net of cobalt downstream processing and freight costs.

TFM's copper sales of 111 million pounds in fourth-quarter 2014 approximated fourth-quarter 2013 copper sales of 112 million pounds. TFM's sales are expected to approximate 445 million pounds of copper and 32 million pounds of cobalt for the year 2015, compared with 425 million pounds of copper and 30 million pounds of cobalt for the year 2014.

Africa mining's unit net cash costs (net of cobalt credits) of $1.37 per pound of copper in fourth-quarter 2014 were higher than unit net cash costs of $1.14 per pound in fourth-quarter 2013, reflecting higher production and delivery costs primarily related to input and mine logistics support costs. Unit net cash costs (net of cobalt credits) for Africa mining are expected to approximate $1.31 per pound of copper for the year 2015, based on current sales volume and cost estimates and assuming an average cobalt price of $13 per pound. Africa mining's projected unit net cash costs would change by approximately $0.09 per pound for each $2 per pound change in the average price of cobalt.

Molybdenum Mines. FCX has two wholly owned molybdenum mines in North America - the Henderson underground mine and the Climax open-pit mine, both in Colorado. The Henderson and Climax mines produce high-purity, chemical-grade molybdenum concentrates, which are typically further processed into value-added molybdenum chemical products. The majority of molybdenum concentrates produced at the Henderson and Climax mines, as well as from North and South America copper mines, are processed at FCX's conversion facilities.

Production from the Molybdenum mines totaled 11 million pounds of molybdenum in fourth-quarter 2014 and 12 million pounds of molybdenum in fourth-quarter 2013. Refer to summary operating data on page 4 for FCX's consolidated molybdenum sales, which includes sales of molybdenum produced at the Molybdenum mines, and from the North and South America copper mines.

Average unit net cash costs for the Molybdenum mines of $8.21 per pound of molybdenum in fourth-quarter 2014 were higher than $7.36 per pound in fourth-quarter 2013, primarily reflecting higher input and repair and maintenance costs. Based on current sales volume and cost estimates, unit net cash costs for the Molybdenum mines are expected to average approximately $7.60 per pound of molybdenum for the year 2015. For a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in FCX's consolidated financial statements, refer to the supplemental schedules, "Product

Revenues and Production Costs," beginning on page XIV, which is available on FCX's website, "www.fcx.com."

Mining Exploration Activities. FCX is conducting exploration activities near its existing mines with a focus on opportunities to expand reserves and resources to support development of additional future production capacity in the large minerals districts where it currently operates. Exploration results continue to indicate opportunities for significant future reserve additions in North and South America and in the Tenke minerals district. The drilling data in North America also indicates the potential for significantly expanded sulfide production. Drilling results and exploration modeling in North America have identified large scale potential sulfide resources in the Morenci and Safford/Lone Star districts, providing a long-term pipeline for future growth in reserves and production capacity in an established minerals district. Exploration spending associated with mining operations is expected to approximate $100 million for the year 2015, compared to $96 million in 2014.

Preliminary Recoverable Proven and Probable Mineral Reserves. FCX has significant reserves, resources and future development opportunities within its portfolio of mining assets. FCX's preliminary estimated consolidated recoverable proven and probable reserves from its mines at December 31, 2014, include 103.5 billion pounds of copper, 28.5 million ounces of gold and 3.11 billion pounds of molybdenum, which were determined using long-term average prices of $2.00 per pound for copper (consistent with the long-term average copper price used since December 31, 2010), $1,000 per ounce for gold and $10.00 per pound for molybdenum. The preliminary recoverable proven and probable mining reserves presented in the table below represent the estimated metal quantities from which FCX expects to be paid after application of estimated metallurgical recovery rates and smelter recovery rates, where applicable. Recoverable reserve volumes are those which FCX estimates can be economically and legally extracted or produced at the time of the reserve determination.

Prelimin

	Copper (billion pounds)
North America	35.6
South America	31.8
Indonesia	29.0
Africa	7.1
Consolidated basis[a]	103.5
Net equity interest[b]	82.8

a. Consolidated reserves represent estimated metal quantities after reduction for joint venture pa
Indonesia. Excluded from the table above are FCX's consolidated reserves of 282.9 million ounc
Africa, determined using long-term average prices of $15 per ounce for silver and $10 per pound
b. Net equity interest reserves represent estimated consolidated metal quantities reduced for non
reserves totaling 232.4 million ounces for silver in North and South America and Indonesia and 0

The following table summarizes changes in FCX's estimated consolidated recoverable proven and probable copper, gold and molybdenum reserves during 2014:

	Copper (billions of lbs)	**Gold** (millions of ozs)	**Molybdenum** (billions of lbs)
Reserves at December 31, 2013	111.2	31.3	3.26
Net revisions	(0.1)	(0.6)	(0.05)
Production	(3.9)	(1.2)	(0.10)
Sale of Candelaria and Ojos del Salado	(3.7)	(1.0)	—
Reserves at December 31, 2014	103.5	28.5	3.11

In addition to preliminary consolidated recoverable proven and probable reserves, FCX's preliminary estimated mineralized material (assessed using a long-term average copper price of $2.20 per pound for copper) totals 103 billion pounds of incremental contained copper as of December 31, 2014. FCX continues to pursue opportunities to convert this material into reserves, future production volumes and cash flow.

OIL & GAS OPERATIONS

FCX's portfolio of oil and gas assets includes significant oil production facilities and growth potential in the Deepwater GOM, established oil production facilities onshore and offshore California, large onshore natural gas resources in the Haynesville shale play in Louisiana, natural gas production from the Madden area in central Wyoming, and an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend located in the shallow waters of the GOM and onshore in South Louisiana. Approximately 90 percent of FCX's oil and gas revenues are from oil and NGLs.

