



2020 ANNUAL REPORT

FREEPORT
FOREMOST IN COPPER

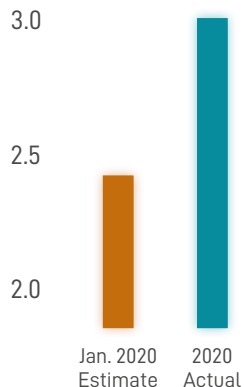
CHARGING AHEAD

RESPONSIBLY. RELIABLY. RELENTLESSLY.

Operating Cash Flows

(~25% higher)

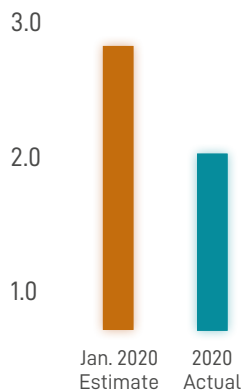
\$ in billions



Capital Expenditures

(~29% lower)

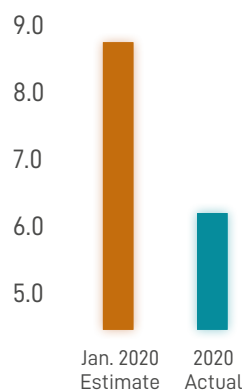
\$ in billions



Net Debt ⁽¹⁾

(~\$2.7 bn lower)

\$ in billions



Note: January 2020 estimates are based on copper and gold sales of 3.5 billion (bn) pounds (lbs) and 0.8 million (mm) ounces (ozs), respectively, and average prices of \$2.85/lb copper and \$1,500/oz gold. 2020 actuals included copper and gold sales of 3.2 bn lbs and 0.9 mm ozs, respectively, and realized prices of \$2.95/lb copper and \$1,832/oz gold.

(1) Net debt equals consolidated debt less consolidated cash as of December 31, 2020.



Freeport-McMoRan Inc. (FCX) is a leading international mining company with headquarters in Phoenix, Arizona. FCX operates large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. FCX's portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; and significant mining operations in North America and South America, including the large-scale Morenci minerals district in Arizona and the Cerro Verde operation in Peru.

FCX has a strong commitment to safety performance, environmental management and the communities where it operates. FCX is a founding member of the International Council on Mining and Metals (ICMM). Implementation of the ICMM Mining Principles across the company results in site-level sustainability programs that meet responsible sourcing objectives for the global marketplace.

By supplying responsibly produced copper, FCX is proud to be a positive contributor to the world well beyond its operational boundaries. Additional information about FCX is available at fcx.com.

A member of
ICMM
International Council
on Mining & Metals

FCX
LISTED
NYSE

FM_FCX

Freeport-McMoRan

FreeportFCX

freeportfcx

CHARGING AHEAD

“Charging Ahead” highlights the momentum Freeport achieved through resiliency, strong operating performance and project execution during 2020 to establish a solid foundation for future growth.

Like Freeport, copper is charging ahead in response to the growing recognition of copper’s role in the energy transition, which is necessary for global decarbonization and technological innovations, and the limited ability of the industry to increase supply.

Freeport is also “Charging Ahead — Responsibly, Reliably and Relentlessly” to advance its environmental, social and governance (ESG) efforts. We are dedicated to responsible copper production, as demonstrated through our implementation and third-party validation of ICMM’s Mining Principles and Copper Mark certifications at five initial sites.

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Geographically Diverse Portfolio

	NORTH AMERICA		SOUTH AMERICA		INDONESIA		CONSOLIDATED TOTALS	
Reserves at 12/31/20	Cu	47.1 billion lbs	Cu	32.7 billion lbs	Cu	33.4 billion lbs	Cu	113.2 billion lbs
	Au	0.6 million ozs			Au	28.3 million ozs	Au	28.9 million ozs
	Mo	3.01 billion lbs	Mo	0.70 billion lbs			Mo	3.71 billion lbs
2020 Sales	Cu	1.4 billion lbs	Cu	1.0 billion lbs	Cu	0.8 billion lbs	Cu	3.2 billion lbs
					Au	0.9 million ozs*	Au	0.9 million ozs
	Mo	80 million lbs**					Mo	80 million lbs

* Includes sales of gold produced at FCX's North America copper mines.
 ** Includes sales of molybdenum produced at FCX's South America copper mines.



GRASBERG, INDONESIA

- ▲ COPPER (CU)
- ▲ GOLD (AU)
- ▲ MOLYBDENUM (MO)

FORTUNE
WORLD'S MOST
ADMIRABLE
COMPANIES[®] 2021



»» **GLOBAL INDUSTRY LEADER**

One of the world's largest publicly traded copper producers; seasoned and value-driven global team; 30+ year reserve life with substantial additional resources.

»» **TRUSTED OPERATOR**

Strong reputation and franchise in four countries; synergistic operation of all assets.

»» **WORLD-CLASS DEVELOPER**

Industry-leading track record for major project execution in complex jurisdictions.

»» **BLOCK CAVE LEADER**

Industry-leading technical capabilities; decades of block caving experience.

»» **RESPONSIBLE PRODUCER**

Long-standing commitment to all of our stakeholders including our employees, communities, host countries, customers and suppliers.

DEAR FELLOW SHAREHOLDERS

The year 2020 was a year of extraordinary accomplishment for our company. The theme of this year's annual report, "Charging Ahead," highlights our momentum achieved through resiliency, strong operating performance and project execution. Supported by a favorable market outlook, we have established a solid foundation for future growth.

During 2020, our global team responded in an exceptional fashion to the challenges of the pandemic — safeguarding our people, communities and assets. Notably, we were successful in meeting critical milestones on our key growth projects, positioning us for significant free cash flow generation. **Our successes resulted in Freeport being the top performing stock in our peer group and the eighth best performing stock in the S&P 500 during 2020.**

In February 2021, our Board of Directors (Board) adopted a new financial policy for the allocation of cash flows aligned with our strategic objectives of maintaining a strong balance sheet, increasing cash returns to shareholders and advancing opportunities for future growth. The new policy includes a base dividend of \$0.30 per share per annum and a performance based framework whereby up to 50 percent of available cash flows generated after planned capital

spending and distributions to noncontrolling interests would be allocated to shareholder returns and the balance to debt reduction and investments in value enhancing growth projects.

Freeport is foremost in copper. Copper is a critical metal essential to the global economy and increasingly important in the achievement of the global clean energy transition. Copper prices rose significantly in late 2020 and early 2021 in response to increased demand from China, growing recognition of copper's role in the energy transition and the limited ability of the industry to increase supply. With 70 percent of the world's copper supply used to deliver electricity, the intensity of copper use is expected to increase in the coming years. Like Freeport, copper also is "Charging Ahead."

Our company has a world-class portfolio of long-lived assets in the copper industry and a global team with industry-leading technical skills supported by a highly motivated, experienced management and administrative organization. In 2020, we advanced the largest block caving operation in the world at our Grasberg underground mine in Indonesia. We also completed on-time and on-budget the Lone Star project in Arizona. Lone Star has the potential to be a future cornerstone asset for our company.

2021 PRIORITIES — CHARGING AHEAD

- Ongoing cost and capital management; automation and innovation initiatives
- Continue momentum of underground ramp-up at Grasberg
- Deliver on environmental, social and governance commitments
- Balanced financial policy — debt reduction, investments and shareholder returns
- Advance evaluations for future organic growth

New Financial Policy



In addition to the strong operating and financial performance in 2020, we are “Charging Ahead — Responsibly, Reliably and Relentlessly” to advance our ESG efforts. We committed to the Copper Mark, a new assurance framework developed by the International Copper Association to promote and demonstrate responsible production practices, focusing on contributing to the United Nations Sustainable Development Goals. We established a greenhouse gas (GHG) emissions target and enhanced transparency with our inaugural climate and water reports, which are available on our website.

We took a leading role with the International Council on Metals and Mining (ICMM) to develop a new global standard on tailings management for the mining industry. This was a major undertaking by the industry and by our company and reflects the importance of managing tailings storage facilities safely and responsibly. As a founding member of the ICMM, Freeport has played an active role in many key initiatives of ICMM through the years. In August 2020, I was elected to a two-year term as Chair of ICMM after serving two previous terms as Chair from 2008-2011.

Our response to the COVID-19 pandemic highlights the importance we place on the well-being of our people — workforce safety will always be our highest priority. We are pleased to report that our safety statistics in 2020, measured by incident rates, met our targets. Regrettably, we had five fatalities in our operations in 2020,

underscoring the importance of our fatality prevention programs. We remain committed to the safety of our people and will continue to place our highest priority on fatality prevention programs.

In early 2021, Gerald J. Ford notified us of his intention to retire from our Board effective upon the expiration of his current term, which ends in June 2021. We thank him for his leadership, counsel and dedicated service over many years. Dusty McCoy was named Lead Independent Director and I was appointed Chairman. This leadership structure confirms our continued commitment to our focused strategy while providing robust independent oversight and guidance. In connection with our ongoing Board refreshment process, we added two new directors in April 2021, David P. Abney, retired Chairman and Chief Executive Officer of United Parcel Service, Inc., and Robert W. “Bob” Dudley, retired Group Chief Executive of BP, p.l.c. David and Bob are exceptional leaders with proven track records and experience in global business, corporate governance and a wide range of matters relevant to Freeport.

We commend our global organization on their resilience in a complicated operating environment. We are proud of their accomplishments and thank them for their strong execution during 2020. We also appreciate our Board for their steadfast advice and support as we navigated through an uncertain business environment.

We are enthusiastic about copper and the future prospects for our business and look forward to reporting to you on our progress during 2021. We are “Charging Ahead.”

Respectfully yours,



RICHARD C. ADKERSON
Chairman of the Board and
Chief Executive Officer

April 6, 2021

CONSOLIDATED RESULTS

FCX's consolidated copper sales of 3.2 billion pounds in 2020 were slightly lower than 3.3 billion pounds in 2019, and consolidated gold sales of 0.9 million ounces in 2020 were lower than 1.0 million ounces in 2019. Lower copper sales volumes in 2020, compared to 2019, primarily reflected lower mining rates in South America associated with COVID-19 restrictions and our April 2020 revised operating plans, partly offset by higher ore grades in Indonesia. Lower gold sales volumes in 2020, compared to 2019, primarily reflected lower mining and milling rates associated with the ramp-up of underground mining in Indonesia, partly offset by higher ore grades.

Consolidated molybdenum sales totaled 80 million pounds in 2020 and 90 million pounds in 2019.

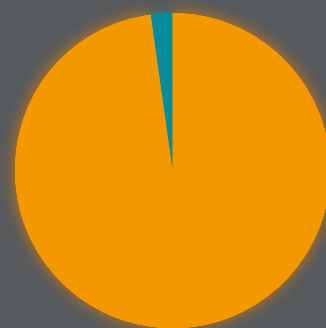
FCX is assessing long-term development opportunities during 2021 while focusing on the continued execution of its strategic objectives of maintaining a strong balance sheet, increasing cash returns to shareholders and advancing opportunities for future growth.



2020 Consolidated Copper Sales

3.2 billion lbs

- 44% North America
- 31% South America
- 25% Indonesia



2020 Consolidated Gold Sales

855 thousand ozs

- 98% Indonesia
- 2% North America

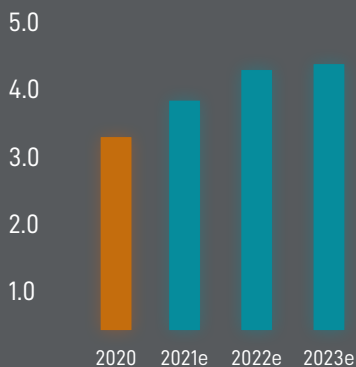




During 2020, FCX continued to execute and deliver on its clearly defined strategy. We achieved strong operating performance and project execution, establishing a solid foundation for future growth in sales volumes and cash flows.

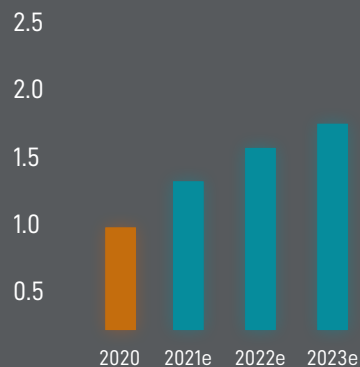
Copper Sales

billion lbs



Gold Sales

million ozs



e = estimate. See Cautionary Statement and Regulation G Disclosure on page 121 of this Annual Report.



FCX supplies one-third of the copper in the United States (U.S.)

North America Copper Reserves By Mine

47.1 billion lbs

- 32% Bagdad
- 28% Sierrita
- 22% Morenci
- 12% Safford/Lone Star
- 6% Other





NORTH AMERICA MINING

In North America, FCX operates seven open-pit copper mines — Morenci, Bagdad, Safford (including Lone Star), Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico; and two molybdenum mines — Henderson and Climax in Colorado. Molybdenum concentrate, gold and silver are also produced by certain of FCX's North America copper mines.

FCX has substantial resources in North America, primarily associated with existing mining operations, and will continue to assess options for further growth. Production from the Lone Star ore body at Safford, where we completed development in 2020, continues to ramp-up on schedule and is expected to exceed 200 million pounds of copper in 2021.

North America's consolidated copper sales totaled 1.4 billion pounds in both 2020 and 2019. FCX expects copper sales from its North America copper mines to approximate 1.5 billion pounds in 2021.

Consolidated molybdenum sales, including sales of molybdenum produced at FCX's North America and South America copper mines, totaled 80 million pounds in 2020 and 90 million pounds in 2019. FCX expects consolidated molybdenum sales to approximate 85 million pounds in 2021.

FCX's North America operating sites continue to focus on strong execution of operating plans. Production from Lone Star continues to ramp-up on schedule and is expected to exceed 200 million pounds of copper for the year 2021. FCX has substantial resources in the U.S., primarily associated with existing mining operations, and will continue to assess options for future growth.



SOUTH AMERICA MINING

FCX operates two copper mines in South America — Cerro Verde in Peru and El Abra in Chile. In addition to copper, the Cerro Verde mine produces molybdenum concentrate and silver. Cerro Verde is continuing to increase milling rates while operating consistent with our April 2020 revised operating plans and under strict COVID-19 restrictions and protocols. FCX expects Cerro Verde’s mill rates to average approximately 360,000 metric tons of ore per day in 2021, with the potential to ramp-up to pre-COVID-19 levels approximating 400,000 metric tons of ore per day as COVID-19 restrictions are lifted.

El Abra plans to increase operating rates during 2021 to pre-COVID-19 levels, subject to ongoing monitoring of public health conditions in Chile. Incremental copper production associated with increasing El Abra’s stacking rates approximates 70 million pounds per year beginning in 2022.

FCX continues to evaluate a large-scale expansion at El Abra to process additional sulfide material and to achieve higher recoveries. El Abra’s large sulfide resource could potentially support a major mill project similar to facilities constructed at Cerro Verde. Technical and economic studies continue to be evaluated to determine the optimal scope and timing for the project in parallel with extending the life of the current leaching operation. Consolidated copper sales from FCX’s South America mines of 1.0 billion pounds in 2020 were lower than 1.2 billion pounds in 2019, primarily reflecting lower ore grades and mining rates associated with COVID-19 protocols at Cerro Verde and our April 2020 revised operating plans at El Abra, partly offset by higher recovery rates. FCX expects copper sales from its South America mines to approximate 1.0 billion pounds in 2021.



South America Copper Reserves by Mine

32.7 billion lbs

- 87% Cerro Verde
- 13% El Abra

El Abra plans to increase operating rates during 2021 to pre-COVID-19 levels, subject to ongoing monitoring of public health conditions in Chile. FCX continues to evaluate a large-scale expansion at El Abra to process additional sulfide material and to achieve higher recoveries.

FCX expects Cerro Verde's mill rates to average approximately 360,000 metric tons of ore per day in 2021, with the potential to ramp-up to pre-COVID-19 levels approximating 400,000 metric tons of ore per day as COVID-19 restrictions are lifted.





The ramp-up of underground production at the Grasberg minerals district in Indonesia continues to advance on schedule. The successful completion of this ramp-up is expected to enable PT Freeport Indonesia (PT-FI) to generate average annual production for the next several years of 1.55 billion pounds of copper and 1.6 million ounces of gold at an attractive unit net cash cost, providing significant margins and cash flows.

INDONESIA MINING

Through its subsidiary, PT-FI, FCX mines one of the world's largest copper and gold deposits in the Grasberg minerals district in Papua, Indonesia. In addition to copper and gold, PT-FI produces silver. FCX has a 48.76 percent ownership in PT-FI and manages its mining operations. PT-FI's results are consolidated in FCX's financial statements.

The ramp-up of underground production at the Grasberg Block Cave and Deep Mill Level Zone underground mines continues to advance following completion of mining the Grasberg open pit in 2019. PT-FI expects sales for the year 2021 to approximate 1.3 billion pounds of copper and 1.3 million ounces of gold, which are nearly double 2020 levels.

Higher consolidated copper sales of 0.8 billion pounds in 2020, compared with 0.7 billion pounds in 2019, primarily reflect higher copper ore grades, partly offset by lower mining rates as underground mining ramps up. Lower consolidated gold sales of 0.8 million ounces in 2020, compared with 1.0 million ounces in 2019, primarily reflect lower mining rates as underground mining ramps up, partly offset by higher gold ore grades.

Indonesia Copper Reserves

33.4 billion lbs

- 52% Grasberg Block Cave
- 22% Deep Mill Level Zone
- 18% Kucing Liar
- 8% Big Gossan



MINING RESERVES AND MINERALIZED MATERIAL

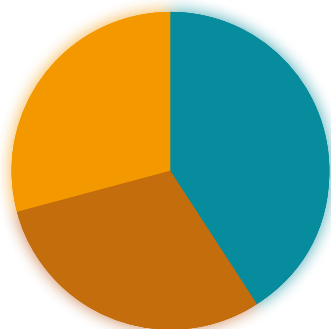
FCX has significant reserves, resources and future development opportunities within its portfolio of mining assets. At December 31, 2020, estimated consolidated recoverable proven and probable mineral reserves included 113.2 billion pounds of copper, 28.9 million ounces of gold, 3.71 billion pounds of molybdenum and 362.1 million ounces of silver. These estimates were determined using metals price assumptions of \$2.50 per pound for copper, \$1,200 per ounce for gold, \$10 per pound for molybdenum and \$15 per ounce for silver.

FCX's operating mines and other properties also contain mineralized material that it believes could be brought into reserves and production over time. At December 31, 2020, FCX identified estimated mineralized material totaling 120 billion pounds of incremental contained copper, which was assessed using a price of \$3.00 per pound. FCX continues to pursue opportunities to convert this material into reserves, future production volumes and cash flow.

Consolidated Copper Reserves ⁽¹⁾

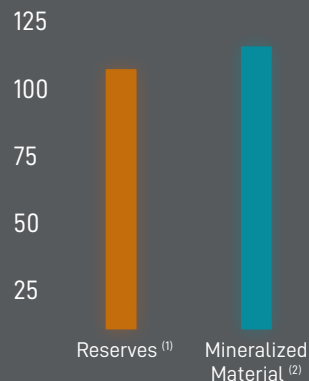
113.2 billion lbs

- 42% North America
- 29% Indonesia
- 29% South America



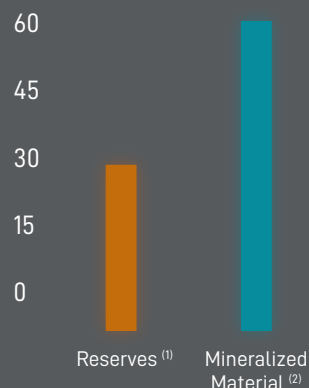
Consolidated Copper

113.2 billion lbs



Consolidated Gold

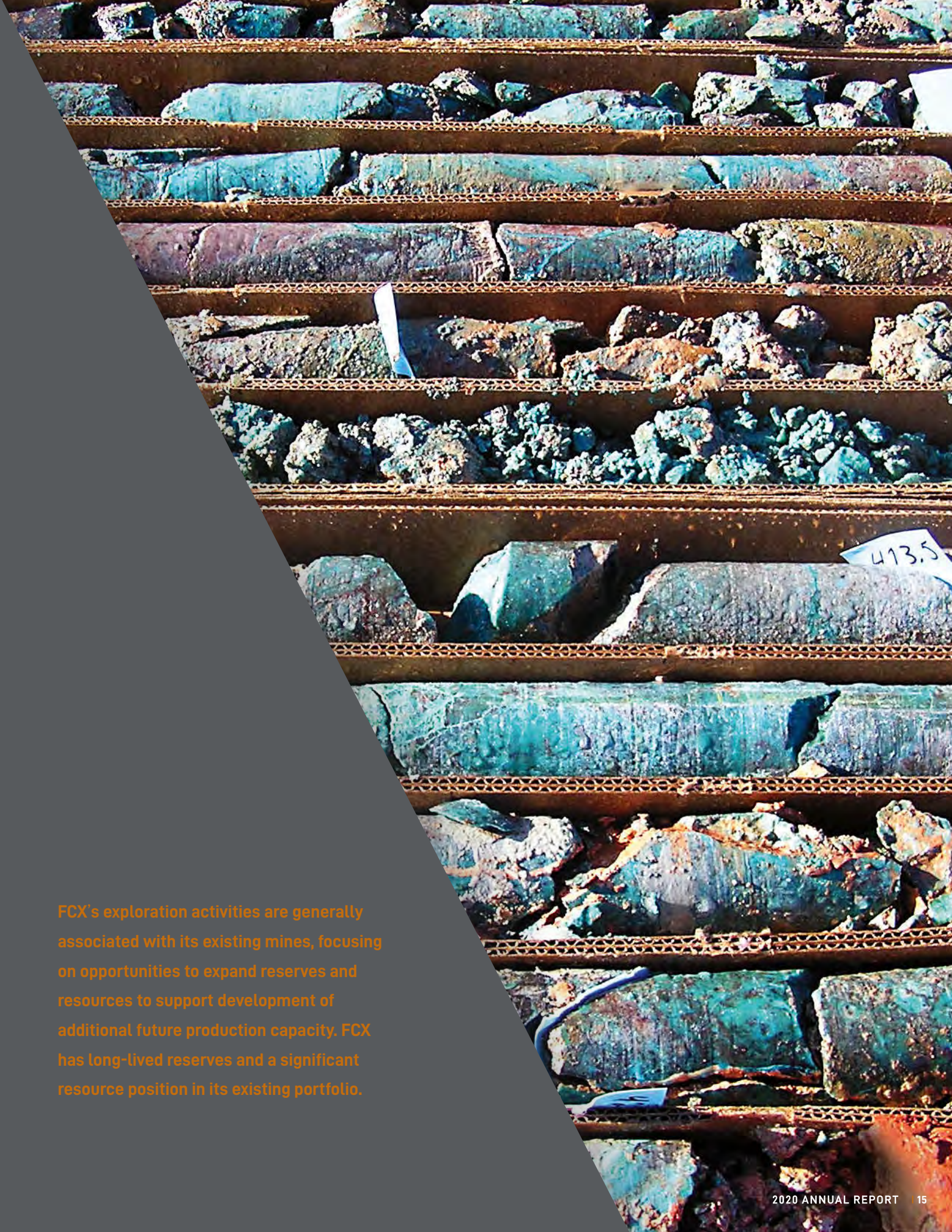
28.9 million ozs



(1) Estimated consolidated recoverable proven and probable reserves using long-term average prices of \$2.50/lb for copper and \$1,200/oz for gold; FCX's estimated net equity interest totaled 81.8 billion lbs of copper and 15.5 million ozs of gold as of December 31, 2020.

(2) Estimated consolidated mineralized material (contained copper and gold) using long-term average prices of \$3.00/lb for copper and \$1,200/oz for gold.

See Cautionary Statement and Regulation G Disclosure on page 121 of this Annual Report.



FCX's exploration activities are generally associated with its existing mines, focusing on opportunities to expand reserves and resources to support development of additional future production capacity. FCX has long-lived reserves and a significant resource position in its existing portfolio.

FCX's new financial policy will combine a base dividend, which can be sustained in a range of market conditions, with a performance based payout framework. This allows FCX to enhance long-term value for shareholders with a strong balance sheet, provide cash returns to shareholders reflective of market conditions and build long-term values in its undeveloped resources.





FINANCIAL PERFORMANCE

Subject to future commodity prices, FCX expects estimated consolidated operating cash flows, plus available cash, to be sufficient to fund its capital expenditures, as well as projected spending on the new smelter in Indonesia and other cash requirements for the year 2021 (including common stock dividends and noncontrolling interest distributions).

FINANCIAL DISTRIBUTIONS

FCX generated operating cash flows of \$3.0 billion in 2020. At December 31, 2020, FCX had consolidated cash of \$3.7 billion, total debt of \$9.7 billion and no borrowings under its \$3.5 billion revolving credit facility. Based on current sales volume and costs estimates, and assuming average prices of \$3.50 per pound of copper, \$1,850 per ounce of gold and \$9.00 per pound of molybdenum, consolidated operating cash flows are expected to approximate \$5.5 billion in 2021. The impact of copper price changes during 2021 on operating cash flows would approximate \$380 million for each \$0.10 per pound change in the average price of copper.

INVESTING ACTIVITIES

FCX's capital expenditures totaled \$2.0 billion in 2020, including \$1.2 billion for major projects. Capital expenditures are expected to approximate \$2.3 billion in 2021, including \$1.4 billion for major projects, primarily associated with underground development activities in the Grasberg minerals district, and excluding estimates associated with the new smelter in Indonesia. A large portion of these capital expenditures relates to projects that are expected to add significant production and cash flows in future periods. FCX expects capital expenditures for the development of the new smelter in Indonesia to approximate \$0.1 billion in 2021. PT-FI plans to arrange financing for the project, and debt service will be shared by PT-FI's shareholders according to their respective equity ownership percentages.

FINANCING TRANSACTIONS

Net repayments of debt totaled \$0.2 billion in 2020, primarily reflecting the repayment of \$0.3 billion under Cerro Verde's Term Loan. FCX has no significant scheduled debt maturities in 2021.

FINANCIAL POLICY

In February 2021, our Board of Directors reinstated a cash dividend on FCX's common stock at an annual rate of \$0.30 per share. FCX's previous cash dividend on its common stock was at an annual rate of \$0.20 per share prior to suspending these payments in March 2020 in connection with its comprehensive response to the COVID-19 pandemic. The Board of Directors also adopted a new financial policy for the allocation of cash flows aligned with our strategic objectives of maintaining a strong balance sheet, increasing cash returns to shareholders and advancing opportunities for future growth.

Under the new policy, up to 50 percent of available cash flows generated after planned capital spending and distributions to noncontrolling interests would be allocated to shareholder returns and the balance to debt reduction and investments in value enhancing growth projects. The new payout policy will be implemented following achievement of a net debt target in the range of \$3 billion to \$4 billion, excluding project debt for additional smelter capacity in Indonesia.

The declaration of dividends is at the discretion of the Board of Directors and will be assessed on an ongoing basis, taking into account our financial results, cash requirements, future prospects, global economic conditions and other factors deemed relevant.

SUSTAINABILITY

Freeport is foremost in copper, a metal which plays an essential role in the technologies necessary to support global decarbonization, to advance reliable electrical grids, telecommunications and transportation, and to connect and advance society.

People are the core of our business. We are deeply committed to supporting the health, safety and well-being of our people, which was further emphasized as the COVID-19 pandemic created unprecedented challenges for our workforce and their families, our host communities and indigenous neighbors, and for society as a whole.