FM O&G follows the full cost method of accounting whereby all costs associated with oil and gas property acquisition, exploration and development activities are capitalized into cost centers on a country-by-country basis. Capitalized costs, along with estimated future costs to develop proved reserves and asset

retirement costs that are not already included in oil and gas properties, net of related salvage value, are amortized to expense under the unit-of-production method using estimates of proved oil and natural gas reserves. The costs of unproved oil and gas properties are excluded from amortization until the properties are evaluated, at which time the related costs are subject to amortization. Under the full cost accounting rules, a "ceiling test" is conducted each quarter to review the carrying value of the oil and gas properties for impairment.

At December 31, 2014 and September 30, 2014, net capitalized costs with respect to FM O&G's proved U.S. oil and gas properties exceeded the ceiling amount specified by SEC full cost accounting rules, which resulted in the recognition of ceiling test impairment charges totaling $3.7 billion ($2.3 billion to net loss attributable to common stock) for the year 2014, including $3.4 billion ($2.1 billion to net loss attributable to common stock) recorded in fourth-quarter 2014. The twelve-month average of the first-day-of-the-month historical reference oil price required to be used under SEC full cost accounting rules in determining the December 31, 2014, ceiling amount was $94.99 per barrel.

Additionally, during fourth-quarter 2014, goodwill associated with FCX's oil and gas operations was evaluated, which resulted in impairment charges of $1.7 billion ($1.7 billion to net loss attributable to common stock) to reduce the value of goodwill to zero at December 31, 2014. Crude oil prices and our estimates of oil reserves at December 31, 2014, represent the most significant assumptions used in our evaluation of goodwill. Forward strip Brent oil prices used in our estimates ranged from approximately $62 per barrel to $80 per barrel for the years 2015 through 2021.

Because the ceiling test limitation uses a twelve-month historical average price, if oil prices remain below the twelve-month 2014 average of $94.99 per barrel the ceiling limitation will decrease in 2015. The effect of weaker oil prices than the 2014 average, increases in capitalized costs and other factors could result in significant additional ceiling test impairments of our oil and gas properties during 2015. Brent crude oil prices averaged $77 per barrel during fourth-quarter 2014 and were $57 per barrel at December 31, 2014, and $48 per barrel at January 26, 2015.

Financial and Operating Data. Following is summary financial and operating data for the U.S. oil and gas operations for the fourth quarters and years ended 2014 and 2013:

Financial Summary (in millions)
Realized revenues[c]
Less: Cash production costs[c]
Cash operating margin
Capital expenditures
Sales Volumes
Oil (MMBbls)
Natural gas (Bcf)
NGLs (MMBbls)
MMBOE
Average Realizations[c]
Oil (per barrel)
Natural gas (per million British thermal units, or MMBtu)
NGLs (per barrel)
Cash Operating Margin per BOE[c]
Realized revenues
Less: cash production costs
Cash operating margin

a. Includes results from Eagle Ford through June 19, 2014.
b. Includes the results of FM O&G beginning June 1, 2013.
c. Cash operating margin for oil and gas operations reflects realized revenues less cash productio contracts, and cash production costs exclude accretion and other costs. For reconciliations of rea costs to revenues and production and delivery costs reported in FCX's consolidated financial stat beginning on page XIV, which is available on FCX's website, "www.fcx.com."

In fourth-quarter 2014, FM O&G's average realized price for crude oil was $78.02 per barrel, including $7.77 per barrel of realized cash gains on derivative contracts. Excluding the impact of derivative contracts, the fourth-quarter 2014 average realized price for crude oil was $70.25 per barrel (91 percent of the average Brent crude oil price of $77.08 per barrel).

FM O&G has derivative contracts that provide price protection between $70 and $90 per barrel of Brent crude oil for more than 80 percent of estimated 2015 oil production. At current Brent crude oil prices approximating $50 per barrel, FCX would receive a benefit of $20 per barrel on 2015 volumes of 30.7 million barrels, before taking into account premiums of $6.89 per barrel.

In fourth-quarter 2014, FM O&G's average realized price for natural gas was $3.83 per MMBtu. Excluding the impact of derivative contracts, the average realized price for natural gas was $3.79 per MMBtu in fourth-quarter 2014, compared to the New York Mercantile Exchange (NYMEX) natural gas price average of $4.01 per MMBtu for the October through December 2014 contracts.

Realized revenues for oil and gas operations of $59.95 per BOE in fourth-quarter

2014 were lower than realized revenues of $73.58 per BOE in fourth-quarter 2013, primarily reflecting lower oil prices, partly offset by the impact of realized cash gains/losses on derivative contracts (realized cash gains were $64 million, or $5.25 per BOE in fourth-quarter 2014, compared with losses of $11 million, or $0.69 per BOE in fourth-quarter 2013).

Cash production costs of $21.93 per BOE in fourth-quarter 2014 were higher than cash production costs of $17.63 per BOE in fourth-quarter 2013, primarily reflecting the sale of lower cost Eagle Ford properties in June 2014 and higher operating costs for the GOM.

Following is a summary of average oil and gas sales volumes per day by region for oil and gas operations for the fourth quarters and years ended 2014 and 2013:

Sales Volumes (MBOE per day):
GOM[b]
California
Haynesville/Madden/Other
Eagle Ford
Total oil and gas operations

a. Reflects the results of FM O&G beginning June 1, 2013.
b. Includes sales from properties on the GOM Shelf and in the Deepwater GOM. Production from GOM total for fourth-quarter and 17 percent of the GOM total for the year 2014), 12 MBOE per da the GOM total) for the seven- month period from June 1, 2013, to December 31, 2013.
c. Results include volume adjustments related to Eagle Ford's pre-close sales.
d. FM O&G completed the sale of Eagle Ford on June 20, 2014.

Daily sales volumes averaged 131 MBOE for fourth-quarter 2014, including 87 MBbls of crude oil, 227 MMcf of natural gas and 6 MBbls of NGLs. Oil and gas sales volumes are expected to average 146 MBOE per day for first-quarter 2015 and 152 MBOE per day for the year 2015, comprised of 67 percent oil, 28 percent natural gas and 5 percent NGLs.

Based on current sales volume and cost estimates, cash production costs are expected to approximate $18 per BOE for first-quarter 2015 and for the year 2015.

Operating, Development and Exploration Activities. FCX's oil and gas business has significant proved, probable and possible reserves, a broad range

of development opportunities and high-potential exploration prospects. The business is managed to reinvest its cash flows in projects with attractive rates of returns and risk profiles. Following the recent sharp decline in oil prices, FCX has taken steps to significantly reduce capital spending plans and near-term oil and gas growth initiatives in order to preserve cash flows and resources for anticipated improved market conditions in the future.

FM O&G has a large strategic position in the Deepwater GOM with significant current oil production, strong cash margins and existing infrastructure and facilities with excess capacity. These assets, combined with FM O&G's large leasehold interests in an established geologic basin, provide financially attractive investment opportunities for high-impact growth in oil production and cash margins. FM O&G's capital allocation strategy is principally focused on exploitation drilling and development opportunities that can be tied back to existing facilities. FM O&G expects to fund these activities through oil and gas cash flows, asset sales or other third party joint venture transactions.

During fourth-quarter 2014, FM O&G achieved several positive results in its exploration and development program, including positive well results at Holstein Deep, Power Nap and Dorado in the Deepwater GOM and a successful well test at Highlander onshore in South Louisiana.

Oil and Gas Capital Expenditures. Capital expenditures for oil and gas operations totaled $0.8 billion for fourth-quarter 2014 and $3.2 billion for the year ended December 31, 2014, including $2.1 billion incurred for the Deepwater GOM and $0.7 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend.

Capital expenditures for oil and gas operations for the year 2015 are currently estimated to total $2.3 billion, approximately 34 percent lower than the October 2014 estimate of $3.5 billion. Approximately 80 percent of the 2015 capital budget is expected to be directed to its highest return focus areas in the GOM. FCX is committed to achieving its objective of funding oil and gas capital expenditures with oil and gas cash flows, asset sales or other third party joint venture transactions. FM O&G is engaged in discussions to obtain funding from industry partners and other oil and gas market participants for a substantial portion of its 2015 capital expenditures to achieve this commitment. Third party funding would also enable FM O&G to complete additional development wells for production.

Deepwater Gulf of Mexico. Multiple development and exploration opportunities have been identified in the Deepwater GOM that are expected to benefit from tieback opportunities to available production capacity at the FM O&G operated large-scale Holstein, Marlin and Horn Mountain deepwater production platforms. In addition, FM O&G has interests in the Lucius and Heidelberg oil fields and in the Vito basin area.

In January 2015, first oil production commenced from the **Lucius** oil field in **Keathley Canyon** and the operator is continuing to ramp up production. Lucius is a subsea development consisting of six subsea wells tied back to a truss spar hull located in 7,200 feet of water. The spar has a design capacity of 80 MBbls of oil per day and 450 MMcf of natural gas per day. The Lucius field was discovered in November 2009 and the subsequent development project was sanctioned in late 2011. FM O&G has a 25.1 percent working interest in Lucius.

During fourth-quarter 2014, installation operations for flow lines, export lines and suction piles for **Heidelberg's** mooring system commenced in the Deepwater GOM. Fabrication of the main topsides module is more than 70 percent complete. The Heidelberg truss spar was designed as a Lucius-look-alike facility with capacity of 80 MBbls of oil per day. Development drilling is in progress and the project remains on track for first production in 2016. Heidelberg is a large, high-quality oil development project located in 5,300 feet of water in the **Green Canyon** area. FM O&G has a 12.5 percent working interest in Heidelberg.

In December 2014, FM O&G announced successful results from the 100-percent-owned **Holstein Deep** delineation well in the Green Canyon area. The well, which is approximately one mile south of the discovery well, was drilled to a total depth of 31,100 feet and wireline logs and core data confirmed 234 net feet of Miocene oil pay with excellent reservoir characteristics and good correlation to the discovery well and previous confirmation sidetrack penetration.

In December 2014, FM O&G commenced drilling the second delineation well at Holstein Deep. The well, which is updip to the discovery well, is currently drilling below 24,800 feet towards a proposed total depth of 31,500 feet. Production from the planned three-well development program is expected to reach 15 MBOE per day. The timing of tying in this production will be subject to partner arrangements and general market conditions.

Based on the results from the Holstein Deep first delineation well, FM O&G increased the net unrisked resource potential of the Holstein Deep field to more than 250 MMBOE from the previous estimate of approximately 140 MMBOE. The data also supports the potential for additional development opportunities at Holstein Deep to achieve production of up to 75 MBOE per day by 2020. The Holstein Deep development is located in Green Canyon Block 643, west of the Holstein platform in 3,890 feet of water. FM O&G has identified multiple additional development opportunities in the Green Canyon area that could be tied back to the Holstein facility.

Marlin, in which FM O&G has a 100 percent working interest, is located in **Viosca Knoll** and has production facilities capable of producing in excess of 90 MBOE per day. Several tieback opportunities in the area have been identified, including the Dorado and King development projects.

In December 2014, FM O&G announced positive drilling results from the 100-percent-owned **Dorado** development project. This well is the first of three planned subsea tieback wells to the Marlin facility targeting undrained fault blocks and updip resource potential south of the Marlin facility. The well is expected to commence production in second-quarter 2015. Drilling operations for the second and third wells are expected to begin in the second half of 2015. The Dorado development is located on Viosca Knoll Block 915 in 3,860 feet of water.