Despite the unquestionable hardships and difficulties around the world resulting from the COVID-19 pandemic, our workforce emerged more flexible, innovative and agile and, in many ways, we believe that we have never been more connected to each other and to our stakeholders. Looking ahead, we remain focused on managing the COVID-19 pandemic, and we aim to leverage our learnings and enhanced connections to support our workforce and community stakeholders beyond the pandemic.

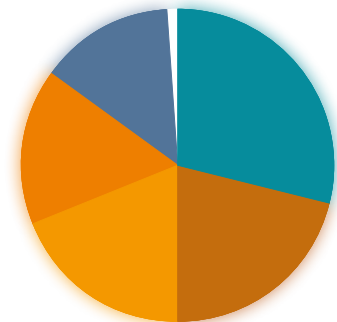
The COVID-19 pandemic underscored the critical importance of effective management and integration of our key ESG focus areas. We view strong ESG performance as a business imperative that underpins the long-term success of FCX and its ability to deliver value to its stakeholders.

To that end, in 2020, FCX announced its commitment to achieve the Copper Mark at each of its copper producing sites. The Copper Mark is a new, comprehensive assurance framework developed specifically for the copper industry that enables individual sites to demonstrate their responsible production performance to customers, investors, final manufacturers and other stakeholders. FCX is dedicated to supplying the global economy with copper — “Responsibly, Reliably and Relentlessly.”



RESPONSIBLY
PRODUCED
COPPER

To date, five of our sites have been awarded the Copper Mark: the Cerro Verde mine in Peru, the El Abra mine in Chile, the Atlantic Copper smelter and refinery in Spain, the Miami smelter and mine in the U.S., and the El Paso refinery in the U.S.



2020 Community Investment

\$108 million

- 35% Community Trust Funds
- 17% Safety, Health and Environment
- 17% Other*
- 15% Economic Development and Infrastructure
- 12% Education and Training
- 4% Administration

* Includes United Way and matching gifts, arts, culture, stakeholder engagement and miscellaneous.



OUR RESPONSE TO THE COVID-19 PANDEMIC



PRIORITIZING
THE HEALTH AND
WELL-BEING OF
OUR WORKFORCE



SUPPORTING OUR
HOST COMMUNITIES
AND INDIGENOUS
NEIGHBORS



SERVING
OUR CUSTOMERS



CLIMATE CHANGE STRATEGY

Copper plays an essential role in the technologies necessary to develop and deliver clean energy and to support the global transition to a low-carbon economy. As the energy transition continues, copper demand is expected to increase from the use of electric vehicles and their charging stations and renewable energy technologies, such as solar and wind, and their necessary connections to grids. This increased copper demand should not come at a cost to sustainability.

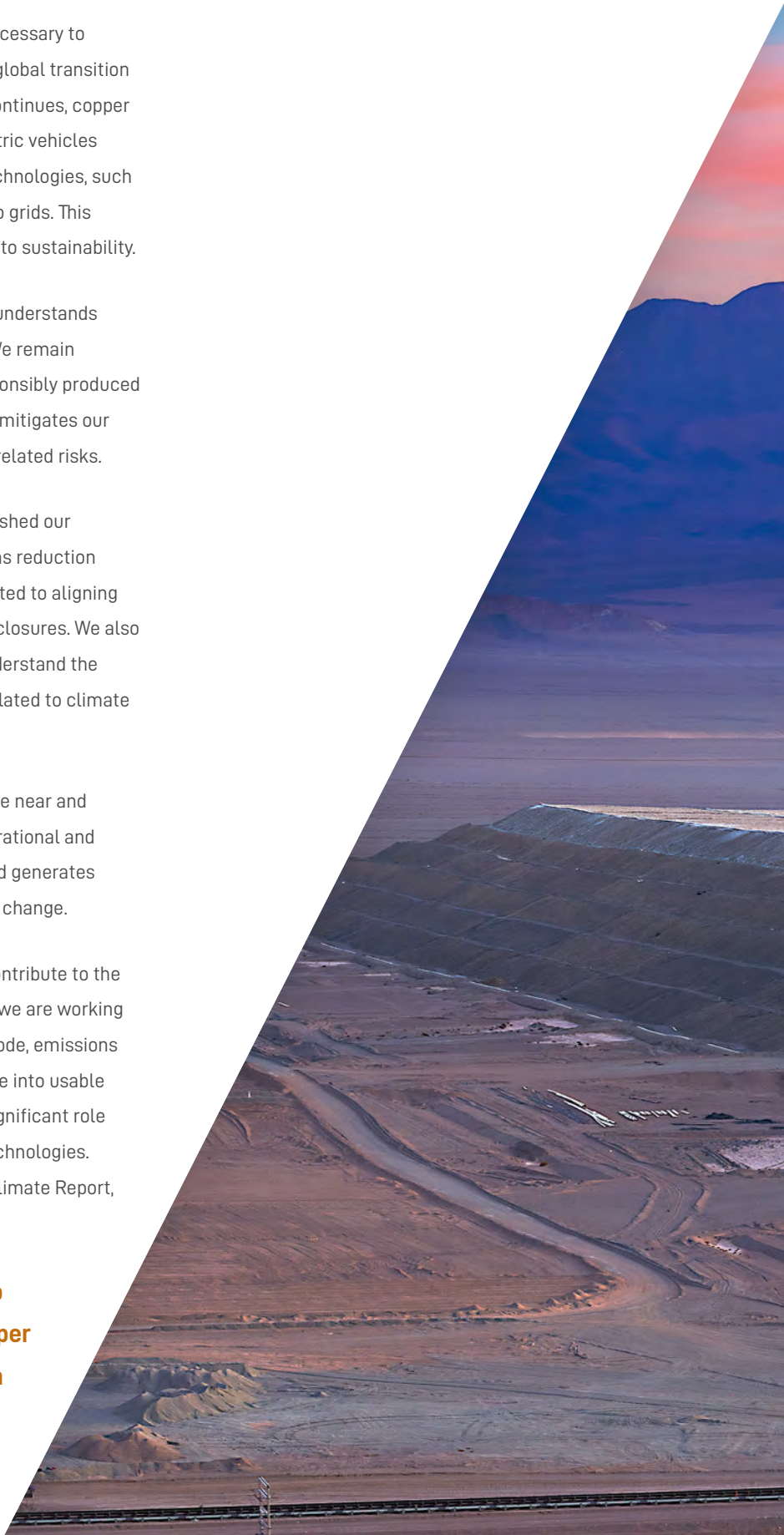
As one of the world's largest copper producers, FCX understands its critical role in the low-carbon energy transition. We remain dedicated to supplying the global economy with responsibly produced copper and operating in a manner that manages and mitigates our greenhouse gas (GHG) emissions and other climate-related risks.

In 2020, we formalized our climate strategy and published our inaugural climate report, established a GHG emissions reduction target for our Americas copper business and committed to aligning with the Task Force on Climate-related Financial Disclosures. We also initiated an in-depth climate scenario analysis to understand the risks and opportunities across our global business related to climate in the long-term.

We recognize that climate change poses considerable near and long-term challenges for society and to our own operational and financial performance. Mining is energy-intensive and generates significant GHG emissions that contribute to climate change.

FCX believes that it is well positioned to positively contribute to the Paris Agreement on climate change. This is because we are working hard to reduce our own emissions from mine to cathode, emissions related to converting copper cathode that we produce into usable products like wire are minimal, and copper plays a significant role in electrification, renewables and energy efficient technologies. Read more about FCX's climate strategy in its 2019 Climate Report, available at fcx.com/sustainability.

We established our first climate target to reduce our GHG emissions by 15 percent per metric ton of copper cathode produced in the Americas by 2030 (vs. 2018 baseline).





COPPER IS CRITICAL TO GLOBAL DECARBONIZATION



More than 70% of the world's copper is used in applications that deliver electricity. ⁽¹⁾



Electric vehicles use up to four times more copper than internal combustion engines. ⁽¹⁾



Renewable energy technologies use four to five times more copper than fossil fuel power generation. ⁽¹⁾



Copper consumption associated with electric vehicles and renewable energy technologies is expected to more than double over the next five years. ⁽²⁾

(1) International Copper Association
(2) CRU Group, January 2021



FCX's tailings dams are designed, built, operated and monitored to minimize risk to employees, neighboring communities and the environment. We use remote sensing tools in our tailings dams monitoring program, and, in 2020, these tools were critical to maintaining inspection frequency and coverage while travel was restricted due to the COVID-19 pandemic.



TAILINGS MANAGEMENT AND STEWARDSHIP

FCX affiliates currently operate 17 active tailings storage facilities (TSFs) and manage 56 that are inactive or reclaimed facilities. Our Indonesian subsidiary, PT-FI, operates a controlled riverine tailings management system.

The health and safety of our workforce, host communities and the environment are fundamental to FCX's extensive Tailings Management and Stewardship Program. FCX has comprehensive measures in place to ensure the safety and security of its tailings facilities at all of its operations and legacy properties, and we endeavor to continuously improve. Our programs take into account the significant consequences resulting from a potential failure. We have a strong commitment from our Board of Directors and executive management team to allocate the necessary financial and technical resources to operate safely.

We supported the development of and are committed to working towards implementation of the new Global Industry Standard on Tailings Management (the Tailings Standard). The Tailings Standard is the first global standard for tailings management that can be applied to existing and future tailings facilities. The Tailings Standard was developed through an independent, multi-stakeholder process co-convened by the United Nations Environment Programme, Principles for Responsible Investment and ICMM. Through its membership in ICMM, FCX played an active leadership role by providing constructive input in the development of the Tailings Standard. Also in 2020, FCX chaired a subgroup of the ICMM Tailings Working Group to develop a guide to identify and recommend good practices and to support implementation of the Tailings Standard. FCX is currently advancing its plans to demonstrate conformance with the Tailings Standard.

BOARD OF DIRECTORS

Richard C. Adkerson
Chairman of the Board
and Chief Executive Officer
Freeport-McMoRan Inc.

Dustan E. McCoy ^(1, 2, 4)
Lead Independent Director
Freeport-McMoRan Inc.
Retired Chairman and
Chief Executive Officer
Brunswick Corporation

David P. Abney
Retired Chairman and
Chief Executive Officer
United Parcel Service, Inc.

Robert W. Dudley
Retired Group Chief Executive
BP, p.Lc.

Gerald J. Ford* ^(1, 3)
Chairman of the Board
Hilltop Holdings Inc.

Lydia H. Kennard ^(1, 3, 4)
President and Chief Executive Officer
KDG Construction Consulting

John J. Stephens ⁽¹⁾
Retired Senior Executive Vice President
and Chief Financial Officer, AT&T Inc.

Frances Fragos Townsend ^(2, 4)
Executive Vice President
Corporate Affairs
Activision Blizzard, Inc.

EMERITUS MEMBER:
Dr. Henry A. Kissinger
Director Emeritus

BOARD COMMITTEES:

- 1) Audit Committee
- 2) Compensation Committee
- 3) Governance Committee
- 4) Corporate Responsibility Committee

* Mr. Ford will retire from the FCX Board of Directors effective upon the expiration of his current term at the 2021 annual meeting of stockholders.

EXECUTIVE OFFICERS

Richard C. Adkerson
Chairman of the Board
and Chief Executive Officer

Kathleen L. Quirk
President and
Chief Financial Officer

SENIOR LEADERSHIP

OPERATIONS

Mark J. Johnson
President and Chief Operating Officer
Freeport-McMoRan Indonesia

Joshua F. “Josh” Olmsted
President and Chief Operating Officer
Freeport-McMoRan Americas

Richard E. Coleman
President
Freeport-McMoRan Mining Company

Michael J. Kendrick
President
Climax Molybdenum Co.

Javier Targhetta
President, Atlantic Copper S.L.U.
Senior Vice President, FCX
(Concentrates)

Clayton A. “Tony” Wenas
President Director
PT Freeport Indonesia

ADMINISTRATION

Robert R. Boyce
Vice President and Treasurer

William E. Cobb
Vice President and
Chief Sustainability Officer

Douglas N. Currault II
Senior Vice President and
General Counsel

Stephen T. Higgins
Senior Vice President and
Chief Administrative Officer

Pamela Q. Masson
Vice President and Chief Human
Resources Officer

Bertrand L. Odinet, II
Vice President, Chief Information
Officer and Chief Innovation Officer

C. Donald Whitmire, Jr.
Vice President and
Controller – Financial Reporting

Internal Auditors
Deloitte & Touche LLP

JAMES R. “JIM BOB” MOFFETT

August 16, 1938 - January 8, 2021

A LEGENDARY GEOLOGIST AND VISIONARY

Jim Bob was a true pioneer in the natural resource industry. His passion and relentless drive as an explorationist led to the discovery and development of world-class oil and gas and mineral deposits over his long career. He served as Chairman of the Board of Freeport-McMoRan from 1992 to 2015 and as Chief Executive Officer of the company from 1995 to 2003.

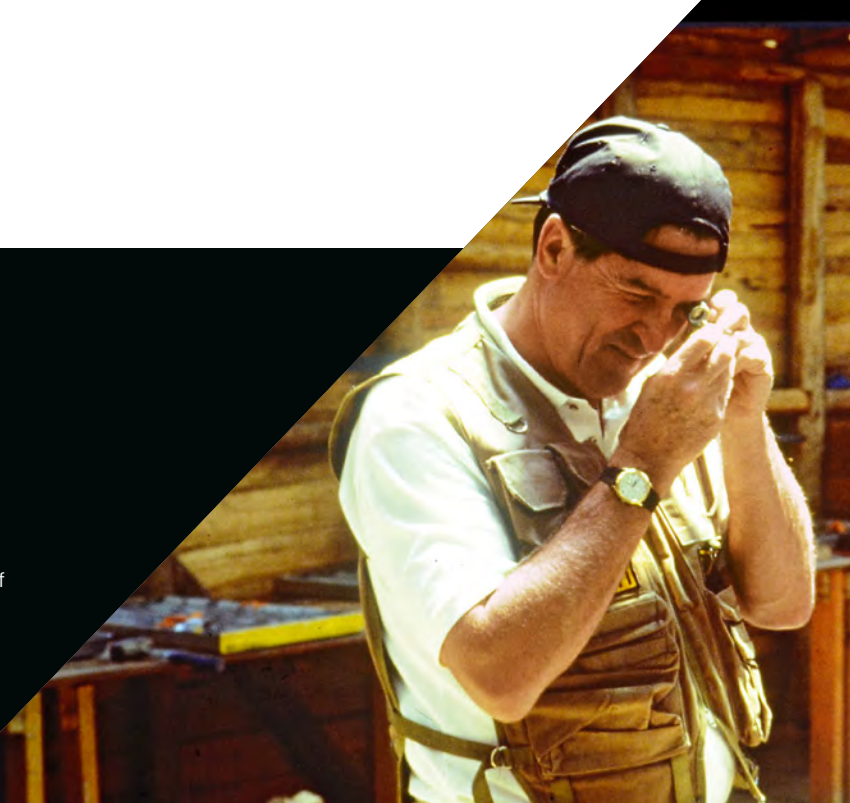


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CHARGING AHEAD
Financial and Operating Information

SELECTED OPERATING DATA



Years Ended December 31,	2020	2019	2018	2017	2016
CONSOLIDATED MINING					
Copper (millions of recoverable pounds)					
Production	3,206	3,247	3,813	3,737	4,222
Sales, excluding purchases	3,202	3,292	3,811	3,700	4,227
Average realized price per pound	\$ 2.95	\$ 2.73	\$ 2.91	\$ 2.93	\$ 2.28
Gold (thousands of recoverable ounces)					
Production	857	882	2,439	1,577	1,088
Sales, excluding purchases	855	991	2,389	1,562	1,079
Average realized price per ounce	\$ 1,832	\$ 1,415	\$ 1,254	\$ 1,268	\$ 1,238
Molybdenum (millions of recoverable pounds)					
Production	76	90	95	92	80
Sales, excluding purchases	80	90	94	95	74
Average realized price per pound	\$ 10.20	\$ 12.61	\$ 12.50	\$ 9.33	\$ 8.33
NORTH AMERICA COPPER MINES					
Operating Data, Net of Joint Venture Interests^a					
Copper (millions of recoverable pounds)					
Production	1,418	1,457	1,404	1,518	1,831
Sales, excluding purchases	1,422	1,442	1,428	1,484	1,841
Average realized price per pound	\$ 2.82	\$ 2.74	\$ 2.96	\$ 2.85	\$ 2.24
Molybdenum (millions of recoverable pounds)					
Production	33	32	32	33	33
100% Operating Data					
<i>Leach operations</i>					
Leach ore placed in stockpiles (metric tons per day)	714,300	750,900	681,400	679,000	737,400
Average copper ore grade (percent)	0.27	0.23	0.24	0.28	0.31
Copper production (millions of recoverable pounds)	1,047	993	951	1,016	1,120
<i>Mill operations</i>					
Ore milled (metric tons per day)	279,700	326,100	301,000	299,500	300,500
Average ore grade (percent):					
Copper	0.35	0.34	0.35	0.39	0.47
Molybdenum	0.02	0.02	0.02	0.03	0.03
Copper recovery rate (percent)	84.1	87.0	87.8	86.4	85.5
Copper production (millions of recoverable pounds)	647	748	719	788	958
SOUTH AMERICA MINING					
Copper (millions of recoverable pounds)					
Production	979	1,183	1,249	1,235	1,328
Sales	976	1,183	1,253	1,235	1,332
Average realized price per pound	\$ 3.05	\$ 2.71	\$ 2.87	\$ 2.97	\$ 2.31
Molybdenum (millions of recoverable pounds)					
Production	19	29	28	27	21
<i>Leach operations</i>					
Leach ore placed in stockpiles (metric tons per day)	160,300	205,900	195,200	142,800	149,100
Average copper ore grade (percent)	0.35	0.37	0.33	0.37	0.41
Copper production (millions of recoverable pounds)	241	268	287	255	328
<i>Mill operations</i>					
Ore milled (metric tons per day)	331,600	393,100	387,600	360,100	353,400
Average ore grade (percent):					
Copper	0.34	0.36	0.38	0.44	0.43
Molybdenum	0.01	0.02	0.01	0.02	0.02
Copper recovery rate (percent)	84.3	83.5	84.3	81.2	85.8
Copper production (millions of recoverable pounds)	738	916	962	980	1,000

a. Net of Morenci's joint venture interest; effective May 31, 2016, our undivided interest in Morenci was prospectively reduced from 85 percent to 72 percent.



Years Ended December 31,	2020	2019	2018	2017	2016
INDONESIA MINING					
Operating Data, Net of Rio Tinto Joint Venture Interest^a					
Copper (millions of recoverable pounds)					
Production	809	607	1,160	984	1,063
Sales	804	667	1,130	981	1,054
Average realized price per pound	\$ 3.08	\$ 2.72	\$ 2.89	\$ 3.00	\$ 2.32
Gold (thousands of recoverable ounces)					
Production	848	863	2,416	1,554	1,061
Sales	842	973	2,366	1,540	1,054
Average realized price per ounce	\$ 1,832	\$ 1,416	\$ 1,254	\$ 1,268	\$ 1,237
100% Operating Data					
Ore milled (metric tons per day)	87,700	110,100	178,100	140,400	165,700
Average ore grade:					
Copper (percent)	1.32	0.84	0.98	1.01	0.91
Gold (grams per metric ton)	1.10	0.93	1.58	1.15	0.68
Recovery rates (percent):					
Copper	91.9	88.4	91.8	91.6	91.0
Gold	78.1	75.0	84.7	85.0	82.2
Production:					
Copper (millions of recoverable pounds)	809	607	1,227	996	1,063
Gold (thousands of recoverable ounces)	848	863	2,697	1,554	1,061
MOLYBDENUM MINES					
Molybdenum production (millions of recoverable pounds)	24	29	35	32	26
Ore milled (metric tons per day)	20,700	30,100	27,900	22,500	18,300
Average molybdenum ore grade (percent)	0.17	0.14	0.18	0.20	0.21

a. Prior to December 21, 2018, PT Freeport Indonesia (PT-FI) had an unincorporated joint venture with Rio Tinto. Refer to Notes 2 and 3 for further discussion.



In Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk (MD&A), "we," "us" and "our" refer to Freeport-McMoRan Inc. and its consolidated subsidiaries. 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 MD&A, all references to earnings or losses per share are on a diluted basis.

This section of our Form 10-K generally discusses the results of operations for the years 2020 and 2019 and comparisons between these years. Discussion of the results of operations for the year 2018 and comparisons between the years 2019 and 2018 are not included in this Form 10-K and can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk" in Part II, Items 7. and 7A. of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

OVERVIEW

We are a leading international mining company with headquarters in Phoenix, Arizona. We operate large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. We are one of the world's largest publicly traded copper producers. Our portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; and significant mining operations in North America and South America, including the large-scale Morenci minerals district in Arizona and the Cerro Verde operation in Peru.

Protecting the health of our workforce and communities where we operate is a top priority and we continue to focus on safeguarding our business in an uncertain public health and economic environment. Our operating sites successfully executed our April 2020 revised operating plans implemented in response to the global COVID-19 pandemic and resulting negative impact on the global economy.

We believe that we have a high-quality portfolio of long-lived copper assets positioned to generate long-term value. The ramp-up of underground mining at PT Freeport Indonesia (PT-FI) and production from the Lone Star copper leach project are both advancing on schedule. Cerro Verde is continuing to increase milling rates while operating under strict COVID-19 restrictions and protocols that remain in place. Refer to "Operations" for further discussion. We are also pursuing other opportunities to enhance our mines' net present values, and we continue to advance studies for future development of our resources, the timing of which will depend on market conditions. We plan to prioritize long-term development opportunities during 2021 while focusing on the continued execution of our strategic objectives of maintaining a strong balance sheet, increasing cash returns to shareholders and advancing opportunities for future growth.

Our 2020 results reflect strong cash flows and effective cost and capital expenditure management. Net income (loss) attributable to common stock totaled \$599 million in 2020 and \$(239) million in 2019. Our results in 2020, compared to 2019, primarily reflect higher copper and gold prices and lower production and delivery costs. Refer to "Consolidated Results" for discussion of items impacting our consolidated results for the two years ended December 31, 2020.

At December 31, 2020, we had \$3.7 billion in consolidated cash and cash equivalents, \$9.7 billion in total debt, and no borrowings and \$3.5 billion available under our revolving credit facility.

In connection with our financing activities in 2019 and 2020, we issued a total of \$4.0 billion in new senior notes and used most of the net proceeds to purchase and redeem outstanding senior notes. As a result, we have extended our debt maturities and strengthened our financial flexibility. We have no significant scheduled debt maturities in 2021. Refer to Note 8 and "Capital Resources and Liquidity" for further discussion.

We have significant mineral reserves, resources and future development opportunities within our portfolio of mining assets. At December 31, 2020, our estimated consolidated recoverable proven and probable mineral reserves totaled 113.2 billion pounds of copper, 28.9 million ounces of gold and 3.71 billion pounds of molybdenum. Refer to "Critical Accounting Estimates—Mineral Reserves" and Note 17 for further discussion.



During 2020, production from our mines totaled 3.2 billion pounds of copper, 0.9 million ounces of gold and 76 million pounds of molybdenum. Following is an allocation of our consolidated copper, gold and molybdenum production in 2020 by geographic location:

	Copper	Gold	Molybdenum
North America	44%	1%	75% ^a
South America	31	—	25
Indonesia	25	99	—
	<u>100%</u>	<u>100%</u>	<u>100%</u>

a. Our North America copper mines produced 43 percent of consolidated molybdenum production, and our Henderson and Climax molybdenum mines produced 32 percent.

Copper production from the Morenci mine in North America, Cerro Verde mine in Peru and the Grasberg minerals district in Indonesia together totaled 73 percent of our consolidated copper production in 2020.

OUTLOOK

Despite volatile market conditions and global economic uncertainty as a result of the ongoing COVID-19 pandemic, we continue to view the long-term outlook for our business positively, supported by limitations on supplies of copper and by the requirements for copper in the world's economy. Our financial results vary as a result of fluctuations in market prices primarily for copper, gold and, to a lesser extent, molybdenum, as well as other factors. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Refer to "Markets" for further discussion. 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, operating cash flows and capital expenditures.

Sales Volumes. Following are our projected consolidated sales volumes for 2021 and actual consolidated sales volumes for 2020:

	2021 (Projected)	2020 (Actual)
Copper (millions of recoverable pounds):		
North America copper mines	1,465	1,422
South America mining	1,035	976
Indonesia mining	1,320	804
Total	<u>3,820</u>	<u>3,202</u>
Gold (thousands of recoverable ounces)	<u>1,325</u>	<u>855</u>
Molybdenum (millions of recoverable pounds)	<u>85^a</u>	<u>80</u>

a. Includes 25 million pounds from our Molybdenum mines and 60 million pounds from our North America and South America copper mines.

Consolidated sales for first-quarter 2021 are expected to approximate 825 million pounds of copper, 275 thousand ounces of gold and 20 million pounds of molybdenum. Projected sales volumes are dependent on operational performance, continued progress of the ramp-up of underground mining at PT-FI, impacts and duration of the COVID-19 pandemic, timing of shipments, the Indonesia government's extension of PT-FI's export license beyond March 15, 2021, and other factors. For other important factors that could cause results to differ materially from projections, refer to "Cautionary Statement" and "Risk Factors" contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020.

Consolidated Unit Net Cash Costs. Assuming average prices of \$1,850 per ounce of gold and \$9.00 per pound of molybdenum 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 \$1.25 per pound of copper in 2021. The impact of price changes on 2021 consolidated unit net cash costs would approximate \$0.03 per pound for each \$100 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. Quarterly unit net cash costs vary with fluctuations in sales volumes and realized prices, primarily for gold and molybdenum.

Consolidated Operating Cash Flows. Our consolidated operating cash flows vary with sales volumes; prices realized from copper, gold and molybdenum sales; production costs; income taxes; other working capital changes; and other factors. Based on current sales volume and cost estimates, and assuming average prices of \$3.50 per pound of copper, \$1,850 per ounce of gold and \$9.00 per pound of molybdenum, our consolidated operating cash flows are estimated to approximate \$5.5 billion (including \$0.4 billion from working capital and other sources) for the year 2021. Estimated consolidated operating cash flows in 2021 also reflect a projected income tax provision of \$1.8 billion (refer to "Consolidated Results—Income Taxes" for further discussion of our projected income tax rate for the year 2021). The impact of price changes during 2021 on operating cash flows would approximate \$380 million for each \$0.10 per pound change in the average price of copper, \$120 million for each \$100 per ounce change in the average price of gold and \$80 million for each \$2 per pound change in the average price of molybdenum.



Consolidated Capital Expenditures. Consolidated capital expenditures are expected to approximate \$2.3 billion in 2021, including \$1.4 billion for major projects primarily associated with underground development activities in the Grasberg minerals district and exclude estimates associated with the new smelter in Indonesia.

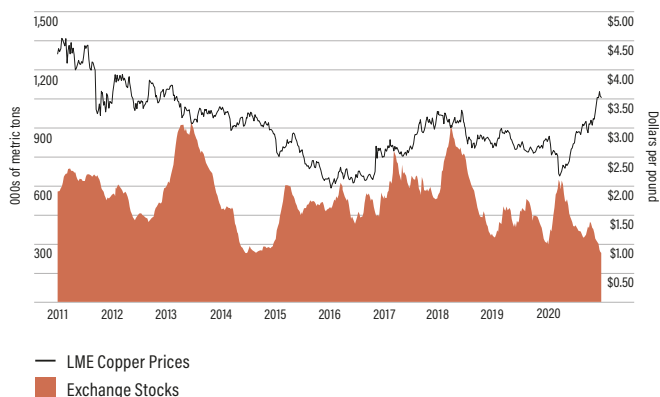
We expect capital expenditures for the development of the new smelter in Indonesia to approximate \$0.1 billion in 2021, of which approximately 49 percent will be attributable to our equity interest. PT-FI expects these amounts to be funded by a new bank loan.

MARKETS

World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2011 through December 2020, the London Metal Exchange (LME) copper settlement price varied from a low of \$1.96 per pound in 2016 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 \$1,049 per ounce in 2015 to a record high of \$2,067 per ounce in 2020; and the *Metals Week* Molybdenum Dealer Oxide weekly average price ranged from a low of \$4.46 per pound in 2015 to a high of \$17.88 per pound in 2011. 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, 2020.

LME Copper Prices

Through December 31, 2020

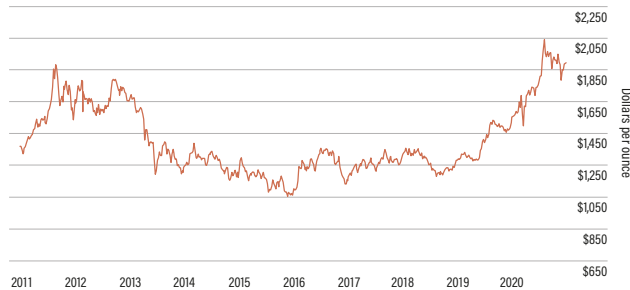


This graph presents LME copper settlement prices and the combined reported stocks of copper at the LME, Commodity Exchange Inc., and the Shanghai Futures Exchange from January 2011 through December 2020. For the year 2020, LME copper settlement prices ranged from a low of \$2.09 per pound to a high of \$3.61 per pound, averaged \$2.80 per pound and closed at \$3.51 per pound on December 31, 2020. During 2020, copper prices were initially negatively impacted by economic uncertainty associated with the COVID-19 pandemic, but began to rise in second-quarter 2020 and continued to rise through the end of 2020 as a result of a positive economic outlook lead by China's continued recovery, decreasing inventories and supply curtailments related to the COVID-19 pandemic. The LME copper settlement price was \$3.57 per pound on January 29, 2021.

While we acknowledge the global economic turmoil associated with the ongoing COVID-19 pandemic, we continue to 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 the ongoing COVID-19 pandemic, demand from China and emerging markets, as well as economic activity in the United States (U.S.) and other industrialized countries, the timing of the development of new supplies of copper and production levels of mines and copper smelters.



London Gold Prices
Through December 31, 2020



This graph presents London PM gold prices from January 2011 through December 2020. Concerns about the global economy related to the COVID-19 pandemic, historically low U.S. interest rates and the anticipated effects of global stimulus efforts have driven increased demand for gold. For the year 2020, London PM gold prices ranged from a low of \$1,474 per ounce to a record high of \$2,067 per ounce, averaged \$1,770 per ounce and closed at \$1,888 per ounce on December 30, 2020 (there was no London PM gold price quote on December 31, 2020). The London PM gold price was \$1,864 per ounce on January 29, 2021.

Metals Week Molybdenum Dealer Oxide Prices
Through December 31, 2020



This graph presents the *Metals Week* Molybdenum Dealer Oxide weekly average price from January 2011 through December 2020. Molybdenum prices were negatively impacted by economic uncertainty associated with the COVID-19 pandemic in early 2020, but began to improve in the second

half of 2020 as a result of increases in spot sale activity in Europe and China. For the year 2020, the weekly average price for molybdenum ranged from a low of \$7.01 per pound to a high of \$10.79 per pound, averaged \$8.69 per pound and was \$9.86 per pound on December 31, 2020. The *Metals Week* Molybdenum Dealer Oxide weekly average price was \$10.38 per pound on January 29, 2021.

CRITICAL ACCOUNTING ESTIMATES

MD&A is based on our consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles (GAAP) in the U.S. The preparation of these statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We base these estimates on historical experience and on assumptions that we consider reasonable under the circumstances; however, reported results could differ from those based on the current estimates under different assumptions or conditions. The areas requiring the use of management's estimates are also discussed in Note 1 under the subheading "Use of Estimates." Management has reviewed the following discussion of its development and selection of critical accounting estimates with the Audit Committee of our Board of Directors (the Board).

Taxes. In preparing our consolidated financial statements, we estimate the actual amount of income taxes currently payable or receivable as well as deferred income tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in income in the period in which such changes are enacted.

Our operations are in multiple jurisdictions where uncertainties arise in the application of complex tax regulations. Some of these tax regimes are defined by contractual agreements with the local government, while others are defined by general tax laws and regulations. We and our subsidiaries are subject to reviews of our income tax filings and other tax payments, and disputes can arise with the taxing



authorities over the interpretation of our contracts or laws. Final taxes paid may be dependent upon many factors, including negotiations with taxing authorities. In certain jurisdictions, we pay a portion of the disputed amount before formally appealing an assessment. Such payment is recorded as a receivable if we believe the amount is collectible.

A valuation allowance is provided for those deferred income tax assets for which the weight of available evidence suggests that the related benefits will not be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income or loss as well as feasible tax planning strategies in each jurisdiction. If we determine that we will not realize all or a portion of our deferred income tax assets, we will increase our valuation allowance. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced.

Our valuation allowances totaled \$4.7 billion at December 31, 2020, which covered all of our U.S. foreign tax credits, U.S. federal net operating losses, foreign net operating losses, and substantially all of our U.S. state net operating losses. Refer to Note 11 for further discussion.

Environmental Obligations. Our current and historical operating activities are subject to various national, state and local environmental laws and regulations that govern the protection of the environment, and compliance with those laws requires significant expenditures. Environmental expenditures are charged to expense or capitalized, depending upon their future economic benefits. The guidance provided by U.S. GAAP requires that liabilities for contingencies be recorded when it is probable that obligations have been incurred, and the cost can be reasonably estimated. At December 31, 2020, environmental obligations recorded in our consolidated balance sheet totaled \$1.6 billion, which reflect obligations for environmental liabilities attributed to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) or analogous state programs and for estimated future costs associated with environmental matters. Refer to Notes 1 and 12 for further discussion of environmental obligations, including a summary of changes in our estimated environmental obligations for the three years ended December 31, 2020.

Accounting for environmental obligations represents a critical accounting estimate because (i) changes to environmental laws and regulations and/or circumstances affecting our operations could result in significant changes to our estimates, which could have a significant impact on our results of operations, (ii) we will not incur most of these costs for a number of years, requiring us to make estimates over a long period, (iii) calculating the discounted cash flows for certain of our environmental obligations requires management to estimate projected cash flows and make long-term assumptions about inflation rates and (iv) changes in estimates used in determining our environmental obligations could have a significant impact on our results of operations.

We perform a comprehensive annual review of our environmental obligations and also review changes in facts and circumstances associated with these obligations at least quarterly. Judgments and estimates are based upon currently available facts, existing technology, presently enacted laws and regulations, remediation experience, whether or not we are a potentially responsible party (PRP), the ability of other PRPs to pay their allocated portions and take into consideration reasonably possible outcomes. Our cost estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, updated cost assumptions (including increases and decreases to cost estimates), changes in the anticipated scope and timing of remediation activities, the settlement of environmental matters, required remediation methods and actions by or against governmental agencies or private parties.

Asset Retirement Obligations. We record the fair value of our estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Fair value is measured as the present value of cash flow estimates after considering inflation and a market risk premium. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible long-lived assets in the period incurred. These cost estimates may differ from financial assurance cost estimates for reclamation activities because of a variety of factors, including obtaining updated cost estimates for reclamation activities, the timing of reclamation activities, changes in scope and the exclusion of certain costs not considered reclamation and closure costs. At December 31, 2020, AROs recorded in our consolidated balance sheet totaled \$2.5 billion, including \$0.4 billion associated



with our remaining oil and gas operations. Refer to Notes 1 and 12 for further discussion of reclamation and closure costs, including a summary of changes in our AROs for the three years ended December 31, 2020.

Generally, ARO activities are specified by regulations or in permits issued by the relevant governing authority, and management's judgment is required to estimate the extent and timing of expenditures. Accounting for AROs represents a critical accounting estimate because (i) we will not incur most of these costs for a number of years, requiring us to make estimates over a long period, (ii) reclamation and closure laws and regulations could change in the future and/or circumstances affecting our operations could change, either of which could result in significant changes to our current plans, (iii) the methods used or required to plug and abandon non-producing oil and gas wellbores, remove platforms, tanks, production equipment and flow lines, and restore the wellsite could change, (iv) calculating the fair value of our AROs requires management to estimate projected cash flows, make long-term assumptions about inflation rates, determine our credit-adjusted, risk-free interest rates and determine market risk premiums that are appropriate for our operations and (v) given the magnitude of our estimated reclamation, mine closure and wellsite abandonment and restoration costs, changes in any or all of these estimates could have a significant impact on our results of operations.

Mineral Reserves. Recoverable proven and probable reserves are the part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The determination of reserves involves numerous uncertainties with respect to the ultimate geology of the ore bodies, including quantities, grades and recovery rates. Estimating the quantity and grade of mineral reserves requires us to determine the size, shape and depth of our ore bodies by analyzing geological data, such as samplings of drill holes, tunnels and other underground workings. In addition to the geology of our mines, assumptions are required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods we use and the related costs incurred to develop and mine our reserves. Our estimates of recoverable proven and probable mineral reserves are prepared by and are the responsibility of our employees. These estimates are reviewed and verified regularly by independent experts in mining, geology and reserve determination.

Our consolidated estimated recoverable proven and probable reserves shown below were assessed using long-term prices of \$2.50 per pound for copper, \$1,200 per ounce of gold and \$10 per pound of molybdenum. The following table summarizes changes in our estimated consolidated recoverable proven and probable copper, gold and molybdenum reserves during 2020 and 2019:

	Copper ^a (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
Consolidated reserves at December 31, 2018	119.6	30.8	3.78
Net revisions	(0.4)	(0.3)	(0.11)
Production	(3.2)	(0.9)	(0.09)
Consolidated reserves at December 31, 2019	116.0	29.6	3.58
Net additions	0.4	0.2	0.21
Production	(3.2)	(0.9)	(0.08)
Consolidated reserves at December 31, 2020	113.2	28.9	3.71

a. Includes estimated recoverable metals contained in stockpiles. See below for additional discussion of recoverable copper in stockpiles.

Refer to Note 17 and "Risk Factors" contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020, for further information regarding, and risks associated with, our estimated recoverable proven and probable mineral reserves.

As discussed in Note 1, we depreciate our life-of-mine mining and milling assets and values assigned to proven and probable mineral reserves using the unit-of-production (UOP) method based on our estimated recoverable proven and probable mineral reserves. Because the economic assumptions used to estimate mineral reserves may change from period to period and additional geological data is generated during the course of operations, estimates of reserves may change, which could have a significant impact on our results of operations, including changes to prospective depreciation rates and impairments of long-lived asset carrying values. Based on projected copper sales volumes, if estimated copper reserves at our mines were 10 percent higher at December 31, 2020, we estimate that our annual depreciation, depletion and amortization (DD&A) expense for 2021 would decrease by \$84 million (\$44 million to net income attributable to common stock), and a 10 percent decrease in copper reserves would increase DD&A expense by \$103 million (\$53 million to



net income attributable to common stock). We perform annual assessments of our existing assets in connection with the review of mine operating and development plans. If it is determined that assigned asset lives do not reflect the expected remaining period of benefit, any change could affect prospective DD&A rates.

As discussed below and in Note 1, we review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable, and changes to our estimates of recoverable proven and probable mineral reserves could have an impact on our assessment of asset recoverability.

Recoverable Copper in Stockpiles. We record, as inventory, applicable costs for copper contained in mill and leach stockpiles that are expected to be processed in the future based on proven processing technologies. Mill and leach stockpiles are evaluated periodically to ensure that they are stated at the lower of weighted-average cost or net realizable value (refer to Note 4 and "Consolidated Results" for further discussion of inventory adjustments recorded for the three years ended December 31, 2020). Accounting for recoverable copper from mill and leach stockpiles represents a critical accounting estimate because (i) it is impracticable to determine copper contained in mill and leach stockpiles by physical count, thus requiring management to employ reasonable estimation methods and (ii) recovery rates from leach stockpiles can vary significantly. Refer to Note 1 for further discussion of our accounting policy for recoverable copper in stockpiles.

At December 31, 2020, estimated consolidated recoverable copper was 1.7 billion pounds in leach stockpiles (with a carrying value of \$2.0 billion) and 0.3 billion pounds in mill stockpiles (with a carrying value of \$0.4 billion).

Impairment of Long-Lived Assets. As discussed in Note 1, we assess the carrying values of our long-lived mining assets when events or changes in circumstances indicate that the related carrying amounts of such assets may not be recoverable. In evaluating our long-lived mining assets for recoverability,

we use estimates of pre-tax undiscounted future cash flows of our mines. Estimates of future cash flows are derived from current business plans, which are developed using near-term metal price forecasts reflective of the current price environment and management's projections for long-term average metal prices. In addition to near- and long-term metal price assumptions, other key assumptions include estimates of commodity-based and other input costs; proven and probable mineral reserves estimates, including the timing and cost to develop and produce the reserves; value beyond proven and probable mineral reserve estimates (refer to Note 1); and the use of appropriate discount rates in the measurement of fair value. We believe our estimates and models used to determine fair value are similar to what a market participant would use. As quoted market prices are unavailable for our individual mining operations, fair value is determined through the use of after-tax discounted estimated future cash flows.

For the two years ended December 31, 2020, our evaluation of our long-lived mining assets did not result in any material impairments.

In addition to decreases in future metal price assumptions, other events that could result in future impairment of our long-lived mining assets include, but are not limited to, decreases in estimated recoverable proven and probable mineral reserves and any event that might otherwise have a material adverse effect on mine site production levels or costs. Refer to "Risk Factors" contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020.



CONSOLIDATED RESULTS

Years Ended December 31,	2020	2019
SUMMARY FINANCIAL DATA (in millions, except per share amounts)		
Revenues ^{a,b}	\$14,198 ^c	\$14,402 ^d
Operating income ^{a,e,f,g}	\$ 2,437 ^h	\$ 1,091
Net income (loss) from continuing operations ^{i,j,k}	\$ 865 ^{c,l}	\$ (192) ^{m,n,o}
Net income (loss) attributable to common stock	\$ 599	\$ (239)
Diluted net income (loss) per share attributable to common stock	\$ 0.41	\$ (0.17)
Diluted weighted-average common shares outstanding	1,461	1,451
Operating cash flows ^p	\$ 3,017	\$ 1,482
Capital expenditures	\$ 1,961	\$ 2,652
At December 31:		
Cash and cash equivalents	\$ 3,657	\$ 2,020
Total debt, including current portion	\$ 9,711	\$ 9,826

a. Refer to Note 16 for a summary of revenues and operating income by operating division.

b. Includes adjustments to embedded derivatives for provisionally priced concentrate and cathode sales (refer to Note 14).

c. Includes net charges totaling \$62 million (\$24 million to net income attributable to common stock or \$0.02 per share), primarily associated with Cerro Verde tax matters and asset impairments, partly offset by net credits primarily associated with the sale of royalty assets. These net (charges) credits were recorded in revenues (\$7 million), production and delivery (\$48 million), interest expense (\$55 million) and in other expenses, net (\$48 million).

d. Includes charges totaling \$166 million (\$91 million to net loss attributable to common stock or \$0.06 per share), primarily associated with an unfavorable Indonesia Supreme Court ruling related to certain disputed PT-FI export duties (refer to Note 12).

e. Includes net gains on sales of assets totaling \$473 million (\$337 million to net income attributable to common stock or \$0.23 per share) in 2020 and \$417 million (\$339 million to net loss attributable to common stock or \$0.23 per share) in 2019. Refer to Note 2 and "Net Gain on Sales of Assets" below for further discussion.

f. The year 2020 includes net charges for adjustments to environmental obligations and related litigation reserves of \$113 million (\$113 million to net income attributable to common stock or \$0.08 per share), primarily associated with a framework for the resolution of all current and future potential talc-related litigation (\$132 million), partly offset by net favorable adjustments to environmental reserves (\$19 million). The year 2019 includes net charges for adjustments to environmental obligations and related litigation reserves of \$68 million (\$68 million to net loss attributable to common stock or \$0.05 per share).

g. Includes unfavorable metals inventory adjustments totaling \$96 million (\$94 million to net income attributable to common stock or \$0.06 per share) for the year 2020 and \$179 million (\$144 million to net loss attributable to common stock or \$0.10 per share) for the year 2019.

h. Includes charges totaling \$258 million (\$178 million to net income attributable to common stock or \$0.12 per share) associated with (i) idle facility costs (Cerro Verde), contract cancellation and other charges directly related to the COVID-19 pandemic and (ii) our April 2020 revised operating plans (including employee separation costs) recorded in production and delivery (\$202 million), depreciation, depletion and amortization (\$32 million), selling, general and administrative (\$16 million), and mining exploration and research (\$8 million).

i. Includes after-tax net losses on early extinguishment and exchanges of debt totaling \$100 million (\$0.07 per share) in 2020 and \$26 million (\$0.02 per share) in 2019. Refer to Note 8 for further discussion.

j. Includes net tax credits (charges) of \$15 million (\$27 million net of noncontrolling interests or \$0.02 per share) in 2020 and \$(1) million (\$34 million net of noncontrolling interests or \$0.02 per share) in 2019. Refer to "Income Taxes" below for further discussion.

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

l. Includes charges at PT-FI totaling \$65 million (\$47 million to net income attributable to common stock or \$0.03 per share) associated with historical contested tax audits (\$50 million) and currency exchange adjustments to value added tax receivables (\$15 million). These charges were recorded in interest expense, net (\$35 million) and other expenses, net (\$30 million).

m. Includes net charges associated with disputed Cerro Verde royalties for prior years of \$7 million to net loss attributable to common stock (less than \$0.01 per share) in 2019. Net charges for the year 2019 consist of charges to production and delivery costs (\$6 million) and interest expense (\$10 million). Refer to Note 12 for further discussion.

n. Includes charges at PT-FI of \$294 million (\$288 million to net loss attributable to common stock or \$0.20 per share) consisting of \$234 million associated with PT-FI's historical contested tax disputes, \$32 million for a currency exchange adjustment to value-added tax receivables and \$28 million for an adjustment to the settlement of the historical surface water tax matters with the local regional tax authority in Papua, Indonesia.

o. Includes net charges totaling \$59 million (\$26 million to net loss attributable to common stock or \$0.02 per share), primarily associated with weather-related issues at El Abra, adjustments to Cerro Verde's deferred profit sharing and mining asset impairments, partly offset by net credits mostly for asset retirement obligation adjustments.

p. Working capital and other sources totaled \$665 million in 2020 and \$349 million in 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Years Ended December 31,	2020	2019
SUMMARY OPERATING DATA		
Copper (millions of recoverable pounds)		
Production	3,206	3,247
Sales, excluding purchases	3,202	3,292
Average realized price per pound	\$ 2.95	\$ 2.73
Site production and delivery costs per pound ^a	\$ 1.88	\$ 2.15
Unit net cash costs per pound ^a	\$ 1.48	\$ 1.74
Gold (thousands of recoverable ounces)		
Production	857	882
Sales, excluding purchases	855	991
Average realized price per ounce	\$1,832	\$1,415
Molybdenum (millions of recoverable pounds)		
Production	76	90
Sales, excluding purchases	80	90
Average realized price per pound	\$10.20	\$12.61

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

Revenues

Consolidated revenues totaled \$14.2 billion in 2020 and \$14.4 billion in 2019. Our revenues primarily include the sale of copper concentrate, copper cathode, copper rod, gold in concentrate and molybdenum. Following is a summary of changes in our consolidated revenues from 2019 to 2020 (in millions):

Consolidated revenues – 2019	\$14,402
Mining operations:	
Lower sales volumes:	
Copper	(246)
Gold	(193)
Molybdenum	(124)
Higher (lower) averaged realized prices:	
Copper	704
Gold	356
Molybdenum	(194)
Adjustments for prior year provisionally priced copper sales	(160)
Lower revenues from sales of purchased copper	(239)
Lower cobalt revenues	(301)
Lower Atlantic Copper revenues	(31)
Lower treatment and refining charges	42
Lower royalties and export duties	77
Other, including intercompany eliminations	105
Consolidated revenues – 2020	<u>\$14,198</u>

Sales Volumes. Copper sales volumes were slightly lower in 2020, compared to 2019, primarily reflecting lower mining rates in South America associated with COVID-19 restrictions and our April 2020 revised operating plans, partly offset by higher ore grades in Indonesia. Lower gold sales volumes in 2020, compared to 2019, primarily reflect lower mining and milling rates associated with the ramp-up of underground mining in Indonesia, partly offset by higher ore grades.

Lower molybdenum sales volumes in 2020, compared with 2019, primarily reflect lower by-product production from Cerro Verde associated with lower mining rates as a result of COVID-19 restrictions.

Refer to "Operations" for further discussion of sales volumes at our mining operations.

Realized Prices. Our consolidated revenues can vary significantly as a result of fluctuations in the market prices of copper, gold and molybdenum. In 2020, our average realized prices were 8 percent higher for copper, 29 percent higher for gold and 19 percent lower for molybdenum, compared with 2019.

Average realized copper prices include net favorable (unfavorable) adjustments to current year provisionally priced copper sales (*i.e.*, provisionally priced sales for the years 2020 and 2019) totaling \$361 million for 2020 and \$(24) million for 2019. Refer to Note 14 for a summary of total adjustments to prior period and current period provisionally priced sales.



As discussed below and in “Disclosures About Market Risks—Commodity Price Risk,” substantially all of our copper concentrate and cathode sales contracts provide final copper pricing in a specified future month (generally one to four months from the shipment date). We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on provisionally priced concentrate and cathode sales that is adjusted to fair value through earnings each period, using the period-end forward prices, until final pricing on the date of settlement. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. Accordingly, in times of rising copper prices, our revenues benefit from adjustments to the final pricing of provisionally priced sales pursuant to contracts entered into in prior periods; in times of falling copper prices, the opposite occurs. Average realized prices in 2020 also included reductions totaling \$24 million related to forward sales contracts (refer to Note 14).

Prior Year Provisionally Priced Copper Sales. Net (unfavorable) favorable adjustments to prior years' provisionally priced copper sales (*i.e.*, provisionally priced copper sales at December 31, 2019 and 2018) recorded in consolidated revenues totaled \$(102) million in 2020 and \$58 million in 2019. Refer to “Disclosures About Market Risks—Commodity Price Risk” for further discussion of our provisionally priced copper sales, and to Note 14 for a summary of total adjustments to prior period and current period provisionally priced copper sales.

Cobalt Revenues. Lower cobalt revenues in 2020, compared with 2019, primarily reflect the sale of our cobalt refinery and related cobalt cathode precursor business in fourth-quarter 2019.

Purchased Copper. We purchase copper cathode primarily for processing by our Rod & Refining operations. Purchased copper volumes totaled 290 million pounds in 2020 and 379 million pounds in 2019.

Atlantic Copper Revenues. Atlantic Copper revenues totaled \$2.0 billion in 2020 and \$2.1 billion in 2019. Lower Atlantic Copper revenues in 2020, compared with 2019, primarily reflect lower gold sales volumes.

Treatment and Refining Charges. Revenues from our concentrate sales are recorded net of treatment charges (*i.e.*, fees paid to smelters that are generally negotiated annually), which will vary with the sales volumes and the price of copper.

Royalties and Export Duties. Royalties are primarily for sales from PT-FI and vary with the volume of metal sold and the prices of copper and gold. PT-FI will continue to pay export duties until development progress for the new smelter in Indonesia exceeds 50 percent. The year 2019 included charges totaling \$166 million, primarily associated with an unfavorable Indonesia Supreme Court ruling related to certain disputed PT-FI export duties (refer to Note 12 for further discussion). Refer to Note 13 for a summary of PT-FI's royalties and export duties.

Production and Delivery Costs

Consolidated production and delivery costs totaled \$10.0 billion in 2020, compared with \$11.5 billion in 2019. Lower consolidated production and delivery costs in 2020 primarily reflect lower mining and milling rates related to (i) the ramp-up of underground mining at PT-FI, (ii) our April 2020 revised operating plans in North America and South America and (iii) COVID-19 restrictions at our Cerro Verde mine in South America. Refer to Note 16 for details of production and delivery costs by operating segment.

Charges in 2020 include \$202 million associated with the COVID-19 pandemic and revised operating plans (including employee separation costs).

Mining Unit Site Production and Delivery Costs. Site production and delivery costs for our copper mining operations primarily include labor, energy and commodity-based inputs, such as sulphuric acid, reagents, liners, tires and explosives. Consolidated unit site production and delivery costs (before net noncash and other costs) for our copper mines averaged \$1.88 per pound of copper in 2020 and \$2.15 per pound in 2019. Consolidated site production and delivery costs per pound of copper exclude certain charges associated with the COVID-19 pandemic and implementation of our April 2020 revised operating plans totaling \$0.06 per pound of copper in 2020. Lower consolidated unit site production and delivery costs in 2020, compared with 2019, primarily reflect lower costs in Indonesia, North America and South America (for the same reasons discussed in the paragraph above). Refer to “Operations—Unit Net Cash Costs” for further discussion of unit net cash costs associated with our operating divisions, and to “Product Revenues and Production Costs” for reconciliations of per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements.



Our copper mining operations require significant amounts of energy, principally diesel, electricity, coal and natural gas, most of which is obtained from third parties under long-term contracts. Our take-or-pay contractual obligations for electricity totaled approximately \$301 million at December 31, 2020. We do not have take-or-pay contractual obligations for other energy commodities. Energy represented approximately 16 percent of our copper mine site operating costs in 2020, including purchases of approximately 180 million gallons of diesel fuel; 7,500 gigawatt hours of electricity at our North America and South America copper mining operations (we generate all of our power at our Indonesia mining operation); 700 thousand metric tons of coal for our coal power plant in Indonesia; and 1 million MMBtu (million British thermal units) of natural gas at certain of our North America mines. Based on current cost estimates, energy will also approximate 18 percent of our copper mine site operating costs for 2021.

Depreciation, Depletion and Amortization

Depreciation will vary under the UOP method as a result of changes in sales volumes and the related UOP rates at our mining operations. Consolidated DD&A totaled \$1.5 billion in 2020 and \$1.4 billion in 2019. Higher DD&A in 2020, compared with 2019, primarily relates to assets placed in service associated with the ramp-up of underground mining at PT-FI.

Metals Inventory Adjustments

Unfavorable net realizable value metals inventory adjustments totaled \$96 million in 2020 and \$179 million in 2019. Metals inventory adjustments in 2020 were related to volatility in copper and molybdenum prices. Metals inventory adjustments in 2019 were mostly related to volatility in copper and cobalt prices.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totaled \$370 million in 2020 and \$394 million in 2019. During second-quarter 2020, we implemented a series of actions to reduce administrative and centralized support costs in conjunction with our April 2020 revised operating plans, including a temporary reduction in certain employee benefits, furloughs and an employee separation program, and reductions in third party service costs, facilities costs, travel and other expenses. As part of the cost savings initiatives, the Board approved a 25 percent reduction in the salary of each of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) through the end of 2020. Our CEO and CFO also agreed

to forgo substantially all of their reduced cash salary during 2020, which was substituted with an award of restricted stock units that vested at the end of 2020.