FM O&G commenced exploitation drilling at the 100-percent-owned **King** prospect in late 2014 and the well was drilled to a true vertical depth of 12,250 feet in January 2015. Log results indicated 71 net feet of gas pay and FM O&G is preparing a downdip sidetrack to pursue an optimum oil take point below the gas-oil contact in the reservoir. King is located in Mississippi Canyon south of the Marlin facility in 5,200 feet of water.

Horn Mountain, in which FM O&G has a 100 percent working interest, is located in **Mississippi Canyon** and has production facilities capable of producing in excess of 80 MBOE per day. Several tieback opportunities in the area have been identified including Kilo/Oscar/Quebec/Victory (KOQV), which is expected to commence in mid-2015. This infill drilling program will target undrained fault blocks and updip resource potential just east of the Horn Mountain facility. KOQV is located in approximately 5,500 feet of water.

In December 2014, the **Power Nap** exploration well in the Vito area encountered positive drilling results. The well was drilled to a total depth of 30,970 feet and wireline logs and core data indicated that the well encountered hydrocarbons in multiple subsalt Miocene sand packages. The operator is preparing to drill a sidetrack well to delineate the reservoir and test the downdip limit of the oil accumulation. Power Nap, in which FM O&G has a 50 percent working interest, is located in 4,200 feet of water and is operated by Shell Offshore Inc. with a 50 percent working interest.

FM O&G has an 18.67 percent interest in the Vito oil discovery in the Mississippi Canyon area and a significant lease position in the Vito basin in the **Mississippi Canyon** and **Atwater Valley** areas. Vito, a large, deep subsalt Miocene oil discovery made in 2009, is located in approximately 4,000 feet of water and is operated by Shell Offshore Inc. Exploration and appraisal drilling in recent years confirmed a significant resource in high-quality, subsalt Miocene sands. Development options are under evaluation.

Inboard Lower Tertiary/Cretaceous. FM O&G has an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend, located on the Shelf of the GOM and onshore in South Louisiana. FM O&G has a large onshore and offshore lease acreage position with high-quality prospects and the potential to develop a significant long-term, low-cost source of natural gas. Data

from eight wells drilled to date indicate the presence of geologic formations that are analogous to productive formations in the Deepwater GOM and onshore in the Gulf Coast region.

In December 2014, FM O&G announced a successful flow test from the Tuscaloosa sands in the **Highlander** discovery well located onshore in South Louisiana. During the testing period, the well flowed at a rate of 43.5 MMcf per day (approximately 21 MMcf per day net to FM O&G) on a 22/64th choke with flowing tubing pressure of 11,880 pounds per square inch. First production is expected in first-quarter 2015 using facilities in the immediate area. The optimal production rate for the well will be determined based on results from the flow test and production history. A second well location has been identified and future plans will be determined pending review of well performance from the first well. FM O&G is the operator and has a 72 percent working interest and an approximate 49 percent net revenue interest in Highlander. FM O&G has identified multiple prospects in the Highlander area where it controls rights to more than 50,000 gross acres.

The **Farthest Gate West** onshore exploration prospect commenced drilling in October 2014 and is currently drilling below 18,500 feet towards a proposed total depth of 24,000 feet. Farthest Gate West is located onshore in Cameron Parish, Louisiana, and is a Lineham Creek analog prospect with Paleogene objectives.

In response to current oil and gas market conditions, future activities at other Inboard Lower Tertiary/Cretaceous prospects have been deferred.

California. FM O&G's California assets benefit from an established oil production base with a stable production profile and access to favorably priced crude markets. Development plans are principally focused on maintaining stable production levels through continued drilling in the long-established producing fields onshore in California. FM O&G’s position in California is located onshore in the San Joaquin Valley and Los Angeles Basin and offshore in the Point Arguello and Point Pedernales fields.

Haynesville. FM O&G has rights to a substantial natural gas resource, located in the Haynesville shale play in North Louisiana. Drilling activities in recent years have been reduced to maximize cash flows in a low natural gas price environment.

International Exploration (Morocco). FM O&G has a farm-in arrangement to earn interests in exploration blocks located in the Mazagan permit area offshore Morocco. The exploration area covers 2.2 million gross acres in water depths of 4,500 to 9,900 feet. FM O&G expects to commence drilling the first prospect in the first half of 2015.

Preliminary Proved Oil and Gas Reserves. FCX's preliminary estimated

proved oil and gas reserves at December 31, 2014, totaled 390 MMBOE. The preliminary proved oil and gas reserves presented in the table below were determined using the methods prescribed by the U.S. Securities and Exchange Commission, which require the use of an average price, calculated as the twelve-month historical average of the first-day-of-the-month historical reference price as adjusted for location and quality differentials, unless prices are defined by contractual arrangements, excluding escalations based on future conditions and the impact of derivatives. Reference prices for reserve determination are the West Texas Intermediate spot price for oil and the Henry Hub spot price for natural gas. At December 31, 2014, our estimates were based on reference prices of $94.99 per barrel and $4.35 per MMBtu.

In late 2014, FM O&G achieved positive results at Highlander and Holstein Deep, the results of which are expected to be reflected in future reserve reports.

	Preliminary Proved Oil and Natur Estimated at December	
	Oil[a] (MMBbls)	**Natural Gas (Bcf)**
Proved Developed:		
GOM	69	118
California	114	22
Haynesville/Madden/Other	1	229
	184	369
Proved Undeveloped:		
GOM	69	57
California	35	3
Haynesville/Madden/Other	—	181
	104	241
Total Proved Reserves	288	610

[a] Includes 10 MBbls of NGL proved reserves, consisting of 7 MBbls of proved developed and 3 M

The following table summarizes changes in FCX's estimated proved oil and gas reserves during 2014:

	Oil (MMBbls)[a]	**Natural Gas (Bcf)**	**Total MMBOE**
Balance at December 31, 2013	370	562	464

Extensions and discoveries	10	35	16
Acquisitions of reserves in-place	14	9	16
Revisions of previous estimates	(10)	140	13
Sales of reserves in-place	(53)	(54)	(62)
Production	(43)	(82)	(57)
Balance at December 31, 2014	288	610	390

[a.] Includes NGL proved reserves.