Mining Exploration and Research Expenses

Consolidated exploration and research expenses for our mining operations totaled \$50 million in 2020 and \$104 million in 2019. Lower consolidated exploration and research expenses in 2020, compared to 2019, reflect a significant reduction in exploration and research activities associated with our April 2020 revised operating plans. Exploration spending is expected to approximate \$34 million in 2021, consistent with 2020.

Environmental Obligations and Shutdown Costs

Environmental obligation costs reflect net revisions to our long-term environmental obligations, which vary from period to period because of changes to environmental laws and regulations, the settlement of environmental matters and/or circumstances affecting our operations that could result in significant changes in our estimates (refer to "Critical Accounting Estimates—Environmental Obligations" for further discussion). Shutdown costs include care-and-maintenance costs and any litigation, remediation or related expenditures associated with closed facilities or operations.

Net charges for environmental obligations and shutdown costs totaled \$159 million in 2020 and \$105 million in 2019. The year 2020 includes talc-related litigation charges of \$132 million, primarily associated with a framework for the resolution of all current and future potential talc-related litigation, partly offset by \$19 million of net favorable adjustments to environmental reserves. Refer to Note 12 for environmental obligations and litigation matters.

Net Gain on Sales of Assets

Net gain on sales of assets totaled \$473 million in 2020, primarily associated with the sale of our interests in the Kisanfu undeveloped exploration project located in the Democratic Republic of Congo (DRC), and \$417 million in 2019, primarily including \$343 million associated with the sale of our interest in the lower zone of the Timok exploration project in Serbia and \$59 million associated with the sale of our cobalt refinery in Kokkola, Finland, and related cobalt cathode precursor business.

Refer to Note 2 for further discussion of dispositions.



Interest Expense, Net

Consolidated interest costs (before capitalization and excluding interest expense associated with international tax matters) totaled \$655 million in 2020 and \$675 million in 2019. Refer to Note 8 for further discussion of our 2020 debt transactions. Interest expense associated with PT-FI's historical contested tax disputes totaled \$35 million in 2020 and \$78 million in 2019. Interest expense associated with South America tax matters totaled \$61 million in 2020 and \$10 million in 2019.

Capitalized interest varies with the level of expenditures for our development projects and average interest rates on our borrowings, and totaled \$147 million in 2020 and \$149 million in 2019. Refer to "Operations" and "Capital Resources and Liquidity—Investing Activities" for further discussion of current development projects.

Other Income (Expense), Net

Other income (expense), net, totaled \$59 million in 2020 and \$(138) million in 2019. The year 2020 included the sale of royalty interests and other net credits. The year 2019 included charges at PT-FI totaling \$188 million associated with historical contested tax disputes (refer to Note 11) and a currency exchange adjustment to value-added tax receivables.

Income Taxes

Following is a summary of the approximate amounts used in the calculation of our consolidated income tax provision from continuing operations for the years ended December 31 (in millions, except percentages):

	2020			2019		
	Income (Loss) ^a	Effective Tax Rate	Income Tax (Provision) Benefit	Income (Loss) ^a	Effective Tax Rate	Income Tax (Provision) Benefit
U.S. ^b	\$ (532)	11%	\$ 60 ^c	\$(277)	N/A	\$ — ^{d,e}
South America	466	51%	(239) ^f	497	48%	(241)
Indonesia	1,342	45%	(608) ^g	340	44%	(149) ^h
Gain on sale of Kisanfu	486	N/A	(135)	—	N/A	—
PT-FI historical contested tax disputes ⁱ	(44)	5%	2	(201)	(39)%	(78)
PT-FI export duty matter	—	N/A	—	(155) ^j	31%	48
Adjustment to deferred taxes	—	N/A	—	—	N/A	(49) ^k
Cerro Verde royalty dispute	—	N/A	—	(16)	N/A	2 ^l
Eliminations and other	79	N/A	(24)	118	N/A	(43)
Consolidated	<u>\$1,797</u>	53% ^m	<u>\$(944)</u>	<u>\$ 306</u>	167%	<u>\$(510)</u>

a. Represents income (loss) from continuing operations by geographic location before income taxes and equity in affiliated companies' net earnings.

b. In addition to our North America mining operations, the U.S. jurisdiction reflects corporate-level expenses, which include interest expense associated with senior notes, general and administrative expenses, and environmental obligations and shutdown costs.

c. Includes tax credits of \$53 million associated with the reversal of the tax charge discussed in footnote e below and \$6 million associated with the removal of a valuation allowance on deferred tax assets.

d. Includes tax credits of \$29 million associated with adjustments to the calculation of transition tax related to U.S. tax reform and \$24 million associated with state law changes and the settlement of state income tax examinations.

e. Includes a tax charge of \$53 million associated with the sale of our interest in the lower zone of the Timok exploration project in Serbia.

f. Includes tax charges at Cerro Verde of \$15 million (\$8 million net of noncontrolling interest) primarily associated with adjustments to profit sharing for prior years.

g. Includes tax charges of \$21 million (\$17 million net of noncontrolling interests) associated with establishing a tax reserve related to the treatment of prior year contractor support costs and \$8 million (\$7 million net of noncontrolling interest) associated with an unfavorable 2012 Indonesia Supreme Court ruling.

h. Includes a tax charge of \$5 million (\$4 million net of noncontrolling interests) primarily for non-deductible penalties related to PT-FI's surface water tax settlement.

i. Refer to Note 11 for further discussion of a framework for resolution of these historical contested tax disputes.

j. Refer to Note 12 for further discussion of the unfavorable Indonesia Supreme Court ruling related to certain disputed PT-FI export duties.

k. Includes net tax charges totaling \$49 million (\$15 million net of noncontrolling interests) primarily to adjust deferred taxes on historical balance sheet items in accordance with tax accounting principles.

l. Refer to Note 12 for a summary of charges related to Cerro Verde's disputed royalties for prior years.

m. Our consolidated effective income tax rate is a function of the combined effective tax rates for the jurisdictions in which we operate, excluding the U.S. jurisdiction.



Assuming achievement of current sales volume and cost estimates and average prices of \$3.50 per pound for copper, \$1,850 per ounce for gold and \$9.00 per pound for molybdenum for 2021, we estimate our consolidated effective tax rate for the year 2021 would approximate 35 percent. Changes in projected sales volumes and average prices during 2021 would incur tax impacts at estimated effective rates of 38 percent for Indonesia, 39 percent for Peru and 0 percent for the U.S.

Variations in the relative proportions of jurisdictional income result in fluctuations to our consolidated effective income tax rate. Because of our U.S. tax position, we do not record a financial statement impact for income or losses generated in the U.S.

Refer to Note 11 for further discussion of income taxes.

OPERATIONS

During 2020, we announced our commitment to the Copper Mark. The Copper Mark is a new, comprehensive assurance framework that demonstrates the industry's responsible production practices and contribution to the United Nations Sustainable Development Goals. It is the first and only framework developed specifically for the copper industry and enables each site to demonstrate to customers, investors and other stakeholders their responsible production performance. Four of our sites were awarded the Copper Mark in 2020 (Cerro Verde, El Abra, Miami and the Atlantic Copper smelter). We have future plans to validate all of our remaining copper operating sites against the Copper Mark requirements.

During 2020, we continued to advance innovation initiatives designed to enhance productivity, expand margins and reduce the capital intensity of our business through the utilization of new technology applications in combination with a more interactive operating structure. We were successful in implementing and embedding many of these initiatives across our operations by utilizing data science, machine learning and integrated cross-functional agile teams to identify opportunities and drive improved overall performance.

North America Copper Mines

We operate seven open-pit copper mines in North America—Morenci, Bagdad, Safford (including Lone Star), Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico. All of the North America mining operations are wholly owned, except for Morenci. We record our 72 percent undivided joint venture interest in Morenci using the proportionate consolidation method.

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

Operating and Development Activities. Our North America operating sites continue to focus on strong execution of operating plans. Production from the Lone Star ore body at Safford where we completed development in 2020 continues to ramp-up on schedule and is expected to exceed 200 million pounds of copper for the year 2021. Our plan is to advance studies for potential expansions and long-term development options for the large-scale sulfide resources at Lone Star.

After shutting down mining activities in accordance with our April 2020 revised operating plans, in January 2021, we restarted mining activities at the Chino mine at a reduced rate of approximately 100 million pounds of copper per year (approximately 50 percent of capacity).

We have substantial resources in the U.S., primarily associated with existing mining operations, and will continue to assess options for further growth.

Operating Data. Following is summary operating data for the North America copper mines for the years ended December 31:

	2020	2019
Operating Data, Net of Joint Venture Interests		
Copper (millions of recoverable pounds)		
Production	1,418	1,457
Sales, excluding purchases	1,422	1,442
Average realized price per pound	\$ 2.82 ^a	\$ 2.74
Molybdenum (millions of recoverable pounds)		
Production ^b	33	32
100% Operating Data		
<i>Leach operations</i>		
Leach ore placed in stockpiles (metric tons per day)	714,300	750,900
Average copper ore grade (percent)	0.27	0.23
Copper production (millions of recoverable pounds)	1,047	993
<i>Mill operations</i>		
Ore milled (metric tons per day)	279,700	326,100
Average ore grade (percent):		
Copper	0.35	0.34
Molybdenum	0.02	0.02
Copper recovery rate (percent)	84.1	87.0
Copper production (millions of recoverable pounds)	647	748

a. Includes reductions to average realized prices of \$0.02 per pound of copper related to forward sales contracts covering 150 million pounds of copper sales for May and June 2020 at a fixed price of \$2.34 per pound. There are no remaining forward sales contracts.

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



Copper sales volumes from our North America copper mines totaled 1.4 billion pounds in 2020 and 2019. North America copper sales are estimated to approximate 1.5 billion pounds in 2021. Refer to "Outlook" for projected molybdenum sales volumes.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and

should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper and Molybdenum. The following table summarizes unit net cash costs and gross profit per pound of copper at our North America copper mines for the two years ended December 31, 2020. Refer to "Product Revenues and Production Costs" for an explanation of the "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2020			2019		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molybdenum ^a		Copper	Molybdenum ^a
Revenues, excluding adjustments	\$ 2.82 ^b	\$ 2.82	\$8.62	\$ 2.74	\$ 2.74	\$11.51
Site production and delivery, before net noncash and other costs shown below	1.90	1.78	6.84	2.05	1.88	9.29
By-product credits	(0.19)	—	—	(0.24)	—	—
Treatment charges	0.10	0.10	—	0.11	0.11	—
Unit net cash costs	1.81	1.88	6.84	1.92	1.99	9.29
DD&A	0.25	0.23	0.56	0.24	0.21	0.72
Metals inventory adjustments	0.03	0.03	—	0.02	0.02	—
Noncash and other costs, net	0.10 ^c	0.10	0.09	0.08	0.07	0.29
Total unit costs	2.19	2.24	7.49	2.26	2.29	10.30
Revenue adjustments, primarily for pricing on prior period open sales	(0.02)	(0.02)	—	—	—	—
Gross profit per pound	\$ 0.61	\$ 0.56	\$1.13	\$ 0.48	\$ 0.45	\$ 1.21
Copper sales (millions of recoverable pounds)	1,420	1,420		1,441	1,441	
Molybdenum sales (millions of recoverable pounds) ^a			33			32

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

b. Includes reductions to average realized prices of \$0.02 per pound of copper related to forward sales contracts covering 150 million pounds of copper sales for May and June 2020 at a fixed price of \$2.34 per pound. There are no remaining forward sales contracts.

c. Includes charges totaling \$0.02 per pound of copper, primarily associated with our April 2020 revised operating plans (including employee separation costs) and the COVID-19 pandemic (including health and safety costs).

Our North America copper mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-product credits and other factors. During 2020, average unit net cash costs (net of by-product credits) for the North America copper mines ranged from \$1.61 per pound to \$2.28 per pound at the individual mines and averaged \$1.81 per pound. Lower average unit net cash costs (net of by-product credits) of \$1.81 in 2020, compared with \$1.92 per pound in 2019, primarily reflect the impact of our April 2020 revised operating plans, partly offset by lower by-product credits because of lower molybdenum prices.

Average unit net cash costs (net of by-product credits) for our North America copper mines are expected to approximate \$1.86 per pound of copper in 2021, based on achievement of current sales volume and cost estimates and assuming an average molybdenum price of \$9.00 per pound for the year 2021. The impact of price changes during 2021 on North America's average unit net cash costs for the year 2021 would approximate \$0.05 per pound for each \$2 per pound change in the average price of molybdenum.



South America Mining

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

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

Operating and Development Activities. During fourth-quarter 2020, Cerro Verde continued to increase milling rates to an average of 373,200 metric tons of ore per day while operating consistent with our April 2020 revised operating plans and under strict COVID-19 restrictions and protocols. We expect Cerro Verde's mill rates to average approximately 360,000 metric tons of ore per day in 2021 with the potential to ramp-up to pre-COVID-19 levels approximating 400,000 metric tons of ore per day as COVID-19 restrictions are lifted.

El Abra plans to increase operating rates during 2021 to pre-COVID-19 levels, subject to ongoing monitoring of public health conditions in Chile. Incremental copper production associated with increasing El Abra's stacking rates from 65,000 metric tons of ore per day to over 100,000 metric tons of ore per day, approximates 70 million pounds per year beginning in 2022.

We continue to evaluate a large-scale expansion at El Abra to process additional sulfide material and to achieve higher recoveries. El Abra's large sulfide resource could potentially support a major mill project similar to facilities constructed at Cerro Verde. Technical and economic studies continue to be evaluated to determine the optimal scope and timing for the project in parallel with extending the life of the current leaching operation.

Operating Data. Following is summary operating data for our South America mining operations for the years ended December 31.

	2020	2019
Copper (millions of recoverable pounds)		
Production	979	1,183
Sales	976	1,183
Average realized price per pound	\$ 3.05	\$ 2.71
Molybdenum (millions of recoverable pounds)		
Production ^a	19	29
Leach operations		
Leach ore placed in stockpiles (metric tons per day)	160,300	205,900
Average copper ore grade (percent)	0.35	0.37
Copper production (millions of recoverable pounds)	241	268
Mill operations		
Ore milled (metric tons per day)	331,600 ^b	393,100
Average ore grade (percent):		
Copper	0.34	0.36
Molybdenum	0.01	0.02
Copper recovery rate (percent)	84.3	83.5
Copper production (millions of recoverable pounds)	738	916

a. Refer to "Consolidated Results" for our consolidated molybdenum sales volumes, which include sales of molybdenum produced at Cerro Verde.

b. Cerro Verde mill operations were negatively impacted by COVID-19 restrictions.

Lower consolidated copper sales volumes from South America of 1.0 billion pounds in 2020, compared with 1.2 billion pounds in 2019, primarily reflect lower ore grades and mining rates associated with COVID-19 protocols at Cerro Verde and our April 2020 revised operating plans at El Abra, partly offset by higher recovery rates.

Copper sales from South America mines are expected to approximate 1.0 billion pounds in 2021, consistent with the year 2020. Refer to "Outlook" for projected molybdenum sales volumes.

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



Gross Profit per Pound of Copper. The following table summarizes unit net cash costs and gross profit per pound of copper at our South America mining operations for the two years ended December 31, 2020. Unit net cash costs per pound of copper are reflected under the by-product and co-product methods as the South America mining operations also had sales of molybdenum and silver. Refer to "Product Revenues and Production Costs" for an explanation of the "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2020		2019	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	\$ 3.05	\$ 3.05	\$ 2.71	\$ 2.71
Site production and delivery, before net noncash and other costs shown below	1.86	1.74	1.85	1.68
By-product credits	(0.17)	—	(0.27)	—
Treatment charges	0.15	0.15	0.18	0.18
Royalty on metals	0.01	0.01	0.01	0.01
Unit net cash costs	1.85	1.90	1.77	1.87
DD&A	0.43	0.41	0.40	0.36
Noncash and other costs, net	0.13 ^a	0.12	0.08	0.07
Total unit costs	2.41	2.43	2.25	2.30
Revenue adjustments, primarily for pricing on prior period open sales	(0.07)	(0.07)	0.03	0.03
Gross profit per pound	\$ 0.57	\$ 0.55	\$ 0.49	\$ 0.44
Copper sales (millions of recoverable pounds)	976	976	1,183	1,183

a. Includes charges totaling \$0.09 per pound of copper, primarily associated with idle facility (Cerro Verde) and contract cancellation costs related to the COVID-19 pandemic, and employee separation costs associated with our April 2020 revised operating plans.

Our South America mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-product credits and other factors. Higher average unit net cash costs (net of by-product credits) of \$1.85 per pound of copper in 2020, compared with \$1.77 per pound in 2019, primarily reflected lower sales volumes and by-product credits, partly offset by lower mining rates.

Revenues from Cerro Verde's concentrate sales are recorded net of treatment charges, which will vary with Cerro Verde's sales volumes and the price of copper.

Because certain assets are depreciated on a straight-line basis, South America's unit depreciation rate may vary with asset additions and the level of copper production and sales. DD&A per pound of copper under the by-product method was \$0.43 in 2020, compared with \$0.40 in 2019, primarily reflecting lower sales volumes.

Revenue adjustments primarily result from changes in prices on provisionally priced copper sales recognized in prior periods. Refer to "Consolidated Results—Revenues" for further discussion of adjustments to prior period provisionally priced copper sales.

Average unit net cash costs (net of by-product credits) for our South America mines are expected to approximate \$1.92 per pound of copper in 2021, based on current sales volume and cost estimates and assuming average prices of \$9.00 per pound of molybdenum for the year 2021.

Indonesia Mining

PT-FI's assets include one of the world's largest copper and gold deposits at the Grasberg minerals district in Papua, Indonesia. PT-FI produces copper concentrate that contains significant quantities of gold and silver. We have a 48.76 percent interest in PT-FI and manage its mining operations. As further discussed in Note 2, under the terms of the shareholders agreement, our economic interest in PT-FI approximates 81 percent through 2022. PT-FI's results are consolidated in our financial statements.

Substantially all of PT-FI's copper concentrate is sold under long-term contracts. During 2020, 50 percent of PT-FI's copper concentrate was sold to PT Smelting (PT-FI's 25-percent-owned smelter and refinery in Gresik, Indonesia).

As noted below, PT-FI is discussing the potential expansion of the capacity at PT Smelting, which is expected to result in an increase in PT-FI's ownership interest in PT Smelting.

Operating and Development Activities. The ramp-up of underground production at the Grasberg minerals district in Indonesia continues to advance on schedule. During 2020, a total of 206 new drawbells were added at the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) underground mines, bringing cumulative open drawbells to over 370. Combined average production from the Grasberg Block Cave and DMLZ mines approximated 85,000 metric tons of ore per day during fourth-quarter 2020 (including approximately 95,000 metric



tons of ore per day during the month of December). According to the current ramp-up schedule, average production rates at the Grasberg Block Cave and DMLZ are expected to continue to accelerate, with combined average production rates expected to reach approximately 172,000 metric tons of ore per day in 2022 and 200,000 metric tons of ore per day in 2023. PT-FI expects production for the year 2021 to approximate 1.4 billion pounds of copper and 1.4 million ounces of gold, which is nearly double 2020 levels.

The successful completion of this ramp-up is expected to enable PT-FI to generate average annual production for the next several years of 1.55 billion pounds of copper and 1.6 million ounces of gold at an attractive unit net cash cost, providing significant margins and cash flows.

PT-FI's estimated annual capital spending on underground mine development projects is expected to average approximately \$0.9 billion per year for the two-year period 2021 through 2022, net of scheduled contributions from PT Indonesia Asahan Aluminium (Persero) (PT Inalum, also known as MIND ID). In accordance with applicable accounting guidance, aggregate costs (before scheduled contributions from PT Inalum), which are expected to average \$1.1 billion per year for the two-year period 2021 through 2022, will be reflected as an investing activity in FCX's cash flow statement, and contributions from PT Inalum will be reflected as a financing activity.

Indonesia Smelter. In connection with the extension of PT-FI's mining rights from 2031 to 2041, PT-FI committed to construct a new smelter in Indonesia by December 21, 2023 (an extension of which has been requested as a result of the COVID-19 pandemic). A potential site for the new smelter has been selected in East Java, and ground preparation is advancing. Engineering and front-end engineering and design for the selected process technology are in progress.

As a result of COVID-19 mitigation measures, there have been disruptions to work and travel schedules of international contractors and restrictions on access to the proposed physical site of the new smelter in East Java. PT-FI continues

to discuss with the Indonesia government a deferred schedule for the new smelter as well as other alternatives in light of the ongoing COVID-19 pandemic and volatile global economic conditions. On January 7, 2021, the Indonesia government levied an administrative fine of \$149 million on PT-FI for failing to achieve physical development progress on the new smelter as of July 31, 2020. PT-FI does not believe an administrative fine is warranted. Refer to Note 12 and "Risk Factors" contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020, for further discussion.

PT-FI and PT Inalum have been discussing with the Indonesia government alternatives to PT-FI's commitment to build a new smelter. In connection with exploring alternatives to its commitment to develop additional smelter capacity in Indonesia, PT-FI has advanced discussions with the majority owner of PT Smelting regarding an expansion of the smelter to increase smelter concentrate treatment capacity by approximately 30 percent (300,000 metric tons of concentrate per year). Commercial and financial arrangements for this potential project are being advanced and engineering is in progress. The initial estimate for the cost of the expansion of PT Smelting is \$250 million, which is expected to be funded by PT-FI as a convertible loan.

An expansion of PT Smelting is expected to reduce PT-FI's smelter development commitment from 2.0 million metric tons of concentrate per year to 1.7 million metric tons per year.

While PT-FI continues to evaluate the new greenfield smelter project in East Java, it is also advancing discussions in parallel with a third party to develop the new smelter capacity at an alternate location in partnership with PT-FI.

The preliminary capital cost estimate for the new smelter in East Java approximates \$3 billion, pending completion of final engineering. PT-FI had capitalized costs for the new smelter totaling \$216 million as of December 31, 2020. Estimated related capital expenditures for 2021 approximate \$0.1 billion. PT-FI plans to arrange financing for the project and debt service will be shared by PT-FI's shareholders according to their respective equity ownership percentages. As a result, our future distributions from PT-FI will incorporate approximately 49 percent of the smelter debt service.



Operating Data. Following is summary operating data for our Indonesia mining operations for the years ended December 31.

	2020	2019
Operating Data		
Copper (millions of recoverable pounds)		
Production	809	607
Sales	804	667
Average realized price per pound	\$ 3.08	\$ 2.72
Gold (thousands of recoverable ounces)		
Production	848	863
Sales	842	973
Average realized price per ounce	\$ 1,832	\$ 1,416
100% Operating Data		
Ore milled (metric tons per day):		
Grasberg Block Cave underground mine ^a	30,800	8,600
DMLZ underground mine ^a	28,600	9,800
DOZ underground mine ^a	20,900	25,500
Big Gossan underground mine ^a	7,000	6,100
Grasberg open pit ^b	400	60,100
Total	87,700	110,100
Average ore grade:		
Copper (percent)	1.32	0.84
Gold (grams per metric ton)	1.10	0.93
Recovery rates (percent):		
Copper	91.9	88.4
Gold	78.1	75.0
Production (recoverable):		
Copper (millions of pounds)	809	607
Gold (thousands of ounces)	848	863

a. Reflects ore extracted, including ore from development activities that result in metal production.

b. Includes ore from related stockpiles.

Higher consolidated copper sales of 0.8 billion pounds in 2020, compared with 0.7 billion pounds in 2019, primarily reflect higher copper ore grades, partly offset by lower mining rates as underground mining ramps up. Lower consolidated gold sales of 0.8 million ounces of gold in 2020, compared with 1.0 million ounces of gold in 2019, primarily reflect lower mining rates as underground mining ramps up, partly offset by higher gold ore grades.

Consolidated sales volumes from PT-FI are expected to approximate 1.3 billion pounds of copper and 1.3 million ounces of gold in 2021.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS



Gross Profit per Pound of Copper and per Ounce of Gold.

The following table summarizes the unit net cash costs and gross profit per pound of copper and per ounce of gold at our Indonesia mining operations for the two years ended December 31, 2020. Refer to "Product Revenues and

Production Costs" for an explanation of "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2020			2019		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, excluding adjustments	\$ 3.08	\$ 3.08	\$1,832	\$ 2.72	\$ 2.72	\$1,416
Site production and delivery, before net noncash and other costs shown below	1.88	1.13	674	2.91	1.63	849
Gold and silver credits	(2.03)	—	—	(2.13)	—	—
Treatment charges	0.27	0.17	98	0.26	0.14	75
Export duties	0.12	0.07	41	0.08	0.05	25
Royalty on metals	0.19	0.11	72	0.16	0.09	49
Unit net cash costs	0.43	1.48	885	1.28	1.91	998
DD&A	0.72	0.43	259	0.61	0.34	178
Metals inventory adjustments	—	—	—	0.01	0.01	—
Noncash and other costs, net	0.11 ^a	0.07	41	0.37 ^b	0.20	110
Total unit costs	1.26	1.98	1,185	2.27	2.46	1,286
Revenue adjustments, primarily for pricing on prior period open sales	(0.03)	(0.03)	5	0.03	0.03	2
PT Smelting intercompany loss	(0.01)	(0.01)	(5)	(0.02)	(0.02)	(8)
Gross profit per pound/ounce	\$ 1.78	\$ 1.06	\$ 647	\$ 0.46	\$ 0.27	\$ 124
Copper sales (millions of recoverable pounds)	804	804		667	667	
Gold sales (thousands of recoverable ounces)			842			973

a. Includes COVID-19 related costs (including one-time incremental employee benefits and health and safety costs) totaling \$0.02 per pound of copper.

b. Includes charges in revenues totaling \$0.25 per pound of copper primarily associated with an unfavorable Indonesia Supreme Court ruling related to certain disputed PT-FI export duties, partly offset by adjustments to prior year treatment charges totaling \$0.03 per pound of copper. Also includes charges of \$0.04 per pound of copper associated with adjustments to the settlement of the historical surface water tax disputes with the local regional tax authority in Papua, Indonesia.

A significant portion of PT-FI's costs are fixed and unit costs vary depending on volumes and other factors. PT-FI's unit net cash costs (including gold and silver credits) of \$0.43 per pound of copper in 2020 were lower than unit net cash costs of \$1.28 per pound in 2019, primarily reflecting higher copper sales volumes and lower mining costs.

Treatment charges vary with the volume of metals sold and the price of copper, and royalties vary with the volume of metals sold and the prices of copper and gold.

PT-FI's export duties totaled \$93 million in 2020 and \$56 million in 2019, and PT-FI's royalties totaled \$153 million in 2020 and \$107 million in 2019. PT-FI will continue to pay export duties until development progress for the new smelter in Indonesia exceeds 50 percent. Refer to Note 13 for further discussion of PT-FI's export duties and royalties.

Because certain assets are depreciated on a straight-line basis, PT-FI's unit depreciation rate may vary with asset additions and the level of copper production and sales. DD&A

per pound of copper under the by-product method was \$0.72 in 2020, compared with \$0.61 in 2019, primarily reflecting underground development assets placed in service.

Revenue adjustments primarily result from changes in prices on provisionally priced copper sales recognized in prior periods. Refer to "Consolidated Results—Revenues" for further discussion of adjustments to prior period provisionally priced copper sales.

PT Smelting intercompany loss represents the change in the deferral of 25 percent of PT-FI's profit on sales to PT Smelting. Refer to "Operations—Smelting & Refining" below for further discussion.

Assuming an average gold price of \$1,850 per ounce for 2021 and achievement of current sales volume and cost estimates, unit net cash costs (including gold and silver credits) for PT-FI are expected to approximate \$0.06 per pound of copper for the year 2021. The impact of price changes during 2021 on PT-FI's average unit net cash costs would approximate \$0.09 per pound for each \$100 per ounce change in the average price of gold.



PT-FI's projected sales volumes and unit net cash costs for the year 2021 are dependent on a number of factors, including continued progress of the ramp-up of underground mining, operational performance, timing of shipments and the Indonesia government's extension of PT-FI's export permit. In March 2020, PT-FI received a one-year extension of its export license through March 15, 2021. Refer to Note 12 and "Risk Factors" contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020, for a discussion of the administrative fine levied by the Indonesia government on PT-FI for failing to achieve physical development progress on the new smelter and ongoing discussions with the Indonesia government regarding a deferred schedule for the completion of the new smelter project as well as other alternatives in light of the ongoing COVID-19 pandemic and volatile global economic conditions.

Molybdenum Mines

We have two wholly owned molybdenum mines in Colorado—the Henderson underground mine and the Climax open-pit mine. The Henderson and Climax mines produce high-purity, chemical-grade molybdenum concentrate, which is typically further processed into value-added molybdenum chemical products. The majority of the molybdenum concentrate produced at the Henderson and Climax mines, as well as from our North America and South America copper mines, is processed at our own conversion facilities.

Operating and Development Activities. Production from the Molybdenum mines totaled 24 million pounds of molybdenum in 2020 and 29 million pounds in 2019. The decrease in 2020, compared with 2019, primarily reflected lower operating rates pursuant to our April 2020 revised operating plans in response to market conditions. Refer to "Consolidated Results" for our consolidated molybdenum operating data, which includes sales of molybdenum produced at our Molybdenum mines, and from our North America and South America copper mines, and refer to "Outlook" for projected consolidated molybdenum sales volumes.

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

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

Unit net cash costs for our Molybdenum mines of \$9.50 per pound of molybdenum in 2020 were lower than \$10.80 per pound in 2019, primarily reflecting lower mining and input costs associated with our April 2020 revised operating plans. Average unit net cash costs for our Molybdenum mines do not include noncash and other costs, which include charges totaling \$0.29 per pound of molybdenum primarily associated with our April 2020 revised operating plans (including employee separation costs) and contract cancellation costs related to the COVID-19 pandemic. Based on current sales volume and cost estimates, average unit net cash costs for the Molybdenum mines are expected to approximate \$9.80 per pound of molybdenum for the year 2021. Refer to "Product Revenues and Production Costs" for a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

Smelting & Refining

We wholly own and operate a smelter in Arizona (Miami smelter), a refinery in Texas (El Paso refinery) and a smelter and refinery in Spain (Atlantic Copper). Additionally, PT-FI owns 25 percent of a smelter and refinery in Gresik, Indonesia (PT Smelting), which is expected to increase in connection with the potential expansion of PT Smelting. See "Indonesia Smelter" for additional information regarding the potential PT Smelting expansion. Treatment charges for smelting and refining copper concentrate consist of a base rate per pound of copper and per ounce of gold and are generally fixed. Treatment charges represent a cost to our mining operations and income to Atlantic Copper and PT Smelting. Thus, higher treatment charges benefit our smelter operations and adversely affect our mining operations. Our North America copper mines are less significantly affected by changes in treatment charges because these operations are largely integrated with our Miami smelter and El Paso refinery. Through this form of downstream integration, we are assured placement of a significant portion of our concentrate production.

During 2019, we incurred charges totaling \$38 million for a maintenance turnaround at the Miami smelter. The next major maintenance turnaround at the Miami smelter is scheduled for first-quarter 2021, for which we expect to incur charges of approximately \$60 million.



Atlantic Copper smelts and refines copper concentrate and markets refined copper and precious metals in slimes. Following is an allocation of Atlantic Copper's concentrate purchases from unaffiliated third parties and our copper mining operations for the two years ended December 31, 2020:

	2020	2019
Third parties	79%	73%
North America copper mines	10	22
South America mining	7	2
Indonesia mining	4	3
	<u>100%</u>	<u>100%</u>

During 2019, we incurred charges totaling \$16 million for a short-term maintenance turnaround at the Atlantic Copper smelter. The next major maintenance turnaround at the Atlantic Copper smelter is scheduled for second-quarter 2022.

Atlantic Copper has take-or-pay contractual obligations for the procurement of copper concentrate totaling \$2.9 billion at December 31, 2020, that provide for deliveries of specified volumes at market-based prices.

PT-FI's contract with PT Smelting provides for PT-FI to supply 100 percent of the copper concentrate requirements (subject to a minimum or maximum treatment charge rate) necessary for PT Smelting to produce 205,000 metric tons of copper annually on a priority basis. PT-FI may also sell copper concentrate to PT Smelting at market rates for quantities in excess of 205,000 metric tons of copper annually. PT-FI supplied 74 percent of PT Smelting's concentrate requirements in 2020 and 90 percent in 2019. PT Smelting processed 50 percent of PT-FI's concentrate production in 2020 and 64 percent of such production in 2019.

PT Smelting produced 276,900 metric tons of copper anode from its smelter and 273,000 metric tons of copper cathode from its refinery in 2020; and 246,100 metric tons of copper anode from its smelter and 241,200 metric tons of copper cathode from its refinery in 2019.

In January 2021, PT Smelting received a six-month extension of its anodes slimes export license, which currently expires July 18, 2021.

PT Smelting's maintenance turnarounds (which range from two weeks to a month to complete) typically are expected to occur approximately every two years, with short-term maintenance turnarounds in the interim. PT Smelting completed a 30-day maintenance turnaround during December 2020, and the next major turnaround is scheduled for the second half of 2022.

We defer recognizing profits on sales from our mining operations to Atlantic Copper and on 25 percent of PT-FI's sales to PT Smelting until final sales to third parties occur. Changes in these deferrals attributable to variability in intercompany volumes resulted in net (reductions) additions to operating income totaling \$(7) million (\$1 million to net income attributable to common stock) in 2020 and \$(22) million (\$(18) million to net loss attributable to common stock) in 2019. Our net deferred profits on our inventories at Atlantic Copper and PT Smelting to be recognized in future periods' net income attributable to common stock totaled \$54 million at December 31, 2020. Quarterly variations in ore grades, the timing of intercompany shipments and changes in product prices will result in variability in our net deferred profits and quarterly earnings. We currently expect first-quarter 2021 results to reflect an increase in net deferred profits, totaling an approximate \$50 million reduction to net income, associated with an anticipated increase in sales to Atlantic Copper as a result of the major maintenance turnaround at the Miami smelter noted above, which will be recognized in future periods as Atlantic Copper sells final refined products to third parties.

CAPITAL RESOURCES AND LIQUIDITY

During second-quarter 2020, we announced revised operating plans in response to the global COVID-19 pandemic and resulting negative impact on the global economy. The revised operating plans allowed us to maximize cash flow and protect liquidity and to preserve asset values in an uncertain economic environment.

Our consolidated operating cash flows vary with sales volumes; prices realized from copper, gold and molybdenum sales; production costs; income taxes; other working capital changes; and other factors. A large component of our production costs are related to energy. See "Consolidated Results" for further discussion of our energy requirements and related costs. We believe that we have a high-quality portfolio of long-lived copper assets positioned to generate long-term value. We recently completed the Lone Star copper leach project at our Safford operation in southeastern Arizona, and PT-FI has several projects in the Grasberg minerals district related to the development of its large-scale, long-lived, high-grade underground ore bodies. We are also evaluating other opportunities to enhance net present values, and we continue to consider future development of our copper resources, the timing of which will be dependent on market conditions. We believe that our cash generating capability and financial condition, together with our credit facility, will be adequate to meet our operating, investing and financing needs.



Subject to future commodity prices for copper, gold and molybdenum, we expect estimated consolidated operating cash flows of \$5.5 billion in 2021, plus available cash, to be sufficient to fund our capital expenditures of \$2.3 billion in 2021, as well as projected spending on the new smelter in Indonesia and other cash requirements for the year, including common stock dividends and approximately \$0.6 billion of noncontrolling interest distributions. Refer to "Outlook" for further discussion of projected operating cash flows and capital expenditures for 2021.

At December 31, 2020, we had \$7.2 billion in liquidity, comprised of \$3.7 billion in consolidated cash and \$3.5 billion of availability under our revolving credit facility.

In connection with our financing activities in 2019 and 2020, we issued a total of \$4.0 billion in new senior notes and used most of the net proceeds to purchase and redeem outstanding senior notes. As a result, we have extended our debt maturities and strengthened our financial flexibility. We have no significant scheduled debt maturities in 2021.

In February 2021, the Board reinstated a cash dividend on our common stock at an annual rate of \$0.30 per share. The Board intends to declare a quarterly dividend of \$0.075 per share, with the initial quarterly dividend expected to be paid on May 3, 2021. The Board also adopted a new financial policy for the allocation of cash flows aligned with our strategic objectives of maintaining a strong balance sheet, increasing cash returns to shareholders and advancing opportunities for future growth. Under the new policy, up to 50 percent of available cash flows generated after planned capital spending and distributions to noncontrolling interests would be allocated to shareholder returns and the balance to debt reduction and investments in value enhancing growth projects. The new payout policy will be implemented following achievement of a net debt (total consolidated debt less total consolidated cash and cash equivalents) target in the range of \$3 billion to \$4 billion, excluding project debt for additional smelter capacity in Indonesia. Under current market conditions and with continued strong execution of our plans, we currently expect to reach this target in early 2022 (refer to "Cautionary Statement").

Cash

Following is a summary of the U.S. and international components of consolidated cash and cash equivalents available to the parent company, net of noncontrolling

interests' share, taxes and other costs at December 31, 2020 (in billions):

Cash at domestic companies	\$ 2.9
Cash at international operations	<u>0.8</u>
Total consolidated cash and cash equivalents	3.7
Noncontrolling interests' share	<u>(0.4)</u>
Cash, net of noncontrolling interests' share	\$ 3.3
Withholding taxes	<u>—^a</u>
Net cash available	<u>\$ 3.3</u>

a. Rounds to less than \$0.1 billion.

Cash held at our international operations is generally used to support our foreign operations' capital expenditures, operating expenses, debt repayments, working capital or other cash needs. Management believes that sufficient liquidity is available in the U.S. from cash balances and availability from our revolving credit facility. We have not elected to permanently reinvest earnings from our foreign subsidiaries, and we have recorded deferred tax liabilities for foreign earnings that are available to be repatriated to the U.S. From time to time, our foreign subsidiaries distribute earnings to the U.S. through dividends that are subject to applicable withholding taxes and noncontrolling interests' share.

Debt

At December 31, 2020, consolidated debt totaled \$9.7 billion, with a related weighted-average interest rate of 4.6 percent. We had no borrowings, \$10 million in letters of credit issued and approximately \$3.5 billion available under our revolving credit facility at December 31, 2020. Refer to "Financing Activities" below and Note 8 for further discussion of debt.

In December 2020, Cerro Verde prepaid \$0.3 billion on its Term Loan that was scheduled to mature in December 2021. The remaining balance of \$0.5 billion matures in June 2022 (refer to Note 8).

In June 2020, we amended our revolving credit facility to provide additional flexibility on certain financial covenants. The key changes under the amendment include a suspension of the total leverage ratio through June 30, 2021, and a reduction in the interest expense coverage ratio to a minimum of 2.0x through December 31, 2021. We also agreed to a minimum liquidity covenant of \$1 billion (consisting of consolidated unrestricted cash and availability under the revolving credit facility) applicable to each quarter through June 30, 2021, and additional restrictions on priority debt and liens, and on the payment of dividends through December 31, 2021. At December 31, 2020, we were in compliance with our revolving credit facility covenants.



As further discussed in Note 10, in February 2021, the Board reinstated a cash dividend on our common stock. Prior to the Board's declaration of the initial quarterly dividend, we will deliver a covenant reversion notice, at which time the financial covenants and other restrictions, including the dividend restriction, will revert to the limits applicable prior to the June 2020 amendment.

During 2020, we completed the sale of \$2.8 billion of senior notes and used most of the net proceeds to purchase and redeem senior notes maturing in 2021, 2022, 2023 and 2024. The remaining net proceeds were used for general corporate purposes.

In August 2019, we completed the sale of \$1.2 billion of senior notes and used the net proceeds to fund the make-whole redemption of all of our outstanding senior notes maturing in 2023, and the concurrent tender offers to purchase a portion of our senior notes maturing in 2021 and 2022.

For additional information regarding our debt arrangements, refer to Note 8.

Operating Activities

We generated consolidated operating cash flows of \$3.0 billion in 2020 (including \$0.7 billion from working capital and other sources) and \$1.5 billion in 2019 (including \$0.3 billion from working capital and other sources).

Higher operating cash flows for 2020, compared with 2019, primarily reflect higher copper prices, lower production and delivery costs associated with lower mining rates, and cost reductions associated with our April 2020 revised operating plans.

Investing Activities

Capital Expenditures. Capital expenditures, including capitalized interest, totaled \$2.0 billion for the year 2020, including \$1.2 billion for major projects primarily associated with underground development activities in the Grasberg minerals district and the now complete Lone Star copper leach project. Capital expenditures, including capitalized interest, totaled \$2.7 billion for the year 2019, including \$1.5 billion for major projects.

A large portion of the capital expenditures relate to projects that are expected to add significant production and cash flow in future periods, enabling us to continue to generate operating cash flows exceeding capital expenditures in future years. Refer to "Outlook" for further discussion of projected capital expenditures for 2021.

Proceeds from Sales of Assets. Proceeds from sales of assets totaled \$0.7 billion for the year 2020, primarily related to the sale of Kisanfu, our undeveloped exploration project in the DRC (\$550 million), contingent consideration associated

with the 2016 sale of the Tenke Fungurume Mining assets in the DRC (\$60 million), the collection of proceeds related to the 2019 sale of the Timok exploration assets in Serbia (\$45 million) and the sale of royalty assets (\$31 million).

Proceeds from sales of assets totaled \$0.6 billion for the year 2019, primarily associated with sales of (i) our interest in the lower zone of the Timok exploration project in Serbia, (ii) our cobalt refinery in Kokkola, Finland, and related cobalt cathode precursor business and (iii) interests in oil and gas properties, including \$50 million in contingent consideration associated with the 2016 sale of onshore California oil and gas properties.

Refer to Note 2 for further discussion of acquisitions and dispositions.

Financing Activities

Debt Transactions. Net repayments of debt in 2020 totaled \$0.2 billion, primarily reflecting the repayment of \$0.3 billion under Cerro Verde's Term Loan.

Net repayments of debt in 2019 totaled \$1.3 billion, primarily consisting of the redemption of \$1.0 billion aggregate principal amount of our senior notes maturing in 2020 and the repayment of \$200 million under the Cerro Verde Term Loan. Additionally, during 2019, we issued \$1.2 billion in new senior notes and used the net proceeds to redeem and purchase senior notes maturing in 2021, 2022 and 2023.

Refer to Note 8 for further discussion of debt transactions.

Cash Dividends and Distributions Paid. We paid dividends on our common stock totaling \$73 million in 2020 (associated with the \$0.05 per share common stock cash dividend declared in December 2019) and \$291 million in 2019.

As further discussed in Note 10, in February 2021, the Board reinstated a cash dividend on our common stock and also adopted a new financial policy for the allocation of cash flows aligned with our strategic objectives of maintaining a strong balance sheet, increasing cash returns to shareholders and advancing opportunities for future growth. The declaration and payment of future dividends is at the discretion of the Board and will be assessed on an ongoing basis, taking into account our financial results, cash requirements, future prospects, global economic conditions, and other factors deemed relevant by the Board.

There were no cash dividends or distributions paid to noncontrolling interests in 2020 and \$82 million in 2019. These payments will vary based on the operating results and cash requirements of our consolidated subsidiaries.



Contributions from Noncontrolling Interests. We received equity contributions from PT Inalum for their share of capital spending on PT-FI underground mine development projects and costs for the new smelter in Indonesia totaling \$156 million in 2020 and \$165 million in 2019.

CONTINGENCIES

Environmental

The cost of complying with environmental laws is a fundamental and substantial cost of our business. At December 31, 2020, we had \$1.6 billion recorded in our consolidated balance sheet for environmental obligations attributed to CERCLA or analogous state programs and for estimated future costs associated with environmental obligations that are considered probable based on specific facts and circumstances.

We incurred environmental capital expenditures and other environmental costs (including our joint venture partners' shares) to comply with applicable environmental laws and regulations that affect our operations totaling \$0.3 billion in 2020 and \$0.4 billion in 2019. For 2021, we expect to incur approximately \$0.4 billion of aggregate environmental capital expenditures and other environmental costs. The timing and amount of estimated payments could change as a result of changes in regulatory requirements, changes in scope and timing of reclamation and plug and abandonment activities, the settlement of environmental matters and the rate at which actual spending occurs on continuing matters.

In August 2020, the co-conveners of the Global Tailings Review, which included the International Council on Mining and Metals (ICMM), an industry group of which we are a founding member, published the first Global Industry Standard on Tailings Management (the Tailings Standard). The Tailings Standard includes 77 requirements across 6 key areas including the design, construction, operation and monitoring of tailings facilities, management and governance, emergency response and long-term recovery, and public disclosure. ICMM has committed that members will implement the Tailings Standard within three years for certain facilities and within five years for all others. ICMM members have prepared a guidance document focused on practices that drive safe tailings management and prepared a conformance protocol document to be used by companies on demonstrating implementation of the Tailings Standard; both documents are expected to be published in early 2021. As a member of ICMM, which has endorsed the Tailings Standard, we are moving toward implementation and have begun undertaking an extensive, multi-year analysis of our tailings facilities to ensure conformance with the Tailings Standard. We are assessing the costs of complying with the new Tailings Standard.

Refer to Note 12 and "Risk Factors" contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020, for further information about environmental regulation, including significant environmental matters.

Asset Retirement Obligations

We recognize AROs as liabilities when incurred, with the initial measurement at fair value. These obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to cost of sales. Mine reclamation costs for disturbances are recorded as an ARO and as a related asset retirement cost (ARC) (included in property, plant, equipment and mine development costs) in the period of disturbance. Oil and gas plugging and abandonment costs are recognized as an ARO and as a related ARC (included in oil and gas properties) in the period in which the well is drilled or acquired. For non-operating properties without reserves, changes to the ARO are recorded in earnings. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible, long-lived assets. At December 31, 2020, we had \$2.5 billion recorded in our consolidated balance sheet for AROs, including \$0.4 billion related to our oil and gas properties. Spending on AROs totaled \$156 million in 2020 and \$170 million in 2019 (including \$38 million in 2020 and \$77 million in 2019 for our oil and gas operations). For 2021, we expect to incur approximately \$0.3 billion in aggregate ARO payments (including \$0.1 billion for our oil and gas operations). Refer to Note 12 for further discussion.

Litigation and Other Contingencies

Refer to Notes 2 and 12, and "Legal Proceedings" contained in Part I, Item 3. of our annual report on Form 10-K for the year ended December 31, 2020, for further discussion of contingencies associated with legal proceedings and other matters.

DISCLOSURES ABOUT MARKET RISKS

Commodity Price Risk

Our consolidated revenues from our mining operations include the sale of copper concentrate, copper cathode, copper rod, gold, molybdenum and other metals by our North America and South America mines, the sale of copper concentrate (which also contains significant quantities of gold and silver) by our Indonesia mining operations, the sale of molybdenum in various forms by our molybdenum operations, and the sale of copper cathode, copper anode and gold in anode and slimes by Atlantic Copper. Our financial results will vary with fluctuations

MANAGEMENT'S DISCUSSION AND ANALYSIS



in the market prices of the commodities we produce, primarily copper and gold, and to a lesser extent molybdenum and silver. For projected sensitivities of our operating cash flow to changes in commodity prices, refer to "Outlook." World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Refer to "Risk Factors" contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2020, for further discussion of financial risks associated with fluctuations in the market prices of the commodities we sell.

During 2020, our mined copper was sold 51 percent in concentrate, 28 percent as cathode and 21 percent as rod from North America operations. Substantially all of our copper concentrate and cathode sales contracts provide final copper pricing in a specified future month (generally one to four months from the shipment date) based primarily on quoted LME monthly average copper settlement prices. We receive market prices based on prices in the specified future period, which results in price fluctuations recorded through revenues until the date of settlement. We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on our provisionally priced concentrate and cathode sales that is adjusted to fair value through earnings each period, using the period-end forward prices, until final pricing on the date of settlement. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. Accordingly, in times of rising copper prices, our revenues benefit from adjustments to the final pricing of provisionally priced sales pursuant to contracts entered into in prior periods; in times of falling copper prices, the opposite occurs.

Following are the (unfavorable) favorable impacts of net adjustments to the prior years' provisionally priced copper

sales for the years ended December 31 (in millions, except per share amounts):

	2020	2019
Revenues	\$ (102)	\$ 58
Net income attributable to common stock	\$ (42)	\$ 24
Net income per share attributable to common stock	\$(0.03)	\$0.02

At December 31, 2020, we had provisionally priced copper sales at our copper mining operations totaling 320 million pounds of copper (net of intercompany sales and noncontrolling interests) recorded at an average price of \$3.52 per pound, subject to final pricing over the next several months. We estimate that each \$0.05 change in the price realized from the December 31, 2020, provisional price recorded would have an approximate \$10 million effect on 2021 net income attributable to common stock. The LME copper settlement price closed at \$3.57 per pound on January 29, 2021.

Foreign Currency Exchange Risk

The functional currency for most of our operations is the U.S. dollar. Substantially all of our revenues and a significant portion of our costs are denominated in U.S. dollars; however, some costs and certain asset and liability accounts are denominated in local currencies, including the Indonesia rupiah, Australian dollar, Peruvian sol, Chilean peso and euro. We recognized foreign currency translation gains on balances denominated in foreign currencies totaling \$34 million in 2020 and \$24 million in 2019. Generally, our operating results are positively affected when the U.S. dollar strengthens in relation to those foreign currencies and are adversely affected when the U.S. dollar weakens in relation to those foreign currencies.

Following is a summary of estimated annual payments and the impact of changes in foreign currency rates on our annual operating costs:

	Exchange Rate per \$1 at December 31,		Estimated Annual Payments		10% Change in Exchange Rate (in millions of U.S. dollars) ^a	
	2020	2019	(in local currency)	(in millions of U.S. dollars) ^b	Increase	Decrease
Indonesia						
Rupiah	14,034	13,832	11.9 trillion	\$848	\$(77)	\$94
Australian dollar	1.30	1.43	195 million	\$150	\$(14)	\$17
South America						
Peruvian sol	3.62	3.32	2.1 billion	\$573	\$(52)	\$64
Chilean peso	711	749	175 billion	\$246	\$(22)	\$27
Atlantic Copper						
Euro	0.82	0.89	138 million	\$169	\$(15)	\$19

a. Reflects the estimated impact on annual operating costs assuming a 10 percent increase or decrease in the exchange rate reported at December 31, 2020.

b. Based on exchange rates at December 31, 2020.



Interest Rate Risk

At December 31, 2020, we had total debt maturities based on principal amounts of \$9.8 billion, of which approximately 6 percent was variable-rate debt with interest rates primarily

based on the London Interbank Offered Rate. The table below presents average interest rates for our scheduled maturities of principal for our outstanding debt and the related fair values at December 31, 2020 (in millions, except percentages):

	2021	2022	2023	2024	2025	Thereafter	Fair Value
Fixed-rate debt	\$ 4	\$524	\$996	\$730	\$ —	\$6,963	\$10,428
Average interest rate	—%	3.6%	3.9%	4.6%	—%	5.1%	4.9%
Variable-rate debt	\$ 32	\$529	\$ —	\$ —	\$ —	\$ 8	\$ 566
Average interest rate	1.2%	2.0%	—%	—%	—%	3.8%	2.0%

NEW ACCOUNTING STANDARDS

Refer to Note 1 for discussion of a recently adopted accounting standard.

PRODUCT REVENUES AND PRODUCTION COSTS

Mining Product Revenues and Unit Net Cash Costs

Unit net cash costs per pound of copper and molybdenum are measures intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for the respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. These measures are presented by other metals mining companies, although our measures may not be comparable to similarly titled measures reported by other companies.

We present gross profit per pound of copper in the following tables using both a "by-product" method and a "co-product" method. We use the by-product method in our presentation of gross profit per pound of copper because (i) the majority of our revenues are copper revenues, (ii) we mine ore, which contains copper, gold, molybdenum and other metals, (iii) it is not possible to specifically assign all of our costs to revenues from the copper, gold, molybdenum and other metals we produce, (iv) it is the method used to compare mining operations in certain industry publications and (v) it is the method used by our management and the Board to monitor operations and to compare mining operations in certain industry publications. In the co-product method presentations, shared costs are allocated to the different products based on their relative revenue values, which will vary to the extent our metals sales volumes and realized prices change.

We show revenue adjustments for prior period open sales as separate line items. Because these adjustments do not result from current period sales, these amounts have been reflected separately from revenues on current period sales. Noncash and other costs, which are removed from site production and delivery costs in the calculation of unit net cash costs, consist of items such as stock-based compensation costs, start-up costs, long-lived asset impairments, restructuring and/or unusual charges. As discussed above, gold, molybdenum and other metal revenues at copper mines are reflected as credits against site production and delivery costs in the by-product method. The following schedules are presentations under both the by-product and co-product methods together with reconciliations to amounts reported in our consolidated financial statements.

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North America Copper Mines Product Revenues, Production Costs and Unit Net Cash Costs

Year Ended December 31, 2020	By-Product Method	Co-Product Method			Total
		Copper	Molybdenum ^a	Other ^b	
(In millions)					
Revenues, excluding adjustments	\$ 4,005 ^c	\$ 4,005	\$ 281	\$83	\$4,369
Site production and delivery, before net noncash and other costs shown below	2,700	2,529	223	44	2,796
By-product credits	(268)	—	—	—	—
Treatment charges	139	136	—	3	139
Net cash costs	2,571	2,665	223	47	2,935
DD&A	355	330	18	7	355
Metals inventory adjustments	52	49	—	3	52
Noncash and other costs, net	138 ^d	133	3	2	138
Total costs	3,116	3,177	244	59	3,480
Other revenue adjustments, primarily for pricing on prior period open sales	(22)	(22)	—	—	(22)
Gross profit	\$ 867	\$ 806	\$ 37	\$24	\$ 867
Copper sales (millions of recoverable pounds)	1,420	1,420			
Molybdenum sales (millions of recoverable pounds) ^a			33		
Gross profit per pound of copper/molybdenum:					
Revenues, excluding adjustments	\$ 2.82 ^c	\$ 2.82	\$ 8.62		
Site production and delivery, before net noncash and other costs shown below	1.90	1.78	6.84		
By-product credits	(0.19)	—	—		
Treatment charges	0.10	0.10	—		
Unit net cash costs	1.81	1.88	6.84		
DD&A	0.25	0.23	0.56		
Metals inventory adjustments	0.03	0.03	—		
Noncash and other costs, net	0.10 ^d	0.10	0.09		
Total unit costs	2.19	2.24	7.49		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.02)	(0.02)	—		
Gross profit per pound	\$ 0.61	\$ 0.56	\$ 1.13		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
(In millions)				
Totals presented above	\$ 4,369	\$ 2,796	\$ 355	\$52
Treatment charges	(15)	124	—	—
Noncash and other costs, net	—	138	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	(22)	—	—	—
Eliminations and other	32	42	—	—
North America copper mines	4,364	3,100	355	52
Other mining ^e	13,642	10,595	1,103	16
Corporate, other & eliminations	(3,808)	(3,664)	70	28
As reported in our consolidated financial statements	\$14,198	\$10,031	\$1,528	\$96

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

b. Includes gold and silver product revenues and production costs.

c. Includes reductions to revenues and average realized prices totaling \$24 million (\$0.02 per pound of copper) related to forward sales contracts covering 150 million pounds of copper sales for May and June 2020 at a fixed price of \$2.34 per pound.

d. Includes charges totaling \$32 million (\$0.02 per pound of copper) primarily associated with our April 2020 revised operating plans (including employee separation costs) and the COVID-19 pandemic (including health and safety costs).

e. Represents the combined total for our other mining operations as presented in Note 16.