CASH FLOWS, CASH and DEBT

Operating Cash Flows. FCX generated operating cash flows of $1.1 billion in fourth-quarter 2014 and $5.6 billion (net of $0.6 billion in working capital uses and changes in other tax payments) for the year 2014.

Based on current sales volume and cost estimates and assuming average prices of $2.60 per pound of copper, $1,300 per ounce of gold, $9 per pound of molybdenum, and $50 per barrel of Brent crude oil, FCX's consolidated operating cash flows are estimated to approximate $4 billion (including $0.2 billion of working capital sources and changes in other tax payments) for the year 2015. The impact of price changes on 2015 operating cash flows would approximate $315 million for each $0.10 per pound change in the average price of copper, $40 million for each $50 per ounce change in the average price of gold, $135 million for each $2 per pound change in the average price of molybdenum and $115 million for each $5 per barrel change in the average Brent crude oil price.

Asset Sales. FCX completed approximately $5 billion in asset sales during 2014, including the June 2014 sale of Eagle Ford for $3.1 billion and the November 2014 sale of the Candelaria and Ojos del Salado mining operations for $1.8 billion. Additionally, in January 2015, FCX completed a $140 million sale of its one-third interest in the Luna Energy power facility in New Mexico.

Capital Expenditures. Capital expenditures totaled $1.8 billion for fourth-quarter 2014 and $7.2 billion for the year 2014, including $2.9 billion for major projects at mining operations and $3.2 billion for oil and gas operations.

Capital expenditures are currently expected to approximate $6.0 billion for the year 2015, including $2.5 billion for major projects at mining operations (primarily for the Cerro Verde expansion and underground development activities at Grasberg) and $2.3 billion for oil and gas operations. FCX is taking aggressive actions to reduce or defer capital expenditures and other costs and has initiated efforts to obtain third-party funding for a significant portion of its oil and gas

capital expenditures to maintain financial strength and flexibility in response to recent sharp declines in oil prices. In addition, FCX is monitoring copper markets and will be responsive to market conditions. As a first step, FCX has reduced budgeted 2015 capital expenditures, exploration and other costs by a total of $2 billion. FCX has a broad set of natural resource assets that provide many alternatives for future actions to enhance its financial flexibility. Additional capital cost reductions, potential additional divestitures or monetizations and other actions will be pursued as required to maintain a strong balance sheet while preserving a strong resource position and portfolio of assets with attractive long-term growth prospects.

Cash. Following is a summary of cash available to the parent company, net of noncontrolling interests' share, taxes and other costs at December 31, 2014 (in millions):

	7
Cash at domestic companies	$ 8
Cash at international operations	386
Total consolidated cash and cash equivalents	464
Less: Noncontrolling interests' share	(91)
Cash, net of noncontrolling interests' share	373
Less: Withholding taxes and other	(16)
	3
	5
Net cash available	**$ 7**

Debt. FCX remains committed to a strong balance sheet and will take prudent actions in response to market conditions. FCX has taken steps to sell assets, defer capital spending and will continue to evaluate its portfolio for potential future monetizations. Following is a summary of total debt and related weighted-average interest rates at December 31, 2014 (in billions, except percentages):

		Weighted-Average Interest Rate
	1	
	2.	
FCX Senior Notes	$ 0	3.8%
FM O&G Senior Notes	2.6	6.6%

FCX Term Loan	3.1	1.7%
Other FCX debt	1.3	3.3%
	1	
	9.	
Total debt	$ 0	3.8%

On October 15, 2014, FCX redeemed the $400 million principal amount of its 8.625% Senior Notes. Holders received the principal amount together with the redemption premium and accrued and unpaid interest to the redemption date. FCX recorded a pre-tax gain on early extinguishment of debt of $24 million associated with this redemption.

In November 2014, FCX completed the sale of $3.0 billion of senior notes, which were comprised of four tranches with a weighted-average interest cost of 4.1 percent. The proceeds from these senior notes were used to fund FCX's December 2014 tender offers for $1.14 billion aggregate principal of senior notes (with a weighted average interest cost of 6.5 percent), essentially all of FCX's 2015 scheduled maturities (including scheduled term loan amortization and $500 million in 1.40% Senior Notes due 2015), $300 million in 7.625% Senior Notes, and to repay bank debt. These transactions resulted in a net pre-tax loss on early extinguishment of debt of $14 million in fourth-quarter 2014.

At December 31, 2014, FCX had no borrowings and $45 million of letters of credit issued under its $4 billion revolving credit facility. FCX also has a $1.8 billion facility to fund the Cerro Verde expansion project. At December 31, 2014, $425 million was drawn under this facility.

FINANCIAL POLICY

FCX has a long-standing tradition of seeking to build shareholder value through investing in projects with attractive rates of return and returning cash to shareholders through common stock dividends and share purchases. FCX paid common stock dividends of $1.3 billion during 2014.

FCX's current annual dividend rate for its common stock is $1.25 per share. On December 19, 2014, FCX's Board of Directors (the Board) declared a regular quarterly dividend of $0.3125 per share, which will be paid on February 2, 2015. The declaration of dividends is at the discretion of the Board and will depend upon FCX's financial results, market conditions, cash requirements, future prospects and other factors deemed relevant by the Board.

FCX intends to continue to maintain a strong financial position, with a focus on reducing debt while continuing to invest in attractive growth projects and providing cash returns to shareholders. The Board will continue to review FCX's financial policy on an ongoing basis.

WEBCAST INFORMATION

A conference call with securities analysts to discuss FCX's fourth-quarter 2014 results is scheduled for today at 10:00 a.m. Eastern Time. The conference call will be broadcast on the Internet along with slides. Interested parties may listen to the conference call live and view the slides by accessing "www.fcx.com." A replay of the webcast will be available through Friday, February 27, 2015.

FCX is 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. FCX is the world's largest publicly traded copper producer.

FCX's portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; significant mining operations in the Americas, including the large-scale Morenci minerals district in North America and the Cerro Verde operation in South America; the Tenke Fungurume minerals district in the DRC; and significant oil and natural gas assets in North America, including reserves in the Deepwater GOM, onshore and offshore California and in the Haynesville shale play, and an industry-leading position in the emerging shallow water Inboard Lower Tertiary/Cretaceous natural gas trend on the Shelf of the GOM and onshore in South Louisiana. Additional information about FCX is available on FCX's website at "www.fcx.com."

Cautionary Statement and Regulation G Disclosure: *This press release contains forward-looking statements in which FCX discusses its potential future performance. Forward-looking statements are all statements other than statements of historical facts, such as projections or expectations relating to ore grades and milling rates, production and sales volumes, unit net cash costs, cash production costs per BOE, operating cash flows, capital expenditures, exploration efforts and results, development and production activities and costs, liquidity, tax rates, the impact of copper, gold, molybdenum, cobalt, crude oil and natural gas price changes, the impact of derivative positions, the impact of deferred intercompany profits on earnings, reserve estimates, future dividend payments, debt reduction and share purchases. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "to be," "potential" and any similar expressions are intended to identify those assertions as forward-looking statements. The declaration of dividends is at the discretion of FCX's Board and will depend on FCX's financial results, cash requirements, future prospects, and other factors deemed relevant by the Board.*

This press release also includes forward-looking statements regarding mineralized material not included in proven and probable mineral reserves. The

mineralized material described in this press release will not qualify as reserves until comprehensive engineering studies establish their economic feasibility. Accordingly, no assurance can be given that the estimated mineralized material not included in reserves will become proven and probable reserves.

FCX cautions readers that forward-looking statements are not guarantees of future performance and its actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause FCX's actual results to differ materially from those anticipated in the forward-looking statements include supply of and demand for, and prices of, copper, gold, molybdenum, cobalt, oil and gas, mine sequencing, production rates, industry risks, regulatory changes, political risks, drilling results, the outcome of ongoing discussions with the Indonesian government regarding an amendment to PT-FI's Contract of Work, PT-FI's ability to obtain renewal of its export license after July 25, 2015, the potential effects of violence in Indonesia, the resolution of administrative disputes in the DRC, labor relations, weather- and climate-related risks, environmental risks, litigation results and other factors described in more detail under the heading "Risk Factors" in FCX's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the U.S. Securities and Exchange Commission (SEC) as updated by FCX's subsequent filings with the SEC.

Investors are cautioned that many of the assumptions on which FCX's forward-looking statements are based are likely to change after its forward-looking statements are made, including for example commodity prices, which FCX cannot control, and production volumes and costs, some aspects of which FCX may or may not be able to control. Further, FCX may make changes to its business plans that could or will affect its results. FCX cautions investors that it does not intend to update forward-looking statements more frequently than quarterly notwithstanding any changes in FCX's assumptions, changes in business plans, actual experience or other changes, and FCX undertakes no obligation to update any forward-looking statements.

This press release also contains certain financial measures such as unit net cash costs per pound of copper and per pound of molybdenum, oil and gas realized revenues, cash production costs and cash operating margin, which are not recognized under generally accepted accounting principles in the U.S. As required by SEC Regulation G, reconciliations of these measures to amounts reported in FCX's consolidated financial statements are in the supplemental schedules of this press release, which are also available on FCX's website, "www.fcx.com."

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COPPER (millions of recoverable pounds)
(FCX's net interest in %)
North America
Morenci (85%)[a]
Bagdad (100%)
Safford (100%)
Sierrita (100%)
Miami (100%)
Chino (100%)
Tyrone (100%)
Other (100%)
Total North America

South America
Cerro Verde (53.56%)
El Abra (51%)
Candelaria/Ojos del Salado (80%)[b]
Total South America

Indonesia
Grasberg (90.64%)[c]

Africa
Tenke Fungurume (56%)

Consolidated
Less noncontrolling interests
Net

Consolidated sales from mines
Purchased copper
Total copper sales, including purchases

Average realized price per pound

GOLD (thousands of recoverable ounces)
(FCX's net interest in %)
North America (100%)
South America (80%)[b]
Indonesia (90.64%)[c]

Consolidated
Less noncontrolling interests
Net

Average realized price per ounce

MOLYBDENUM (millions of recoverable pounds)
(FCX's net interest in %)
Henderson (100%)
Climax (100%)
North America copper mines (100%)[a]
Cerro Verde (53.56%)
Consolidated
Less noncontrolling interests
Net

Average realized price per pound

COBALT (millions of contained pounds)
(FCX's net interest in %)
Consolidated - Tenke Fungurume (56%)
Less noncontrolling interests
Net

Average realized price per pound

a. Amounts are net of Morenci's 15 percent joint venture partner's interest.
b. On November 3, 2014, FCX completed the sale of its 80 percent interests in the Candelaria an
c. Amounts are net of Grasberg's joint venture partner's interest, which varies in accordance with

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COPPER (millions of recoverable pounds)
(FCX's net interest in %)
North America
Morenci (85%)[a]
Bagdad (100%)
Safford (100%)
Sierrita (100%)
Miami (100%)

Chino (100%)
Tyrone (100%)
Other (100%)
Total North America

South America
Cerro Verde (53.56%)
El Abra (51%)
Candelaria/Ojos del Salado (80%)[b]
Total South America