North America Copper Mines Product Revenues, Production Costs and Unit Net Cash Costs *(continued)*

Year Ended December 31, 2019	By-Product Method	Co-Product Method			Total
		Copper	Molybdenum ^a	Other ^b	
(In millions)					
Revenues, excluding adjustments	\$ 3,950	\$ 3,950	\$ 370	\$ 84	\$4,404
Site production and delivery, before net noncash and other costs shown below	2,957	2,711	299	53	3,063
By-product credits	(348)	—	—	—	—
Treatment charges	161	155	—	6	161
Net cash costs	2,770	2,866	299	59	3,224
DD&A	348	318	23	7	348
Metals inventory adjustments	30	30	—	—	30
Noncash and other costs, net	110	98	9	3	110
Total costs	3,258	3,312	331	69	3,712
Other revenue adjustments, primarily for pricing on prior period open sales	4	4	—	—	4
Gross profit	\$ 696	\$ 642	\$ 39	\$ 15	\$ 696
Copper sales (millions of recoverable pounds)	1,441	1,441			
Molybdenum sales (millions of recoverable pounds) ^a			32		
Gross profit per pound of copper/molybdenum:					
Revenues, excluding adjustments	\$ 2.74	\$ 2.74	\$11.51		
Site production and delivery, before net noncash and other costs shown below	2.05	1.88	9.29		
By-product credits	(0.24)	—	—		
Treatment charges	0.11	0.11	—		
Unit net cash costs	1.92	1.99	9.29		
DD&A	0.24	0.21	0.72		
Metals inventory adjustments	0.02	0.02	—		
Noncash and other costs, net	0.08	0.07	0.29		
Total unit costs	2.26	2.29	10.30		
Other revenue adjustments, primarily for pricing on prior period open sales	—	—	—		
Gross profit per pound	\$ 0.48	\$ 0.45	\$ 1.21		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
(In millions)				
Totals presented above	\$ 4,404	\$ 3,063	\$ 348	\$ 30
Treatment charges	(60)	101	—	—
Noncash and other costs, net	—	110	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	4	—	—	—
Eliminations and other	38	45	1	—
North America copper mines	4,386	3,319	349	30
Other mining ^c	13,054	11,126	979	57
Corporate, other & eliminations	(3,038)	(2,911)	84	92
As reported in our consolidated financial statements	\$14,402	\$11,534	\$1,412	\$179

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

b. Includes gold and silver product revenues and production costs.

c. Represents the combined total for our other mining operations as presented in Note 16.

MANAGEMENT'S DISCUSSION AND ANALYSIS



South America Mining Product Revenues, Production Costs and Unit Net Cash Costs

Year Ended December 31, 2020	By-Product Method	Co-Product Method		
		Copper	Other ^a	Total
(In millions)				
Revenues, excluding adjustments	\$ 2,976	\$ 2,976	\$ 209	\$3,185
Site production and delivery, before net noncash and other costs shown below	1,816	1,701	158	1,859
By-product credits	(166)	—	—	—
Treatment charges	152	152	—	152
Royalty on metals	6	6	—	6
Net cash costs	1,808	1,859	158	2,017
DD&A	421	391	30	421
Metals inventory adjustments	3	3	—	3
Noncash and other costs, net	122 ^b	115	7	122
Total costs	2,354	2,368	195	2,563
Other revenue adjustments, primarily for pricing on prior period open sales	(70)	(70)	—	(70)
Gross profit	\$ 552	\$ 538	\$ 14	\$ 552
Copper sales (millions of recoverable pounds)	976	976		
Gross profit per pound of copper:				
Revenues, excluding adjustments	\$ 3.05	\$ 3.05		
Site production and delivery, before net noncash and other costs shown below	1.86	1.74		
By-product credits	(0.17)	—		
Treatment charges	0.15	0.15		
Royalty on metals	0.01	0.01		
Unit net cash costs	1.85	1.90		
DD&A	0.43	0.41		
Metals inventory adjustments	—	—		
Noncash and other costs, net	0.13 ^b	0.12		
Total unit costs	2.41	2.43		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.07)	(0.07)		
Gross profit per pound	\$ 0.57	\$ 0.55		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
(In millions)				
Totals presented above	\$ 3,185	\$ 1,859	\$ 421	\$ 3
Treatment charges	(152)	—	—	—
Royalty on metals	(6)	—	—	—
Noncash and other costs, net	—	122	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	(70)	—	—	—
Eliminations and other	(2)	(3)	—	—
South America mining	2,955	1,978	421	3
Other mining ^c	15,051	11,717	1,037	65
Corporate, other & eliminations	(3,808)	(3,664)	70	28
As reported in our consolidated financial statements	\$14,198	\$10,031	\$1,528	\$ 96

a. Includes silver sales of 3.4 million ounces (\$21.86 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.

b. Includes charges totaling \$91 million (\$0.09 per pound of copper) primarily associated with idle facility (Cerro Verde) and contract cancellation costs related to the COVID-19 pandemic, and employee separation costs associated with our April 2020 revised operating plans.

c. Represents the combined total for our other mining operations as presented in Note 16.



South America Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)

Year Ended December 31, 2019 (In millions)	By-Product Method	Co-Product Method		
		Copper	Other ^a	Total
Revenues, excluding adjustments	\$ 3,213	\$ 3,213	\$ 358	\$3,571
Site production and delivery, before net noncash and other costs shown below	2,185	1,991	245	2,236
By-product credits	(307)	—	—	—
Treatment charges	212	212	—	212
Royalty on metals	7	6	1	7
Net cash costs	2,097	2,209	246	2,455
DD&A	474	427	47	474
Metals inventory adjustments	2	2	—	2
Noncash and other costs, net	94	90	4	94
Total costs	2,667	2,728	297	3,025
Other revenue adjustments, primarily for pricing on prior period open sales	37	37	—	37
Gross profit	\$ 583	\$ 522	\$ 61	\$ 583
Copper sales (millions of recoverable pounds)	1,183	1,183		
Gross profit per pound of copper:				
Revenues, excluding adjustments	\$ 2.71	\$ 2.71		
Site production and delivery, before net noncash and other costs shown below	1.85	1.68		
By-product credits	(0.27)	—		
Treatment charges	0.18	0.18		
Royalty on metals	0.01	0.01		
Unit net cash costs	1.77	1.87		
DD&A	0.40	0.36		
Metals inventory adjustments	—	—		
Noncash and other costs, net	0.08	0.07		
Total unit costs	2.25	2.30		
Other revenue adjustments, primarily for pricing on prior period open sales	0.03	0.03		
Gross profit per pound	\$ 0.49	\$ 0.44		

Reconciliation to Amounts Reported

(In millions)	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	\$ 3,571	\$ 2,236	\$ 474	\$ 2
Treatment charges	(212)	—	—	—
Royalty on metals	(7)	—	—	—
Noncash and other costs, net	—	94	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	37	—	—	—
Eliminations and other	(1)	(4)	—	—
South America mining	3,388	2,326	474	2
Other mining ^b	14,052	12,119	854	85
Corporate, other & eliminations	(3,038)	(2,911)	84	92
As reported in our consolidated financial statements	\$14,402	\$11,534	\$1,412	\$ 179

a. Includes silver sales of 4.7 million ounces (\$16.57 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.

b. Represents the combined total for our other mining operations as presented in Note 16.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Indonesia Mining Product Revenues, Production Costs and Unit Net Cash Costs

Year Ended December 31, 2020	By-Product Method	Co-Product Method			Total
		Copper	Gold	Silver ^a	
(In millions)					
Revenues, excluding adjustments	\$ 2,475	\$ 2,475	\$1,545	\$81	\$4,101
Site production and delivery, before net noncash and other costs shown below	1,508	910	568	30	1,508
Gold and silver credits	(1,630)	—	—	—	—
Treatment charges	219	132	83	4	219
Export duties	93	56	35	2	93
Royalty on metals	153	90	60	3	153
Net cash costs	343	1,188	746	39	1,973
DD&A	580	350	219	11	580
Noncash and other costs, net	93 ^b	56	35	2	93
Total costs	1,016	1,594	1,000	52	2,646
Other revenue adjustments, primarily for pricing on prior period open sales	(20)	(20)	4	—	(16)
PT Smelting intercompany loss	(11)	(7)	(4)	—	(11)
Gross profit	\$ 1,428	\$ 854	\$ 545	\$29	\$1,428
Copper sales (millions of recoverable pounds)	804	804			
Gold sales (thousands of recoverable ounces)			842		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	\$ 3.08	\$ 3.08	\$1,832		
Site production and delivery, before net noncash and other costs shown below	1.88	1.13	674		
Gold and silver credits	(2.03)	—	—		
Treatment charges	0.27	0.17	98		
Export duties	0.12	0.07	41		
Royalty on metals	0.19	0.11	72		
Unit net cash costs	0.43	1.48	885		
DD&A	0.72	0.43	259		
Noncash and other costs, net	0.11 ^b	0.07	41		
Total unit costs	1.26	1.98	1,185		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.03)	(0.03)	5		
PT Smelting intercompany loss	(0.01)	(0.01)	(5)		
Gross profit per pound/ounce	\$ 1.78	\$ 1.06	\$ 647		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A
(In millions)			
Totals presented above	\$ 4,101	\$ 1,508	\$ 580
Treatment charges	(219)	—	—
Export duties	(93)	—	—
Royalty on metals	(153)	—	—
Noncash and other costs, net	(6)	87	—
Other revenue adjustments, primarily for pricing on prior period open sales	(16)	—	—
PT Smelting intercompany loss	—	11	—
Indonesia mining	3,614	1,606	580
Other mining ^c	14,392	12,089	878
Corporate, other & eliminations	(3,808)	(3,664)	70
As reported in our consolidated financial statements	\$14,198	\$10,031	\$1,528

a. Includes silver sales of 3.6 million ounces (\$22.40 per ounce average realized price).

b. Includes COVID-19 related costs (including one-time incremental employee benefits and health and safety costs) of \$14 million (\$0.02 per pound of copper).

c. Represents the combined total for our other mining operations as presented in Note 16.



Indonesia Mining Product Revenues, Production Costs and Unit Net Cash Costs (continued)

Year Ended December 31, 2019	By-Product Method	Co-Product Method			Total
		Copper	Gold	Silver ^a	
(In millions)					
Revenues, excluding adjustments	\$ 1,814	\$ 1,814	\$ 1,378	\$ 40	\$ 3,232
Site production and delivery, before net noncash and other costs shown below	1,938	1,088	826	24	1,938
Gold and silver credits	(1,419)	—	—	—	—
Treatment charges	171	96	73	2	171
Export duties	56	31	24	1	56
Royalty on metals	107	58	48	1	107
Net cash costs	853	1,273	971	28	2,272
DD&A	406	228	173	5	406
Metals inventory adjustments	5	5	—	—	5
Noncash and other costs, net	246 ^b	136	107	3	246
Total costs	1,510	1,642	1,251	36	2,929
Other revenue adjustments, primarily for pricing on prior period open sales	18	18	1	—	19
PT Smelting intercompany loss	(17)	(10)	(7)	—	(17)
Gross profit	\$ 305	\$ 180	\$ 121	\$ 4	\$ 305
Copper sales (millions of recoverable pounds)	667	667			
Gold sales (thousands of recoverable ounces)			973		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	\$ 2.72	\$ 2.72	\$ 1,416		
Site production and delivery, before net noncash and other costs shown below	2.91	1.63	849		
Gold and silver credits	(2.13)	—	—		
Treatment charges	0.26	0.14	75		
Export duties	0.08	0.05	25		
Royalty on metals	0.16	0.09	49		
Unit net cash costs	1.28	1.91	998		
DD&A	0.61	0.34	178		
Metals inventory adjustments	0.01	0.01	—		
Noncash and other costs, net	0.37 ^b	0.20	110		
Total unit costs	2.27	2.46	1,286		
Other revenue adjustments, primarily for pricing on prior period open sales	0.03	0.03	2		
PT Smelting intercompany loss	(0.02)	(0.02)	(8)		
Gross profit per pound/ounce	\$ 0.46	\$ 0.27	\$ 124		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
(In millions)				
Totals presented above	\$ 3,232	\$ 1,938	\$ 406	\$ 5
Treatment charges	(171)	—	—	—
Export duties	(56)	—	—	—
Royalty on metals	(107)	—	—	—
Noncash and other costs, net	(146)	100	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	19	—	—	—
PT Smelting intercompany loss	—	17	—	—
Indonesia mining	2,771	2,055	406	5
Other mining ^c	14,669	12,390	922	82
Corporate, other & eliminations	(3,038)	(2,911)	84	92
As reported in our consolidated financial statements	\$14,402	\$11,534	\$1,412	\$179

a. Includes silver sales of 2.5 million ounces (\$16.15 per ounce average realized price).

b. Includes charges in revenues totaling \$166 million (\$0.25 per pound of copper), primarily associated with an unfavorable Indonesia Supreme Court ruling related to certain disputed PT-FI export duties, partly offset by adjustments to prior year treatment charges totaling \$20 million (\$0.03 per pound of copper). Also includes charges of \$28 million (\$0.04 per pound of copper) associated with adjustments to the settlement of the historical surface water tax disputes with the local regional tax authority in Papua, Indonesia.

c. Represents the combined total for our other mining operations as presented in Note 16.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Molybdenum Mines Product Revenues, Production Costs and Unit Net Cash Costs

Years Ended December 31,	2020	2019
(In millions)		
Revenues, excluding adjustments ^a	\$ 243	\$ 369
Site production and delivery, before net noncash and other costs shown below	211	293
Treatment charges and other	21	25
Net cash costs	232	318
DD&A	57	62
Metals inventory adjustments	10	50
Noncash and other costs, net	19 ^b	6
Total costs	318	436
Gross loss	\$ (75)	\$ (67)
Molybdenum sales (millions of recoverable pounds) ^a	24	29
Gross loss per pound of molybdenum:		
Revenues, excluding adjustments ^a	\$ 9.94	\$ 12.51
Site production and delivery, before net noncash and other costs shown below	8.65	9.95
Treatment charges and other	0.85	0.85
Unit net cash costs	9.50	10.80
DD&A	2.34	2.11
Metals inventory adjustments	0.42	1.69
Noncash and other costs, net	0.75 ^b	0.20
Total unit costs	13.01	14.80
Gross loss	\$ (3.07)	\$ (2.29)

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
(In millions)				
Year Ended December 31, 2020				
Totals presented above	\$ 243	\$ 211	\$ 57	\$ 10
Treatment charges and other	(21)	—	—	—
Noncash and other costs, net	—	19	—	—
Molybdenum mines	222	230	57	10
Other mining ^c	17,784	13,465	1,401	58
Corporate, other & eliminations	(3,808)	(3,664)	70	28
As reported in our consolidated financial statements	\$14,198	\$10,031	\$1,528	\$ 96
Year Ended December 31, 2019				
Totals presented above	\$ 369	\$ 293	\$ 62	\$ 50
Treatment charges and other	(25)	—	—	—
Noncash and other costs, net	—	6	—	—
Molybdenum mines	344	299	62	50
Other mining ^c	17,096	14,146	1,266	37
Corporate, other & eliminations	(3,038)	(2,911)	84	92
As reported in our consolidated financial statements	\$14,402	\$11,534	\$1,412	\$179

- Reflects sales of the Molybdenum mines' production to the molybdenum sales company at market-based pricing. On a consolidated basis, realizations are based on the actual contract terms for sales to third parties; as a result, our consolidated average realized price per pound of molybdenum will differ from the amounts reported in this table.
- Includes charges totaling \$7 million (\$0.29 per pound of molybdenum) primarily associated with contract cancellation costs related to the COVID-19 pandemic and employee separation costs associated with April 2020 revised operating plans.
- Represents the combined total for our other mining operations as presented in Note 16. Also includes amounts associated with the molybdenum sales company, which includes sales of molybdenum produced by the Molybdenum mines and by certain of the North America and South America copper mines.



GUARANTOR SUMMARIZED FINANCIAL INFORMATION

All of the senior notes issued by Freeport-McMoRan Inc. (FCX) are fully and unconditionally guaranteed on a senior basis jointly and severally by Freeport-McMoRan Oil & Gas LLC (FM O&G LLC), as guarantor, which is a 100-percent-owned subsidiary of FCX Oil & Gas LLC (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 our 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 obligations may be released or terminated upon: (i) the sale of all or substantially all of the equity interests or assets of FM O&G LLC to a third party that is not our subsidiary or our affiliate; (ii) FM O&G LLC no longer having any obligations under any FM O&G senior notes or any refinancing thereof and no longer being a co-borrower or guarantor of any of our obligations under the revolving credit facility or any other senior debt or, in each case, any refinancing thereof; or (iii) the discharge of our obligations under the indentures in accordance with their terms.

The following summarized financial data includes information regarding FCX, as issuer, FM O&G LLC, as guarantor, and all our other non-guarantor subsidiaries at December 31, 2020, and 2019, and for the year ended December 31, 2020 (in millions):

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
December 31, 2020					
Current assets	\$ 65	\$ 697	\$ 9,287	\$ (746)	\$ 9,303
Noncurrent assets	785	6	32,806	(756)	32,841
Current liabilities	187	31	3,964	(765)	3,417
Noncurrent liabilities	9,433	11,208	15,075	(15,657)	20,059
December 31, 2019					
Current assets	\$ 154	\$ 657	\$ 7,778	\$ (674)	\$ 7,915
Noncurrent assets	1,620	22	32,692	(1,440)	32,894
Current liabilities	323	42	3,550	(706)	3,209
Noncurrent liabilities	9,180	10,892	15,975	(15,895)	20,152
Year Ended December 31, 2020					
Revenues	\$ —	\$ 26	\$14,172	\$ —	\$14,198
Operating (loss) income	(30)	(10)	2,489	(12)	2,437
Net income (loss)	599 ^a	(302) ^a	865	(297)	865

a. Net income (loss) equals net income (loss) attributable to common stockholders because net income attributable to noncontrolling interests is zero for issuer and guarantor.



CAUTIONARY STATEMENT

Our discussion and analysis contains forward-looking statements in which we discuss our potential future performance. Forward-looking statements are all statements other than statements of historical facts, such as plans, projections, or expectations relating to ore grades and milling rates; business outlook; production and sales volumes; unit net cash costs; cash flows; capital expenditures; liquidity; operating costs; operating plans; our financial policy; our expectations regarding PT-FI's ramp-up of underground mining activities and future cash flows through 2022; PT-FI's development, financing, construction and completion of a new smelter in Indonesia and possible expansion of the smelter at PT Smelting; our commitments to deliver responsibly produced copper, including plans to implement and validate all of our operating sites under specific frameworks; improvements in operating procedures and technology; exploration efforts and results; development and production activities, rates and costs; tax rates; export quotas and duties; the impact of copper, gold and molybdenum price changes; the impact of deferred intercompany profits on earnings; mineralization and reserve estimates; execution of the settlement agreements associated with the Louisiana coastal erosion cases and talc-related litigation; descriptions of our objectives, strategies, plans, goals or targets, including our net debt target, anticipated improvements in energy efficiency at certain operating sites, and environmental, social and governance (ESG) targets; and future dividend payments, share purchases and sales, including under the Board's financial policy. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "could," "to be," "potential," "assumptions," "guidance," "future" and any similar expressions are intended to identify those assertions as forward-looking statements. The declaration and payment of future dividends is at the discretion of the Board and will depend on our financial results, cash requirements, future prospects, global economic conditions, and other factors deemed relevant by the Board. In accordance with the June 2020 amendment to the revolving credit facility, we are currently restricted from declaring or paying common stock dividends through December 31, 2021.

Prior to the Board's declaration of the initial quarterly dividend, we will deliver a covenant reversion notice, which would eliminate the restriction on the declaration or payment of common stock dividends.

We caution readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, expected, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, changes in our credit rating; changes in our cash requirements, financial position, financing plans or investment plans; changes in general market, economic, tax, regulatory or industry conditions; the duration and scope of and uncertainties associated with the COVID-19 pandemic, and the impact thereof on commodity prices, our business and the global economy and any related actions taken by governments and businesses; our ability to contain and mitigate the risk of spread or major outbreak of COVID-19 at our operating sites, including at PT-FI's remote operating site in Papua; supply of and demand for, and prices of, copper, gold and molybdenum; mine sequencing; changes in mine plans or operational modifications, delays, deferrals or cancellations; production rates; timing of shipments; results of feasibility studies; potential inventory adjustments; potential impairment of long-lived mining assets; the potential effects of violence in Indonesia generally and in the province of Papua; the Indonesia government's extension of PT-FI's export license after March 15, 2021; risks associated with underground mining; satisfaction of requirements in accordance with PT-FI's special mining license to extend mining rights from 2031 through 2041; the Indonesia government's approval of a deferred schedule for completion of the new smelter in Indonesia; expected results from improvements in operating procedures and technology, including innovation initiatives; industry risks; regulatory changes; political and social risks; labor relations, including labor-related work stoppages; weather- and climate-related risks; environmental risks; our plans and ability to implement ESG practices; litigation; cybersecurity incidents; changes in general market, economic and industry conditions; financial condition of our customers, suppliers, vendors, partners and affiliates, particularly during weak economic conditions and extended periods of volatile commodity prices; reductions in liquidity and



access to capital; our ability to comply with our responsible production commitments under specific frameworks and any changes to such frameworks; and other factors described in more detail in Part I, Item 1A. "Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2020.

Investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the forward-looking statements are made, including for example commodity prices, which we cannot control, and production volumes and costs, some aspects of which we may not be able to control. Further, we may make changes to our business plans that could affect our results. We caution investors that we do not intend to update forward-looking statements more frequently than quarterly notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes, and we undertake no obligation to update any forward-looking statements.

This annual report on Form 10-K for the year ended December 31, 2020, also contains the financial measure unit net cash costs per pound of copper and molybdenum, which is not recognized under U.S. GAAP. Refer to "Operations—Unit Net Cash Costs" for further discussion of unit net cash costs associated with our operating divisions, and to "Product Revenues and Production Costs" for reconciliations of per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING



Freeport-McMoRan Inc.'s (the Company's) management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of the end of the fiscal year covered by this annual report on Form 10-K. In making this assessment, our management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on its assessment, management concluded that, as of December 31, 2020, our Company's internal control over financial reporting is effective based on the COSO criteria.

Ernst & Young LLP, an independent registered public accounting firm, who audited the Company's consolidated financial statements included in this Form 10-K, has issued an attestation report on the Company's internal control over financial reporting, which is included herein.

Richard C. Adkerson
Chairman of the Board and
Chief Executive Officer

Kathleen L. Quirk
President and
Chief Financial Officer



To the Board of Directors and Stockholders of Freeport-McMoRan Inc.

Opinion on Internal Control over Financial Reporting

We have audited Freeport-McMoRan Inc.'s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Freeport-McMoRan Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Freeport-McMoRan Inc. as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 16, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ERNST & YOUNG LLP

Phoenix, Arizona
February 16, 2021



**To the Board of Directors and
Stockholders of Freeport-McMoRan Inc.**

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Freeport-McMoRan Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 16, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Uncertain tax positions

Description of the Matter As discussed in Note 12 to the consolidated financial statements, the Company’s operations are in certain taxing jurisdictions where uncertainties arise in the application of complex income tax regulations. The Company has disclosed uncertain tax positions related to income tax assessments in Indonesia and Peru totaling \$1.7 billion, including penalties and interest, which have not been recorded at December 31, 2020. The Company recognizes a liability for income tax assessments when it is more likely than not that it will not sustain the benefit taken or expected to be taken in the tax return.

Because of the complexity of tax laws, regulations and contractual agreements with the applicable government, auditing the recognition and measurement of uncertain tax positions requires a high degree of auditor judgment and increased extent of effort, including the involvement of our tax professionals.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s accounting process for uncertain tax positions. This included testing controls over management’s review of the technical merits of tax positions and disputed tax assessments, including the process to measure the financial statement impact of these tax matters.



Our audit procedures included, among others, evaluating the Company's accounting for these tax positions by using our knowledge of and experience with the application of respective tax laws by the relevant tax authorities, or our understanding of the contractual arrangements with the applicable government, if the position is governed by a contract. We analyzed the Company's assumptions and data used to determine the tax assessments and tested the accuracy of the calculations. We involved our tax professionals located in the respective jurisdictions to assess the technical merits of the Company's tax positions and to evaluate the application of relevant tax laws in the Company's recognition determination. We assessed the Company's correspondence with the relevant tax authorities and evaluated third-party tax or legal opinions obtained by the Company. We also evaluated the adequacy of the Company's disclosures included in Note 12 in relation to these tax matters.

Environmental obligations

Description of the Matter

As discussed in Note 12 to the consolidated financial statements, the Company is subject to national, state and local environmental laws and regulations governing the protection of the environment, including restoration and reclamation of environmental contamination. Liabilities for environmental contingencies are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. At December 31, 2020, the Company's consolidated environmental obligations totaled \$1.6 billion.

Auditing management's accounting for environmental obligations was challenging, as significant judgment is required by the Company to evaluate whether an environmental loss has been incurred and to estimate the future costs to remediate the environmental matters. The significant judgment was primarily due to the inherent estimation uncertainty relating to the amount of future costs. Such uncertainties involve assumptions regarding the nature and

extent of contamination at each site, the nature and extent of required cleanup efforts under existing environmental regulations, the duration and effectiveness of the chosen remedial strategy, and allocation of costs among other potentially responsible parties. Actual costs incurred in future periods could differ from amounts estimated.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's identification and measurement of the environmental loss contingencies. For example, we tested controls over management's review of the environmental loss contingency calculations and management's assessment to evaluate key judgments and estimates affecting the environmental loss contingencies.

To test the Company's identification and measurement of the environmental loss contingencies, among other procedures, we inspected correspondence with regulatory agencies, obtained external legal counsel confirmation letters, and inspected environmental studies. Additionally, we assessed the appropriateness of the Company's models and tested the significant assumptions discussed above along with the underlying data used by the Company in its analyses. We utilized our environmental specialists to search for new or contrary evidence related to the Company's sites and to assist in evaluating the reasonableness of estimated future costs by comparing the estimated future costs to environmental permits, third party observable data such as vendor quotes, and to historical costs incurred for similar activities.

ERNST & YOUNG LLP

We have served as the Company's auditor since 2002.

Phoenix, Arizona
February 16, 2021

CONSOLIDATED STATEMENTS OF OPERATIONS



Years Ended December 31,	2020	2019	2018
(In millions, except per share amounts)			
Revenues	\$14,198	\$14,402	\$18,628
Cost of sales:			
Production and delivery	10,031	11,534	11,708
Depreciation, depletion and amortization	1,528	1,412	1,754
Metals inventory adjustments	96	179	4
Total cost of sales	11,655	13,125	13,466
Selling, general and administrative expenses	370	394	422
Mining exploration and research expenses	50	104	105
Environmental obligations and shutdown costs	159	105	89
Net gain on sales of assets	(473)	(417)	(208)
Total costs and expenses	11,761	13,311	13,874
Operating income	2,437	1,091	4,754
Interest expense, net	(598)	(620)	(945)
Net (loss) gain on early extinguishment of debt	(101)	(27)	7
Other income (expense), net	59	(138)	76
Income from continuing operations before income taxes and equity in affiliated companies' net earnings	1,797	306	3,892
Provision for income taxes	(944)	(510)	(991)
Equity in affiliated companies' net earnings	12	12	8
Net income (loss) from continuing operations	865	(192)	2,909
Net gain (loss) from discontinued operations	—	3	(15)
Net income (loss)	865	(189)	2,894
Net income attributable to noncontrolling interests	(266)	(50)	(292)
Net income (loss) attributable to common stockholders	\$ 599	\$ (239)	\$ 2,602
Basic net income (loss) per share attributable to common stockholders:			
Continuing operations	\$ 0.41	\$ (0.17)	\$ 1.80
Discontinued operations	—	—	(0.01)
	\$ 0.41	\$ (0.17)	\$ 1.79
Diluted net income (loss) per share attributable to common stockholders:			
Continuing operations	\$ 0.41	\$ (0.17)	\$ 1.79
Discontinued operations	—	—	(0.01)
	\$ 0.41	\$ (0.17)	\$ 1.78
Weighted-average common shares outstanding:			
Basic	1,453	1,451	1,449
Diluted	1,461	1,451	1,458
Dividends declared per share of common stock	\$ —	\$ 0.20	\$ 0.20

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)



Years Ended December 31,	2020	2019	2018
(In millions)			
Net income (loss)	<u>\$ 865</u>	<u>\$(189)</u>	<u>\$2,894</u>
Other comprehensive income (loss), net of taxes:			
Defined benefit plans:			
Actuarial gains (losses) arising during the period, net of taxes	46	(116)	(77)
Prior service costs arising during the period	—	—	(4)
Amortization or curtailment of unrecognized amounts included in net periodic benefit costs	45	47	48
Foreign exchange (losses) gains	(1)	1	(1)
Other comprehensive income (loss)	<u>90</u>	<u>(68)</u>	<u>(34)</u>
Total comprehensive income (loss)	<u>955</u>	<u>(257)</u>	<u>2,860</u>
Total comprehensive income attributable to noncontrolling interests	<u>(263)</u>	<u>(53)</u>	<u>(291)</u>
Total comprehensive income (loss) attributable to common stockholders	<u>\$ 692</u>	<u>\$(310)</u>	<u>\$2,569</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS



Years Ended December 31,	2020	2019	2018
(In millions)			
Cash flow from operating activities:			
Net income (loss)	\$ 865	\$ (189)	\$ 2,894
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	1,528	1,412	1,754
Metals inventory adjustments	96	179	4
Net gain on sales of assets	(473)	(417)	(208)
Stock-based compensation	99	63	76
Net charges for environmental and asset retirement obligations, including accretion	181	221	262
Payments for environmental and asset retirement obligations	(216)	(244)	(239)
Charge associated with framework for global settlement of talc-related litigation	130	—	—
Net charges for defined pension and postretirement plans	65	108	81
Pension plan contributions	(121)	(75)	(75)
Net loss (gain) on early extinguishment of debt	101	27	(7)
Deferred income taxes	181	29	100
Dividends received from PT Smelting	3	40	—
(Credits) charges for PT Freeport Indonesia (PT-FI) surface water tax, withholding tax and environmental matters	(19)	30	162
Payments for PT-FI surface water tax, withholding tax and environmental matters	(14)	(67)	—
Charges for Cerro Verde royalty dispute	32	65	371
Payments for Cerro Verde royalty dispute	(139)	(187)	(56)
U.S. tax reform benefit	—	—	(123)
Change in PT-FI statutory tax rate	—	—	(504)
Other, net	53	138	27
Changes in working capital and other:			
Accounts receivable	132	119	649
Inventories	42	259	(537)
Other current assets	(27)	60	(28)
Accounts payable and accrued liabilities	115	(60)	(106)
Accrued income taxes and timing of other tax payments	403	(29)	(634)
Net cash provided by operating activities	<u>3,017</u>	<u>1,482</u>	<u>3,863</u>
Cash flow from investing activities:			
Capital expenditures:			
North America copper mines	(428)	(877)	(601)
South America	(183)	(256)	(237)
Indonesia	(1,266)	(1,369)	(1,001)
Molybdenum mines	(19)	(19)	(9)
Other	(65)	(131)	(123)
Acquisition of PT Rio Tinto Indonesia	—	—	(3,500)
Proceeds from sales of:			
Kisanfu exploration project	550	—	—
Timok exploration project and a portion of Freeport Cobalt	—	452	—
PT Indonesia Papua Metal Dan Mineral	—	—	457
Other assets	154	109	93
Other, net	(7)	(12)	(97)
Net cash used in investing activities	<u>(1,264)</u>	<u>(2,103)</u>	<u>(5,018)</u>
Cash flow from financing activities:			
Proceeds from debt	3,531	1,879	632
Repayments of debt	(3,724)	(3,197)	(2,717)
Proceeds from sale of PT-FI shares	—	—	3,500
Cash dividends and distributions paid:			
Common stock	(73)	(291)	(218)
Noncontrolling interests	—	(82)	(278)
Contributions from noncontrolling interests	156	165	—
Other, net	(18)	(30)	(19)
Net cash (used in) provided by financing activities	<u>(128)</u>	<u>(1,556)</u>	<u>900</u>
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	1,625	(2,177)	(255)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	2,278	4,455	4,710
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year	<u>\$ 3,903</u>	<u>\$ 2,278</u>	<u>\$ 4,455</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.



December 31,	2020	2019
(In millions, except par value)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,657	\$ 2,020
Trade accounts receivable	892	741
Income and other tax receivables	520	426
Inventories:		
Materials and supplies, net	1,594	1,649
Mill and leach stockpiles	1,014	1,143
Product	1,285	1,281
Other current assets	341	655
Total current assets	<u>9,303</u>	<u>7,915</u>
Property, plant, equipment and mine development costs, net	29,818	29,584
Long-term mill and leach stockpiles	1,463	1,425
Other assets	1,560	1,885
Total assets	<u>\$ 42,144</u>	<u>\$ 40,809</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,708	\$ 2,576
Current portion of environmental and asset retirement obligations	351	436
Accrued income taxes	324	119
Current portion of debt	34	5
Dividends payable	—	73
Total current liabilities	<u>3,417</u>	<u>3,209</u>
Long-term debt, less current portion	9,677	9,821
Deferred income taxes	4,408	4,210
Environmental and asset retirement obligations, less current portion	3,705	3,630
Other liabilities	2,269	2,491
Total liabilities	<u>23,476</u>	<u>23,361</u>
Equity:		
Stockholders' equity:		
Common stock, par value \$0.10, 1,590 shares and 1,582 shares issued, respectively	159	158
Capital in excess of par value	26,037	25,830
Accumulated deficit	(11,681)	(12,280)
Accumulated other comprehensive loss	(583)	(676)
Common stock held in treasury – 132 shares and 131 shares, respectively, at cost	(3,758)	(3,734)
Total stockholders' equity	<u>10,174</u>	<u>9,298</u>
Noncontrolling interests	8,494	8,150
Total equity	<u>18,668</u>	<u>17,448</u>
Total liabilities and equity	<u>\$ 42,144</u>	<u>\$ 40,809</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY



	Stockholders' Equity									
	Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Number of Shares	At Par Value				Number of Shares	At Cost			
(In millions)										
Balance at January 1, 2018	1,578	\$158	\$26,751	\$(14,722)	\$(487)	130	\$(3,723)	\$ 7,977	\$ 3,319	\$11,296
Exercised and issued stock-based awards	1	—	8	—	—	—	—	8	—	8
Stock-based compensation, including the tender of shares	—	—	70	—	—	—	(4)	66	—	66
Dividends	—	—	(291)	—	—	—	—	(291)	(278)	(569)
Adoption of new accounting standard for reclassification of income taxes	—	—	—	79	(79)	—	—	—	—	—
Sale of interest in PT-FI	—	—	(525)	—	(6)	—	—	(531)	4,762	4,231
Net income attributable to common stockholders	—	—	—	2,602	—	—	—	2,602	—	2,602
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	292	292
Other comprehensive loss	—	—	—	—	(33)	—	—	(33)	(1)	(34)
Balance at December 31, 2018	1,579	158	26,013	(12,041)	(605)	130	(3,727)	9,798	8,094	17,892
Exercised and issued stock-based awards	3	—	1	—	—	—	—	1	—	1
Stock-based compensation, including the tender of shares	—	—	50	—	—	1	(7)	43	1	44
Dividends	—	—	(291)	—	—	—	—	(291)	(73)	(364)
Changes in noncontrolling interests	—	—	(1)	—	—	—	—	(1)	(11)	(12)
Contributions from noncontrolling interests	—	—	80	—	—	—	—	80	86	166
Adjustment for deferred taxes	—	—	(22)	—	—	—	—	(22)	—	(22)
Net loss attributable to common stockholders	—	—	—	(239)	—	—	—	(239)	—	(239)
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	50	50
Other comprehensive (loss) income	—	—	—	—	(71)	—	—	(71)	3	(68)
Balance at December 31, 2019	1,582	158	25,830	(12,280)	(676)	131	(3,734)	9,298	8,150	17,448
Exercised and issued stock-based awards	8	1	57	—	—	—	—	58	—	58
Stock-based compensation, including the tender of shares	—	—	74	—	—	1	(24)	50	—	50
Change in ownership interests	—	—	—	—	—	—	—	—	1	1
Contributions from noncontrolling interests	—	—	76	—	—	—	—	76	80	156
Net income attributable to common stockholders	—	—	—	599	—	—	—	599	—	599
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	266	266
Other comprehensive income (loss)	—	—	—	—	93	—	—	93	(3)	90
Balance at December 31, 2020	1,590	\$159	\$26,037	\$(11,681)	\$(583)	132	\$(3,758)	\$10,174	\$8,494	\$18,668

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The consolidated financial statements of Freeport-McMoRan Inc. (FCX) include the accounts of those subsidiaries where it directly or indirectly has more than 50 percent of the voting rights and/or has control over the subsidiary. As of December 31, 2020, the most significant entities that FCX consolidates include its 48.76 percent-owned subsidiary PT Freeport Indonesia (PT-FI), and the following wholly owned subsidiaries: Freeport Minerals Corporation (FMC) and Atlantic Copper, S.L.U. (Atlantic Copper). Refer to Notes 2 and 3 for further discussion, including FCX's conclusion to consolidate PT-FI.

FCX's unincorporated joint ventures are reflected using the proportionate consolidation method (refer to Note 3 for further discussion). Investments in unconsolidated companies owned 20 percent or more are recorded using the equity method. Investments in unconsolidated companies owned less than 20 percent, and for which FCX does not exercise significant influence, are recorded at (i) fair value for those that have a readily determinable fair value or (ii) cost, less any impairment, for those that do not have a readily determinable fair value. All significant intercompany transactions have been eliminated. Dollar amounts in tables are stated in millions, except per share amounts.

Business Segments. FCX has organized its mining operations into four primary divisions—North America copper mines, South America mining, Indonesia mining and Molybdenum mines, and operating segments that meet certain thresholds are reportable segments. FCX's reportable segments include the Morenci, Cerro Verde and Grasberg (Indonesia mining) copper mines, the Rod & Refining operations and Atlantic Copper Smelting & Refining. Refer to Note 16 for further discussion.

Use of Estimates. The preparation of FCX's financial statements in conformity with accounting principles generally accepted in the United States (U.S.) requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates include minerals reserve estimation; asset lives for depreciation, depletion and amortization; environmental obligations; asset retirement obligations; estimates of recoverable copper in mill and leach stockpiles; deferred taxes and valuation allowances; reserves for contingencies and litigation; asset acquisitions and impairment, including estimates used to derive future cash flows associated with those assets; pension benefits; and valuation of derivative instruments. Actual results could differ from those estimates.

Functional Currency. The functional currency for the majority of FCX's foreign operations is the U.S. dollar. For foreign subsidiaries whose functional currency is the U.S. dollar, monetary assets and liabilities denominated in the local currency are translated at current exchange rates, and non-monetary assets and liabilities, such as inventories, property, plant, equipment and mine development costs, are translated at historical rates. Gains and losses resulting from translation of such account balances are included in other income (expense), net, as are gains and losses from foreign currency transactions. Foreign currency gains totaled \$34 million in 2020, \$24 million in 2019 and \$14 million in 2018.

Cash Equivalents. Highly liquid investments purchased with maturities of three months or less are considered cash equivalents.

Restricted Cash and Restricted Cash Equivalents. FCX's restricted cash and restricted cash equivalents are primarily related to PT-FI's commitment for the development of a new smelter in Indonesia; and guarantees and commitments for certain mine closure and reclamation obligations. Restricted cash and restricted cash equivalents are classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse. Restricted cash and restricted cash equivalents are comprised of bank deposits and money market funds.

Inventories. Inventories include materials and supplies, mill and leach stockpiles, and product inventories. Inventories are stated at the lower of weighted-average cost or net realizable value (NRV).

Mill and Leach Stockpiles. Mill and leach stockpiles are work-in-process inventories for FCX's mining operations. Mill and leach stockpiles contain ore that has been extracted from an ore body and is available for metal recovery. Mill stockpiles contain sulfide ores, and recovery of metal is through milling, concentrating and smelting and refining or, alternatively, by concentrate leaching. Leach stockpiles contain oxide ores and certain secondary sulfide ores and recovery of metal is through exposure to acidic solutions that dissolve contained copper and deliver it in solution to extraction processing facilities (*i.e.*, solution extraction and electrowinning (SX/EW)). The recorded cost of mill and leach stockpiles includes mining and haulage costs incurred to deliver ore to stockpiles, depreciation, depletion, amortization and site overhead costs. Material is removed from the stockpiles at a weighted-average cost per pound.



Because it is impracticable to determine copper contained in mill and leach stockpiles by physical count, reasonable estimation methods are employed. The quantity of material delivered to mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper grade of the material delivered to mill and leach stockpiles.

Expected copper recovery rates for mill stockpiles are determined by metallurgical testing. The recoverable copper in mill stockpiles, once entered into the production process, can be produced into copper concentrate almost immediately.

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production process), historical trends and other factors, including mineralogy of the ore and rock type. Total copper recovery in leach stockpiles can vary significantly from a low percentage to more than 90 percent depending on several variables, including processing methodology, processing variables, mineralogy and particle size of the rock. For newly placed material on active stockpiles, as much as 80 percent of the total copper recovery may occur during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates for mill and leach stockpiles are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes. Adjustments to recovery rates will typically result in a future impact to the value of the material removed from the stockpiles at a revised weighted-average cost per pound of recoverable copper.

Product. Product inventories include raw materials, work-in-process and finished goods. Raw materials are primarily unprocessed concentrate at Atlantic Copper's smelting and refining operations. Work-in-process inventories are primarily copper concentrate at various stages of conversion into anode and cathode at Atlantic Copper's operations. Atlantic Copper's in-process inventories are valued at the weighted-average cost of the material fed to the smelting and refining process plus in-process conversion costs. Finished goods for mining operations represent salable products (*e.g.*, copper and molybdenum concentrate, copper anode, copper cathode, copper rod, copper wire, molybdenum oxide, and high-purity molybdenum chemicals and other metallurgical products). Finished goods are valued based on the weighted-average cost of source material plus applicable conversion costs relating

to associated process facilities. Costs of finished goods and work-in-process (*i.e.*, not raw materials) inventories include labor and benefits, supplies, energy, depreciation, depletion, amortization, site overhead costs and other necessary costs associated with the extraction and processing of ore, such as mining, milling, smelting, leaching, SX/EW, refining, roasting and chemical processing. Corporate general and administrative costs are not included in inventory costs.

Property, Plant, Equipment and Mine Development Costs.

Property, plant, equipment and mine development costs are carried at cost. Mineral exploration costs, as well as drilling and other costs incurred for the purpose of converting mineral resources to proven and probable reserves or identifying new mineral resources at development or production stage properties, are charged to expense as incurred. Development costs are capitalized beginning after proven and probable mineral reserves have been established. Development costs include costs incurred resulting from mine pre-production activities undertaken to gain access to proven and probable reserves, including shafts, adits, drifts, ramps, permanent excavations, infrastructure and removal of overburden. For underground mines certain costs related to panel development, such as undercutting and drawpoint development, are also capitalized as mine development costs until production reaches sustained design capacity for the mine. After reaching design capacity, the mine transitions to the production phase and panel development costs are allocated to inventory and then included as a component of cost of goods sold. Additionally, interest expense allocable to the cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

Expenditures for replacements and improvements are capitalized. Costs related to periodic scheduled maintenance (*i.e.*, turnarounds) are charged to expense as incurred. Depreciation for mining and milling life-of-mine assets, infrastructure and other common costs is determined using the unit-of-production (UOP) method based on total estimated recoverable proven and probable copper reserves (for primary copper mines) and proven and probable molybdenum reserves (for primary molybdenum mines). Development costs and acquisition costs for proven and probable mineral reserves that relate to a specific ore body are depreciated using the UOP method based on estimated recoverable proven and probable mineral reserves for the ore body benefited.



Depreciation, depletion and amortization using the UOP method is recorded upon extraction of the recoverable copper or molybdenum from the ore body or production of finished goods (as applicable), at which time it is allocated to inventory cost and then included as a component of cost of goods sold. Other assets are depreciated on a straight-line basis over estimated useful lives for the related assets of up to 50 years for buildings and 3 to 50 years for machinery and equipment, and mobile equipment.

Included in property, plant, equipment and mine development costs is value beyond proven and probable mineral reserves (VBPP), primarily resulting from FCX's acquisition of FMC in 2007. The concept of VBPP may be interpreted differently by different mining companies. FCX's VBPP is attributable to (i) mineralized material, which includes measured and indicated amounts, that FCX believes could be brought into production with the establishment or modification of required permits and should market conditions and technical assessments warrant, (ii) inferred mineral resources and (iii) exploration potential.

Carrying amounts assigned to VBPP are not charged to expense until the VBPP becomes associated with additional proven and probable mineral reserves and the reserves are produced or the VBPP is determined to be impaired. Additions to proven and probable mineral reserves for properties with VBPP will carry with them the value assigned to VBPP at the date acquired, less any impairment amounts. Refer to Note 5 for further discussion.

Impairment of Long-Lived Mining Assets. FCX assesses the carrying values of its long-lived mining assets for impairment when events or changes in circumstances indicate that the related carrying amounts of such assets may not be recoverable. In evaluating long-lived mining assets for recoverability, estimates of pre-tax undiscounted future cash flows of FCX's individual mines are used. An impairment is considered to exist if total estimated undiscounted future cash flows are less than the carrying amount of the asset. Once it is determined that an impairment exists, an impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. The estimated undiscounted cash flows used to assess recoverability of long-lived assets and to measure the fair value of FCX's mining operations are derived from current business plans, which are developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. In addition to near- and long-term metal price assumptions, other key assumptions include estimates of commodity-based

and other input costs; proven and probable mineral reserves estimates, including the timing and cost to develop and produce the reserves; VBPP estimates; and the use of appropriate discount rates in the measurement of fair value. FCX believes its estimates and models used to determine fair value are similar to what a market participant would use. As quoted market prices are unavailable for FCX's individual mining operations, fair value is determined through the use of after-tax discounted estimated future cash flows (*i.e.*, Level 3 measurement).

Deferred Mining Costs. Stripping costs (*i.e.*, the costs of removing overburden and waste material to access mineral deposits) incurred during the production phase of an open-pit mine are considered variable production costs and are included as a component of inventory produced during the period in which stripping costs are incurred. Major development expenditures, including stripping costs to prepare unique and identifiable areas outside the current mining area for future production that are considered to be pre-production mine development, are capitalized and amortized using the UOP method based on estimated recoverable proven and probable reserves for the ore body benefited. However, where a second or subsequent pit or major expansion is considered to be a continuation of existing mining activities, stripping costs are accounted for as a current production cost and a component of the associated inventory.

Environmental Obligations. Environmental expenditures are charged to expense or capitalized, depending upon their future economic benefits. Accruals for such expenditures are recorded when it is probable that obligations have been incurred and the costs can be reasonably estimated. Environmental obligations attributed to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) or analogous state programs are considered probable when a claim is asserted, or is probable of assertion, and FCX, or any of its subsidiaries, have been associated with the site. Other environmental remediation obligations are considered probable based on specific facts and circumstances. FCX's estimates of these costs are based on an evaluation of various factors, including currently available facts, existing technology, presently enacted laws and regulations, remediation experience, whether or not FCX is a potentially responsible party (PRP) and the ability of other PRPs to pay their allocated portions. With the exception of those obligations assumed in the acquisition of FMC that were initially



recorded at estimated fair values (refer to Note 12 for further discussion), environmental obligations are recorded on an undiscounted basis. Where the available information is sufficient to estimate the amount of the obligation, that estimate has been used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used. Possible recoveries of some of these costs from other parties are not recognized in the consolidated financial statements until they become probable. Legal costs associated with environmental remediation (such as fees to third-party legal firms for work relating to determining the extent and type of remedial actions and the allocation of costs among PRPs) are included as part of the estimated obligation.

Environmental obligations assumed in the acquisition of FMC, which were initially recorded at fair value and estimated on a discounted basis, are accreted to full value over time through charges to interest expense. Adjustments arising from changes in amounts and timing of estimated costs and settlements may result in increases and decreases in these obligations and are calculated in the same manner as they were initially estimated. Unless these adjustments qualify for capitalization, changes in environmental obligations are charged to operating income when they occur.

FCX performs a comprehensive review of its environmental obligations annually and also reviews changes in facts and circumstances associated with these obligations at least quarterly.

Asset Retirement Obligations. FCX records the fair value of estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Retirement obligations associated with long-lived assets are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction. These obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to cost of sales. In addition, asset retirement costs (ARCs) are capitalized as part of the related asset's carrying value and are depreciated over the asset's respective useful life.

For mining operations, reclamation costs for disturbances are recognized as an ARO and as a related ARC in the period of the disturbance and depreciated primarily on a UOP basis. FCX's AROs for mining operations consist primarily of costs associated with mine reclamation and closure activities. These activities, which are site specific, generally include costs for earthwork, revegetation, water treatment and demolition.

For oil and gas properties, the fair value of the legal obligation is recognized as an ARO and as a related ARC in the period in which the well is drilled or acquired and is amortized on a UOP basis together with other capitalized costs. Substantially all of FCX's oil and gas leases require that, upon termination of economic production, the working interest owners plug and abandon non-producing wellbores; remove platforms, tanks, production equipment and flow lines; and restore the wellsite.

For non-operating properties without reserves, changes to the ARO are recorded in earnings.

At least annually, FCX reviews its ARO estimates for changes in the projected timing of certain reclamation and closure/restoration costs, changes in cost estimates and additional AROs incurred during the period. Refer to Note 12 for further discussion.

Revenue Recognition. FCX recognizes revenue for all of its products upon transfer of control in an amount that reflects the consideration it expects to receive in exchange for those products. Transfer of control is in accordance with the terms of customer contracts, which is generally upon shipment or delivery of the product. While payment terms vary by contract, terms generally include payment to be made within 30 days, but not longer than 60 days. Certain of FCX's concentrate and cathode sales contracts also provide for provisional pricing, which is accounted for as an embedded derivative (refer to Note 14 for further discussion). For provisionally priced sales, 90 percent to 100 percent of the provisional payment is collected upon shipment or within 20 days, and final balances are settled in a contractually specified future month (generally one to four months from the shipment date) based on quoted monthly average copper settlement prices on the London Metal Exchange (LME) or the Commodity Exchange Inc. (COMEX) and quoted monthly average London Bullion Market Association (London) PM gold prices.

FCX's product revenues are also recorded net of treatment charges, royalties and export duties. Moreover, because a portion of the metals contained in copper concentrate is unrecoverable as a result of the smelting process, FCX's revenues from concentrate sales are also recorded net of allowances based on the quantity and value of these unrecoverable metals. These allowances are a negotiated term of FCX's contracts and vary by customer. Treatment and refining charges represent payments or price adjustments to smelters and refiners that are generally fixed. Refer to Note 16 for a summary of revenue by product type.



Gold sales are priced according to individual contract terms, generally the average London PM gold price for a specified month near the month of shipment.

The majority of FCX's molybdenum sales are priced based on the average published *Metals Week* price, plus conversion premiums for products that undergo additional processing, such as ferromolybdenum and molybdenum chemical products, for the month prior to the month of shipment.

Stock-Based Compensation. Compensation costs for share-based payments to employees are measured at fair value and charged to expense over the requisite service period for awards that are expected to vest. The fair value of stock options is determined using the Black-Scholes-Merton option valuation model. The fair value for stock-settled restricted stock units (RSUs) is based on FCX's stock price on the date of grant. Shares of common stock are issued at the vesting date for stock-settled RSUs. The fair value of performance share units (PSUs) is determined using FCX's stock price and a Monte-Carlo simulation model. The fair value for liability-classified awards (*i.e.*, cash-settled RSUs) is remeasured each reporting period using FCX's stock price. FCX has elected to recognize compensation costs for stock option awards that

vest over several years on a straight-line basis over the vesting period, and for RSUs on the graded-vesting method over the vesting period. Refer to Note 10 for further discussion.

Earnings Per Share. FCX calculates its basic net income (loss) per share of common stock under the two-class method and calculates its diluted net income (loss) per share of common stock using the more dilutive of the two-class method or the treasury-stock method. Basic net income (loss) per share of common stock was computed by dividing net income (loss) attributable to common stockholders (after deducting accumulated dividends and undistributed earnings to participating securities) by the weighted-average shares of common stock outstanding during the year. Diluted net income (loss) per share of common stock was calculated by including the basic weighted-average shares of common stock outstanding adjusted for the effects of all potential dilutive shares of common stock, unless their effect would be anti-dilutive.

Reconciliations of net income (loss) and weighted-average shares of common stock outstanding for purposes of calculating basic and diluted net income (loss) per share for the years ended December 31 follow:

	2020	2019	2018
Net income (loss) from continuing operations	\$ 865	\$ (192)	\$2,909
Net income from continuing operations attributable to noncontrolling interests	(266)	(50)	(292)
Accumulated dividends and undistributed earnings allocated to participating securities	(3)	(3)	(4)
Net income (loss) from continuing operations attributable to common stockholders	596	(245)	2,613
Net income (loss) from discontinued operations	—	3	(15)
Net income (loss) attributable to common stockholders	\$ 596	\$ (242)	\$2,598
Basic weighted-average shares of common stock outstanding (millions)	1,453	1,451	1,449
Add shares issuable upon exercise or vesting of dilutive stock options and RSUs (millions)	8	— ^a	9 ^a
Diluted weighted-average shares of common stock outstanding (millions)	1,461	1,451	1,458
Basic net income (loss) per share attributable to common stockholders:			
Continuing operations	\$ 0.41	\$ (0.17)	\$ 1.80
Discontinued operations	—	—	(0.01)
	\$ 0.41	\$ (0.17)	\$ 1.79
Diluted net income (loss) per share attributable to common stockholders:			
Continuing operations	\$ 0.41	\$ (0.17)	\$ 1.79
Discontinued operations	—	—	(0.01)
	\$ 0.41	\$ (0.17)	\$ 1.78

a. Excludes approximately 11 million shares of common stock in 2019 and 1 million in 2018 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 year are excluded from the computation of diluted net income (loss) per share of common stock. Stock options for 31 million shares of common stock in 2020, 42 million shares in 2019 and 37 million shares in 2018 were excluded.