Indonesia
Grasberg (90.64%)[c]

Africa
Tenke Fungurume (56%)

Consolidated
Less noncontrolling interests
Net

Consolidated sales from mines
Purchased copper
Total copper sales, including purchases

Average realized price per pound

GOLD (thousands of recoverable ounces)
(FCX's net interest in %)
North America (100%)
South America (80%)[b]
Indonesia (90.64%)[c]
Consolidated
Less noncontrolling interests
Net

Average realized price per ounce

MOLYBDENUM (millions of recoverable pounds)
(FCX's net interest in %)
Henderson (100%)
Climax (100%)
North America (100%)[a]

Cerro Verde (53.56%)
Consolidated
Less noncontrolling interests
Net

Average realized price per pound

COBALT (millions of contained pounds)
(FCX's net interest in %)
Consolidated - Tenke Fungurume (56%)
Less noncontrolling interests
Net

Average realized price per pound

a. *Amounts are net of Morenci's 15 percent joint venture partner's interest.*
b. *On November 3, 2014, FCX completed the sale of its 80 percent interests in the Candelaria an*
c. *Amounts are net of Grasberg's joint venture partner's interest, which varies in accordance with*

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100% North America Copper Mines
Solution Extraction/Electrowinning (SX/EW) Operations

Leach ore placed in stockpiles (metric tons per day)
Average copper ore grade (percent)
Copper production (millions of recoverable pounds)

Mill Operations

Ore milled (metric tons per day)
Average ore grades (percent):
Copper
Molybdenum
Copper recovery rate (percent)
Production (millions of recoverable pounds):
Copper
Molybdenum

100% South America Mining
SX/EW Operations

Leach ore placed in stockpiles (metric tons per day)
Average copper ore grade (percent)
Copper production (millions of recoverable pounds)

Mill Operations

Ore milled (metric tons per day)
Average ore grades:
Copper (percent)
Gold (grams per metric ton)
Molybdenum (percent)
Copper recovery rate (percent)
Production (recoverable):
Copper (millions of pounds)
Gold (thousands of ounces)
Molybdenum (millions of pounds)

100% Indonesia Mining
Ore milled (metric tons per day):[b]

Grasberg open pit
DOZ underground mine
Big Gossan underground mine

Total
Average ore grades:
Copper (percent)
Gold (grams per metric ton)
Recovery rates (percent):
Copper
Gold
Production (recoverable):
Copper (millions of pounds)
Gold (thousands of ounces)

100% Africa Mining
Ore milled (metric tons per day)
Average ore grades (percent):
Copper
Cobalt
Copper recovery rate (percent)

Production (millions of pounds):
Copper (recoverable)
Cobalt (contained)

100% Molybdenum Mines
Ore milled (metric tons per day)
Average molybdenum ore grade (percent)
Molybdenum production (millions of recoverable pounds)

a. Includes the results of the Candelaria and Ojos del Salado mines through November 3, 2014.
b. Amounts represent the approximate average daily throughput processed at PT-FI's mill facilitie

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GULF OF MEXICO (GOM)a
Oil (thousand barrels or MBbls)
Natural gas (million cubic feet or MMcf)
Natural gas liquids (NGLs, in MBbls)
Thousand barrels of oil equivalents (MBOE)
Average realized price per BOE[b]
Cash production costs per BOE[b]
Capital expenditures (in millions)

CALIFORNIA
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Average realized price per BOE[b]
Cash production costs per BOE[b]
Capital expenditures (in millions)

HAYNESVILLE/MADDEN/OTHER
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Average realized price per BOE[b]
Cash production costs per BOE[b]
Capital expenditures (in millions)

EAGLE FORD[e]
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Average realized price per BOE[b]
Cash production costs per BOE[b]
Capital expenditures (in millions)

TOTAL U.S. OIL AND GAS OPERATIONS
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Cash operating margin per BOE:[b]
Realized revenue
Cash production costs
Cash operating margin
Depreciation, depletion and amortization per BOE
Capital expenditures (in millions)

[a.] Reflects properties in the Deepwater GOM and on the Shelf, including the Inboard Lower Tertia
b. Cash operating margin for oil and gas operations reflects realized revenues less cash productio
costs exclude accretion and other costs. In addition, the derivative contracts for oil and gas opera
adjustments for derivative contracts. For reconciliations of average realized price and cash produ
refer to the supplemental schedules, "Product Revenues and Production Costs," beginning on pa
c. Includes $187 million in fourth-quarter 2014 and $93 million in fourth-quarter 2013, for the Inbo
d. Rounds to less than 1 MBbl per day.
e. FCX completed the sale of its Eagle Ford shale assets on June 20, 2014.
f. Total capital expenditures for U.S. oil and gas operations reflect spending, which is net of accru
specifically allocated to the above regions.

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GOM[c]
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Average realized price per BOE[d]

Cash production costs per BOE[d]
Capital expenditures (in millions)

CALIFORNIA
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Average realized price per BOE[d]
Cash production costs per BOE[d]
Capital expenditures (in millions)

HAYNESVILLE/MADDEN/OTHER
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Average realized price per BOE[d]
Cash production costs per BOE[d]
Capital expenditures (in millions)

EAGLE FORD
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Average realized price per BOE[d]
Cash production costs per BOE[d]
Capital expenditures (in millions)

TOTAL U.S. OIL AND GAS OPERATIONS
Oil (MBbls)
Natural gas (MMcf)
NGLs (MBbls)
MBOE
Cash operating margin per BOE:[d]
Realized revenue
Cash production costs
Cash operating margin
Depreciation, depletion and amortization per BOE
Capital expenditures (in millions)

a. Includes the results of Eagle Ford through June 19, 2014.
b. Includes the results of FM O&G beginning June 1, 2013.

c. Reflects properties in the Deepwater GOM and on the Shelf, including the Inboard Lower Tertia
d. Cash operating margin for oil and gas operations reflects realized revenues less cash productio
costs exclude accretion and other costs. In addition, the derivative contracts for oil and gas opera
adjustments for derivative contracts. For reconciliations of average realized price and cash produ
refer to the supplemental schedules, "Product Revenues and Production Costs," beginning on pa
e. Includes $674 million for the year ended December 31, 2014, and $197 million for the seven- n
f. Rounds to less than 1 MBbl per day.
g. The year ended 2014 includes volume adjustments related to Eagle Ford's pre-close sales tota
$12.73 per BOE.
h. Total capital expenditures for U.S. oil and gas operations reflect spending, which is net of accru
month period from June 1, 2013, to December 31, 2013, that are not specifically allocated to the

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Revenues
Cost of sales:
Production and delivery
Depreciation, depletion and amortization
Impairment of oil and gas properties
Total cost of sales
Selling, general and administrative expenses
Mining exploration and research expenses
Environmental obligations and shutdown costs
Goodwill impairment
Net gain on sales of assets
Total costs and expenses
Operating (loss) income
Interest expense, net
Net gain (loss) on early extinguishment of debt
Gain on investment in McMoRan Exploration Co.
Other (expense) income, net
(Loss) income before income taxes and equity in affiliated companies' net earnings
Benefit from (provision for) income taxes
Equity in affiliated companies' net earnings
Net (loss) income
Net income attributable to noncontrolling interests
Preferred dividends attributable to redeemable noncontrolling interest
Net (loss) income attributable to FCX common stock

Net (loss) income per share attributable to FCX common stock:
Basic
Diluted

Weighted-average common shares outstanding:
Basic
Diluted

Dividends declared per share of common stock

a. Includes unfavorable adjustments to provisionally priced copper sales recognized in prior perio
net income attributable to common stock) in fourth-quarter 2013, $118 million ($65 million to net l
for the year 2013. For further discussion, refer to the supplemental schedule, "Derivative Instrum
b. Includes net noncash mark-to-market gains (losses) associated with oil and gas derivative con
($(73) million to net income attributable to common stock) in fourth- quarter 2013, $627 million ($
attributable to common stock) for the seven- month period from June 1, 2013, to December 31, 2
c. The 2014 periods include charges totaling $37 million ($23 million to net loss attributable to co
include charges of $76 million ($49 million to net income attributable to common stock) associate
million to net income attributable to common stock) for the new labor agreement at Cerro Verde.
d. The 2013 periods include a charge of $37 million ($23 million to net income attributable to com
and related costs principally associated with oil and gas acquisitions totaling $80 million ($50 mill
e. Consolidated interest expense, excluding capitalized interest, totaled $205 million in fourth- qua
f. For further discussion of the net tax benefit (charge) impacting the fourth quarters and years 20
g. FCX defers recognizing profits on intercompany sales until final sales to third parties occur. Ch
to common stock of $7 million in fourth-quarter 2014 and $43 million for the year 2014, and net re
2013. For further discussion, refer to the supplemental schedule, "Deferred Profits" on page XI.

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ASSETS
Current assets:
Cash and cash equivalents
Trade accounts receivable
Other accounts receivable
Inventories:
Mill and leach stockpiles
Materials and supplies, net
Product

Other current assets
Total current assets
Property, plant, equipment and mining development costs, net
Oil and gas properties - full cost method:
Subject to amortization, less accumulated amortization
Not subject to amortization
Long-term mill and leach stockpiles
Goodwill
Other assets
Total assets

LIABILITIES AND EQUITY
Current liabilities:
Accounts payable and accrued liabilities
Current portion of debt
Accrued income taxes
Dividends payable
Current portion of environmental and asset retirement obligations
Total current liabilities
Long-term debt, less current portion
Deferred income taxes
Environmental and asset retirement obligations, less current portion
Other liabilities
Total liabilities

Redeemable noncontrolling interest

Equity:
FCX stockholders' equity:
Common stock
Capital in excess of par value
Retained earnings
Accumulated other comprehensive loss
Common stock held in treasury
Total FCX stockholders' equity
Noncontrolling interests
Total equity
Total liabilities and equity

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Cash flow from operating activities:
Net (loss) income
Adjustments to reconcile net (loss) income to net cash provided by operating activities:
Depreciation, depletion and amortization
Impairment of oil and gas properties
Goodwill impairment
Net gain on sales of assets
Net (gains) losses on crude oil and natural gas derivative contracts
Stock-based compensation
Net charges for environmental and asset retirement obligations, including accretion
Payments for environmental and asset retirement obligations
Net (gain) loss on early extinguishment of debt
Gain on investment in MMR
Deferred income taxes
Increase in long-term mill and leach stockpiles
Other, net
Decreases (increases) in working capital and other tax payments, excluding amounts from acquis
Accounts receivable
Inventories
Other current assets
Accounts payable and accrued liabilities
Accrued income taxes and other tax payments
Net cash provided by operating activities

Cash flow from investing activities:
Capital expenditures:
North America copper mines
South America
Indonesia
Africa
Molybdenum mines
U.S. oil and gas operations
Other
Net proceeds from sale of Candelaria and Ojos del Salado
Net proceeds from sale of Eagle Ford shale assets
Acquisition of Deepwater Gulf of Mexico interests
Acquisitions, net of cash acquired
Other, net
Net cash used in investing activities

Cash flow from financing activities:

Proceeds from debt
Repayments of debt
Redemption of MMR preferred stock
Cash dividends and distributions paid:
Common stock
Noncontrolling interests
Stock-based awards net proceeds (payments), including excess tax benefit
Debt financing costs and other, net
Net cash (used in) provided by financing activities

Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of year
Cash and cash equivalents at end of year

Source: Freeport-McMoRan Inc.