New Accounting Standards. In June 2016, the Financial Accounting Standards Board issued an Accounting Standards Update (ASU) that requires entities to estimate all expected credit losses for most financial assets held at the reporting date based on an expected loss model, which requires consideration of historical experience, current conditions, and reasonable and supportable forecasts. FCX adopted this ASU effective January 1, 2020, and the adoption of this ASU did not have a material impact on its consolidated financial statements.

Reclassifications. For comparative purposes, certain prior year amounts have been reclassified to conform with the current year presentation. The reclassifications relate to a revision to FCX's presentation of business segments to remove a business segment that no longer qualifies as a reportable segment (refer to Note 16), as well as, reclassification of certain costs from selling, general and administrative expenses to production and delivery in the consolidated statements of operations in 2019 (\$20 million) and 2018 (\$21 million).

Subsequent Events. FCX evaluated events after December 31, 2020, and through the date the 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 financial statements.

NOTE 2. ACQUISITIONS AND DISPOSITIONS

PT-FI Divestment. On December 21, 2018, FCX completed the transaction with the Indonesia government regarding PT-FI's long-term mining rights and share ownership.

Pursuant to the previously announced divestment agreement and related documents, PT Indonesia Asahan Aluminium (Persero) (PT Inalum, also known as MIND ID), an Indonesia state-owned enterprise, acquired for cash consideration of \$3.85 billion all of Rio Tinto plc's (Rio Tinto) interests associated with its joint venture with PT-FI (the former Rio Tinto Joint Venture) and 100 percent of FCX's interests in PT Indonesia Papua Metal Dan Mineral (PTI—formerly known as PT Indocopper Investama), which at the time owned 9.36 percent of PT-FI. Of the \$3.85 billion in cash consideration, Rio Tinto

received \$3.5 billion and FCX received \$350 million. In addition, Rio Tinto paid FCX \$107 million for its share of the 2018 joint venture cash flows.

In connection with the transaction, an aggregate 40 percent share ownership in PT-FI was issued to PT Inalum and PTI (which is expected to be owned by PT Inalum and the provincial/regional government in Papua). Based on a subscription of PT Inalum's rights to acquire for cash consideration of \$3.5 billion all of Rio Tinto's interests in the former Rio Tinto Joint Venture, PT-FI acquired all of the common stock of the entity (PT Rio Tinto Indonesia) that held Rio Tinto's interest. After the transaction, PT Inalum's (26.24 percent) and PTI's (25.00 percent) collective share ownership of PT-FI totals 51.24 percent and FCX's share ownership totals 48.76 percent. The arrangements provide for FCX and the other pre-transaction PT-FI shareholders (*i.e.*, PT Inalum and PTI) to retain the economics of the revenue and cost sharing arrangements under the former Rio Tinto Joint Venture. As a result, FCX's economic interest in PT-FI is expected to approximate 81 percent from 2019 through 2022.

The divestment agreement provides that FCX will indemnify PT Inalum and PTI from any losses (reduced by receipts) arising from any tax disputes of PT-FI disclosed to PT Inalum in a Jakarta, Indonesia tax court letter limited to PTI's respective percentage share at the time the loss is finally incurred. Any net obligations arising from any tax settlement would be paid on December 21, 2025. As of December 31, 2020, FCX had accrued \$42 million (included in other liabilities in the consolidated balance sheet at December 31, 2020) related to this indemnification.

FCX, PT-FI, PTI and PT Inalum entered into a shareholders agreement (the PT-FI Shareholders Agreement), which includes provisions related to the governance and management of PT-FI. FCX considered the terms of the PT-FI Shareholders Agreement and related governance structure, including whether PT Inalum has substantive participating rights, and concluded that it has retained control and would continue to consolidate PT-FI in its financial statements following the transaction. Among other terms, the governance arrangements under the PT-FI Shareholders Agreement transfers control over the management of PT-FI's mining operations to an operating committee, which is controlled by FCX. Additionally, as discussed above, the existing PT-FI shareholders will retain the economics of the revenue and cost sharing arrangements under the former Rio Tinto Joint Venture, so that FCX's economic



interest in the project through 2041 will not be significantly affected by the transaction. FCX believes its conclusion to continue to consolidate PT-FI in its financial statements is in accordance with the U.S. Securities and Exchange Commission (SEC) Regulation S-X, Rule 3A-02 (a), which provides for situations in which consolidation of an entity, notwithstanding the lack of majority ownership, is necessary to present fairly the financial position and results of operations of the registrant, because of the existence of a parent-subsidiary relationship by means other than record ownership of voting stock.

Attribution of PT-FI Net Income or Loss. FCX has concluded that the attribution of PT-FI's net income or loss from December 21, 2018 (the date of the divestment transaction), through December 31, 2022 (the Initial Period), should be based on the economics replacement agreement, as previously discussed. The economics replacement agreement entitles FCX to approximately 81 percent of PT-FI dividends paid during the Initial Period, with the remaining 19 percent paid to the noncontrolling interests. PT-FI's net income for 2020 totaled \$765 million, of which \$621 million was attributed to FCX. PT-FI's net loss for 2019 totaled \$203 million, of which \$165 million was attributed to FCX. PT-FI's cumulative net income since December 21, 2018, through December 31, 2020, totaled \$425 million, of which \$346 million was attributed to FCX. PT-FI has not paid dividends during the Initial Period.

The above-described attribution of PT-FI's net income or loss applies only through the Initial Period. Beginning January 1, 2023, the attribution of PT-FI's net income or loss will be based on equity ownership percentages (48.76 percent for FCX, 26.24 percent for PT Inalum and 25.00 percent for PTI). For all of its other partially owned consolidated subsidiaries, FCX attributes net income or loss based on equity ownership percentages.

Kisanfu Transaction. In December 2020, FCX completed the sale of its interests in the Kisanfu undeveloped project to a wholly owned subsidiary of China Molybdenum Co., Ltd. (CMOC) for \$550 million, with after-tax net cash proceeds totaling \$415 million. The Kisanfu project, located in the Democratic Republic of Congo, is an undeveloped cobalt and copper resource. As of December 31, 2019, FCX did not have any proven and probable reserves associated with the Kisanfu project. FCX recorded a gain of \$486 million in 2020 associated with this transaction.

Cobalt Business. In fourth-quarter 2019, FCX completed the sale of its cobalt refinery in Kokkola, Finland, and related cobalt cathode precursor business (consisting of approximately \$271 million of assets and \$63 million of liabilities at the time of closing) to Umicore for total cash consideration of approximately \$200 million, including approximately \$50 million of working capital. Under the terms of the agreement, FCX separated its cobalt business, and Umicore acquired the refinery and cathode precursor business. FCX and the current noncontrolling interest partners in Freeport Cobalt retained the remaining cobalt business, which is a producer of cobalt fine powders, chemicals, catalysts, ceramics and pigments. Lundin Mining Corporation, one of the noncontrolling interest partners, received 30 percent of the proceeds from this transaction. FCX recorded a gain of \$59 million in 2019 associated with this transaction.

Timok Transaction. In 2016, FCX sold an interest in the upper zone of the Timok exploration project in Serbia (the 2016 Transaction).

In December 2019, FCX completed the sale of its interest in the lower zone of the Timok exploration project to an affiliate of the purchaser in the 2016 Transaction, for cash consideration of \$240 million at closing plus the right to future contingent payments of up to \$150 million. These future contingent payments will be based on the future sale of products (as defined in the agreement) from the Timok lower zone. For a period of 12 months after the third anniversary of the initial sale of products from the Timok lower zone, the purchaser can settle, or FCX can demand payment of, such deferred payment obligation, in each case, for a total of \$60 million. As these deferred payments are contingent upon future production (the Timok project is still in the exploration phase) and would result in gain recognition, no amounts were recorded upon the closing of the transaction. Subsequent recognition will be based on the gain contingency model, in which the consideration would be recorded in the period in which all contingencies are resolved and the gain is realized. This is expected to be when FCX (i) is provided periodic product sales information by the purchaser or (ii) gives notice to the purchaser or receives notice from the purchaser regarding the settlement of the deferred payments for \$60 million. In addition, in lieu of such payment upon achievement of defined development milestones, the purchaser agreed to pay the \$107 million contingent consideration provided for in the 2016 Transaction in three installment payments of \$45 million by



July 31, 2020 (which was collected in 2020), \$50 million by December 31, 2021, and \$12 million by March 31, 2022. As a result of this transaction, FCX recorded a gain of \$343 million, consisting of the cash consideration (\$240 million) and the aggregate discounted amount of the three installment payments (\$103 million).

Oil and Gas Operations. In 2016, FCX sold the majority of its oil and gas assets held by its wholly owned subsidiary, FCX Oil & Gas LLC (FM O&G). In 2019, FM O&G sold certain property interests for cash consideration of \$36 million (before closing adjustments), which resulted in the recognition of a gain of \$20 million. In 2018, FM O&G disposed of certain property interests that resulted in the recognition of a gain of \$27 million, primarily associated with the abandonment obligations that were assumed by the acquirer.

TF Holdings Limited—Discontinued Operations. In 2016, FCX completed the sale of its 70 percent interest in TF Holdings Limited (TFHL) to COMC for \$2.65 billion in cash (before closing adjustments) and contingent consideration of up to \$120 million in cash, consisting of \$60 million if the average copper price exceeded \$3.50 per pound and \$60 million if the average cobalt price exceeded \$20 per pound, both during the 24-month period ending December 31, 2019.

The contingent consideration was considered a derivative, and the fair value was adjusted through December 31, 2019. FCX realized and collected in January 2020 contingent consideration of \$60 million because the average cobalt price exceeded \$20 per pound during the 24-month period ending December 31, 2019 (no amount was realized associated with the copper price), and was included in other current assets in the consolidated balance sheet at December 31, 2019. Gains (losses) resulting from changes in the fair value of the contingent consideration derivative totaling \$3 million in 2019 and \$(17) million in 2018 were included in net income (loss) from discontinued operations and primarily resulted from fluctuations in cobalt and copper prices.

In accordance with accounting guidance, FCX reported the results from TFHL as discontinued operations in the consolidated statements of operations because the disposal represented a strategic shift that had a major effect on operations. The consolidated statements of comprehensive income (loss) were not impacted by discontinued

operations as TFHL did not have any other comprehensive income (loss), and the consolidated statements of cash flows are reported on a combined basis without separately presenting discontinued operations.

Net gain (loss) from discontinued operations of \$3 million in 2019 and \$(15) million in 2018 in the consolidated statements of operations, primarily includes gains (losses) associated with the change in the fair value of contingent consideration.

NOTE 3. OWNERSHIP IN SUBSIDIARIES AND JOINT VENTURES

Ownership in Subsidiaries. FMC produces copper and molybdenum, with mines in North America and South America. At December 31, 2020, FMC's operating mines in North America were Morenci, Bagdad, Safford, Sierrita and Miami located in Arizona; Tyrone and Chino located in New Mexico; and Henderson and Climax located in Colorado. FCX has a 72 percent interest in Morenci (refer to "Joint Ventures—Sumitomo and SMM Morenci, Inc.") and owns 100 percent of the other North America mines. At December 31, 2020, operating mines in South America were Cerro Verde (53.56 percent owned) located in Peru and El Abra (51 percent owned) located in Chile. At December 31, 2020, FMC's net assets totaled \$15.0 billion and its accumulated deficit totaled \$15.7 billion. FCX had no loans outstanding to FMC at December 31, 2020.

FCX's direct share ownership in PT-FI totaled 81.28 percent through December 21, 2018, and 48.76 percent thereafter. PTI owned 9.36 percent of PT-FI and FCX owned 100 percent of PTI through December 21, 2018. Refer to Note 2 for a discussion of the PT-FI divestment. Refer to "Joint Ventures—Former Rio Tinto Joint Venture" for discussion of PT-FI's unincorporated joint venture. At December 31, 2020, PT-FI's net assets totaled \$11.4 billion and its retained earnings totaled \$7.2 billion. FCX had \$539 million in intercompany loans to PT-FI outstanding at December 31, 2020.

FCX owns 100 percent of the outstanding Atlantic Copper common stock. At December 31, 2020, Atlantic Copper's net assets totaled \$145 million and its accumulated deficit totaled \$406 million. FCX had \$56 million in intercompany loans to Atlantic Copper outstanding at December 31, 2020.



Joint Ventures. FCX has the following unincorporated joint ventures.

Sumitomo and SMM Morenci, Inc. FMC owns a 72 percent undivided interest in Morenci via an unincorporated joint venture. The remaining 28 percent is owned by Sumitomo (15 percent) and SMM Morenci, Inc. (13 percent). Each partner takes in kind its share of Morenci's production. FMC purchased 146 million pounds of Morenci's copper cathode from Sumitomo and SMM Morenci, Inc. at market prices for \$409 million during 2020. FMC had receivables from Sumitomo and SMM Morenci, Inc. totaling \$15 million at December 31, 2020, and \$19 million at December 31, 2019.

Former Rio Tinto Joint Venture. On December 21, 2018, PT-FI acquired Rio Tinto's interest in the joint venture and is consolidating 100 percent of the Indonesia operations (refer to Note 2 for discussion of the PT-FI divestment). Pursuant to Rio Tinto's previous joint venture agreement with PT-FI, Rio Tinto had a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2022 in Block A of PT-FI's former Contract of Work (COW), and, after 2022, a 40 percent interest in all production from Block A.

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

The components of inventories follow:

December 31,	2020	2019
Current inventories:		
Total materials and supplies, net ^a	\$1,594	\$1,649
Mill stockpiles	\$ 205	\$ 220
Leach stockpiles	809	923
Total current mill and leach stockpiles	\$1,014	\$1,143
Raw materials (primarily concentrate)	\$ 366	\$ 318
Work-in-process	174	124
Finished goods	745	839
Total product	\$1,285	\$1,281
Long-term inventories:		
Mill stockpiles	\$ 223	\$ 181
Leach stockpiles	1,240	1,244
Total long-term mill and leach stockpiles ^b	\$1,463	\$1,425

a. Materials and supplies inventory was net of obsolescence reserves totaling \$32 million at December 31, 2020, and \$24 million at December 31, 2019.

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

FCX recorded NRV inventory adjustments to decrease metals inventory carrying values totaling \$96 million in 2020, associated with lower market prices for copper (\$58 million) and molybdenum (\$38 million); \$179 million in 2019, associated with lower market prices for molybdenum (\$84 million), cobalt (\$58 million) and copper (\$37 million); and \$4 million in 2018. Refer to Note 16 for metals inventory adjustments by business segment.

NOTE 5. PROPERTY, PLANT, EQUIPMENT AND MINE DEVELOPMENT COSTS, NET

The components of net property, plant, equipment and mine development costs follow:

December 31,	2020	2019
Proven and probable mineral reserves	\$ 7,142	\$ 7,087
VBPP	376	465
Mine development and other	10,686	8,180
Buildings and infrastructure	9,214	8,435
Machinery and equipment	14,235	13,312
Mobile equipment	4,495	4,320
Construction in progress	1,454	4,265
Oil and gas properties	27,281	27,293
Total	74,883	73,357
Accumulated depreciation, depletion, and amortization ^a	(45,065)	(43,773)
Property, plant, equipment and mine development costs, net	\$ 29,818	\$ 29,584

a. Includes accumulated amortization for oil and gas properties of \$273 billion at December 31, 2020 and 2019.

FCX recorded \$1.6 billion for VBPP in connection with the FMC acquisition in 2007 (excluding \$634 million associated with mining operations that were subsequently sold) and transferred \$811 million to proven and probable mineral reserves through 2020 (less than \$0.1 million in 2020 and none in 2019). Cumulative impairments of and adjustments to VBPP total \$497 million, which were primarily recorded in 2008.

Capitalized interest, which primarily related to FCX's mining operations' capital projects, totaled \$147 million in 2020, \$149 million in 2019 and \$96 million in 2018.

During 2020 and 2019, no material impairments of FCX's long-lived mining assets were recorded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



NOTE 6. OTHER ASSETS

The components of other assets follow:

December 31,	2020	2019
Disputed tax assessments: ^a		
PT-FI	\$ 143	\$ 178
Cerro Verde	190	187
Long-term receivable for taxes ^b	106	290
Intangible assets ^c	401	402
Investments:		
Assurance bond ^d	148	157
PT Smelting ^e	77	80
Fixed income, equity securities and other	70	66
Legally restricted funds ^f	213	196
Contingent consideration associated with sales of assets ^g	96	115
Long-term employee receivables	19	22
Timok transaction receivable (refer to Note 2)	12	58
Other	85	134
Total other assets	<u>\$1,560</u>	<u>\$1,885</u>

a. Refer to Note 12 for further discussion.

b. Includes tax overpayments and refunds not expected to be realized within the next 12 months (refer to Note 11).

c. Indefinite-lived intangible assets totaled \$215 million at both December 31, 2020, and December 31, 2019. Accumulated amortization of definite-lived intangible assets totaled \$32 million at December 31, 2020, and \$54 million at December 31, 2019.

d. Relates to PT-FI's commitment for the development of a new smelter in Indonesia (refer to Note 13 for further discussion).

e. PT-FI's 25 percent ownership in PT Smelting (smelter and refinery in Gresik, Indonesia) is recorded using the equity method. Amounts were reduced by unrecognized profits on sales from PT-FI to PT Smelting totaling \$39 million at December 31, 2020, and \$29 million at December 31, 2019. Trade accounts receivable from PT Smelting totaled \$265 million at December 31, 2020, and \$261 million at December 31, 2019.

f. Includes \$212 million at December 31, 2020, and \$196 million at December 31, 2019, held in trusts for AROs related to properties in New Mexico (refer to Note 12 for further discussion).

g. Refer to Note 15 for further discussion.

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities follow:

December 31,	2020	2019
Accounts payable	\$1,473	\$1,654
Salaries, wages and other compensation	312	249
Accrued interest ^a	243	178
PT-FI contingencies ^b	196	115
Pension, postretirement, postemployment and other employee benefits ^c	91	69
Legal matters	86	88
Accrued taxes, other than income taxes	76	79
Deferred revenue	65	12
Leases ^d	38	44
Other	128	88
Total accounts payable and accrued liabilities	<u>\$2,708</u>	<u>\$2,576</u>

a. Third-party interest paid, net of capitalized interest, was \$472 million in 2020, \$591 million in 2019 and \$500 million in 2018.

b. Refer to Note 12 for further discussion.

c. Refer to Note 9 for long-term portion.

d. Refer to Note 13 for further discussion.

NOTE 8. DEBT

FCX's debt at December 31, 2020, included additions of \$10 million (\$11 million at December 31, 2019) for unamortized fair value adjustments, and is net of reductions of \$85 million (\$66 million at December 31, 2019) for unamortized net discounts and unamortized debt issuance costs. The components of debt follow:

December 31,	2020	2019
Revolving credit facility	\$ —	\$ —
Cerro Verde Term Loan	523	826
Senior notes and debentures:		
Issued by FCX:		
4.00% Senior Notes due 2021	—	194
3.55% Senior Notes due 2022	523	1,876
3.875% Senior Notes due 2023	994	1,917
4.55% Senior Notes due 2024	728	846
5.00% Senior Notes due 2027	593	592
4.125% Senior Notes due 2028	691	—
4.375% Senior Notes due 2028	642	—
5.25% Senior Notes due 2029	593	592
4.25% Senior Notes due 2030	592	—
4.625% Senior Notes due 2030	840	—
5.40% Senior Notes due 2034	742	741
5.450% Senior Notes due 2043	1,845	1,844
Issued by FMC:		
7½% Debentures due 2027	115	115
9½% Senior Notes due 2031	124	125
6½% Senior Notes due 2034	117	117
Other	49	41
Total debt	<u>9,711</u>	<u>9,826</u>
Less current portion of debt	(34)	(5)
Long-term debt	<u>\$9,677</u>	<u>\$9,821</u>

Revolving Credit Facility. At December 31, 2020, FCX had no borrowings outstanding and \$10 million in letters of credit issued under its revolving credit facility, resulting in availability of approximately \$3.5 billion, of which approximately \$1.5 billion could be used for additional letters of credit. Availability under FCX's revolving credit facility consists of \$3.28 billion maturing April 2024 and \$220 million maturing April 2023. For PT-FI, \$500 million of the revolving credit facility is available.

FCX's revolving credit facility contains customary affirmative covenants and representations, and also contains a number of negative covenants that, among other things, restrict, subject to certain exceptions, the ability of FCX's subsidiaries that are not borrowers or guarantors to incur additional indebtedness (including guarantee obligations) and FCX's or its subsidiaries' abilities to: create liens on assets; enter into sale and leaseback transactions; engage in mergers, liquidations and dissolutions; and sell assets. FCX's revolving credit facility also contains financial ratios governing maximum total leverage and minimum interest expense coverage.



In June 2020, FCX, PT-FI and Freeport-McMoRan Oil & Gas LLC (FM O&G LLC) amended the \$3.5 billion, unsecured revolving credit facility. The key changes under the amendment include (i) suspension of the total leverage ratio (ratio of total debt to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the credit agreement) through June 30, 2021, followed by a limit of 5.25x beginning with the quarter ended September 30, 2021, and stepping down to 3.75x beginning January 1, 2022; and (ii) a reduction in the interest expense coverage ratio (ratio of consolidated EBITDA to consolidated cash interest expense, as defined in the credit agreement) to a minimum of 2.00x through December 31, 2021, reverting to 2.25x beginning January 1, 2022. FCX also agreed to a minimum liquidity covenant of \$1 billion (consisting of consolidated unrestricted cash and availability under the revolving credit facility) applicable to each quarter through June 30, 2021, and additional restrictions on priority debt and liens, and the payment of common stock dividends through December 31, 2021. At December 31, 2020, FCX was in compliance with all of its covenants.

As further discussed in Note 10, in February 2021, the FCX Board of Directors (the Board) reinstated a cash dividend on FCX's common stock. Prior to the Board's declaration of the initial quarterly dividend, FCX will deliver a covenant reversion notice, at which time the financial covenants and other restrictions, including the dividend restriction, will revert to the limits applicable prior to the June 2020 amendment.

Interest on loans made under the revolving credit facility is, at the option of FCX, determined based on the adjusted London Interbank Offered rate (LIBOR) or the alternate base rate (each as defined in the revolving credit facility) plus a spread to be determined by reference to FCX's credit ratings.

Certain of FCX's debt agreements, including our revolving credit facility, reference LIBOR and other interbank offered rates, which are being phased out and replaced with alternative reference rates. FCX does not expect the transition from LIBOR and other interbank offered rates to have a material impact on its consolidated financial results.

Cerro Verde Term Loan. Repayments of the Cerro Verde Term Loan totaled \$305 million in 2020, \$200 million in 2019 and \$470 million in 2018, with the remaining balance of \$525 million due on the maturity date of June 19, 2022. Interest under the Term Loan is based on LIBOR plus a spread based on Cerro Verde's total net debt to EBITDA ratio as defined in the agreement. The interest rate on Cerro Verde's Term Loan was 2.05 percent at December 31, 2020.

FCX recorded net losses of \$1 million in 2020, \$1 million in 2019 and \$3 million in 2018, associated with Cerro Verde's prepayments on its Term Loan.

Cerro Verde Shareholder Loans. In December 2014, Cerro Verde entered into loan agreements with three of its shareholders for borrowings up to \$800 million. No amounts were outstanding at December 31, 2020 and 2019, and availability under these agreements totals \$200 million at December 31, 2020.

Senior Notes. In July 2020, FCX completed the sale of \$650 million of 4.375% Senior Notes due 2028 and \$850 million of 4.625% Senior Notes due 2030 for proceeds, net of underwriting fees, totaling \$1.485 billion. Interest on these senior notes is payable semiannually on February 1 and August 1 of each year. FCX used \$1.4 billion of the net proceeds from this offering to purchase a portion of its outstanding 3.55% Senior Notes due 2022, 3.875% Senior Notes due 2023 and 4.55% Senior Notes due 2024, and the payment of accrued and unpaid interest, premiums, fees and expenses in connection with these transactions. The remaining net proceeds from this offering were used for general corporate purposes.

In March 2020, FCX completed the sale of \$700 million of 4.125% Senior Notes due 2028 and \$600 million of 4.25% Senior Notes due 2030 for proceeds, net of underwriting fees, totaling \$1.285 billion. Interest on these senior notes is payable semiannually on March 1 and September 1 of each year. FCX used a portion of the net proceeds from this offering to purchase a portion of its 4.00% Senior Notes due 2021 and its 3.55% Senior Notes due 2022 and the payment of accrued and unpaid interest, premiums, fees and expenses in connection with these transactions. In April 2020, FCX used the remaining net proceeds to fund the make-whole redemption of all of its remaining 4.00% Senior Notes due 2021 and the payment of accrued and unpaid interest, premiums, fees and expenses in connection with the transaction.

In August 2019, FCX sold \$600 million of 5.00% Senior Notes due 2027 and \$600 million of 5.25% Senior Notes due 2029 for total net proceeds of \$1.187 billion. Interest on these senior notes is payable semiannually on March 1 and September 1 of each year. FCX used the net proceeds from this offering to fund the make-whole redemption of all of its outstanding 6.875% Senior Notes due 2023, and the concurrent tender offers to purchase a portion of its 4.00% Senior Notes due 2021 and its 3.55% Senior Notes due 2022, and the payment of accrued and unpaid interest, premiums, fees and expenses in connection with these transactions.

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During 2020, 2019 and 2018, FCX redeemed in full or purchased a portion of the following senior notes.

	Principal Amount	Net Adjustments	Book Value	Redemption/Tender Value	Loss/(Gain)
Year Ended December 31, 2020					
FCX 4.00% Senior Notes due 2021	\$ 195	\$ (1)	\$ 194	\$ 205	\$ 11
FCX 3.55% Senior Notes due 2022	1,356	(6)	1,350	1,391	41
FCX 3.875% Senior Notes due 2023	927	(4)	923	964	41
FCX 4.55% Senior Notes due 2024	120	(1)	119	126	7
Total	<u>\$2,598</u>	<u>\$ (12)</u>	<u>\$2,586</u>	<u>\$2,686</u>	<u>\$100</u>
Year Ended December 31, 2019					
FCX 3.100% Senior Notes due 2020	\$ 1,000	\$ (2)	\$ 998	\$ 1,003	\$ 5
FCX 6.875% Senior Notes due 2023	728	34	762	768	6
FCX 4.00% Senior Notes due 2021	405	(2)	403	418	15
FCX 3.55% Senior Notes due 2022	12	—	12	12	—
Total	<u>\$ 2,145</u>	<u>\$ 30</u>	<u>\$ 2,175</u>	<u>\$ 2,201</u>	<u>\$ 26</u>
Year Ended December 31, 2018					
FCX 6.75% Senior Notes due 2022	\$ 404	\$ 22	\$ 426	\$ 418	\$ (8)
FM O&G LLC 6 ⁷ / ₈ % Senior Notes due 2023	50	4	54	52	(2)
Total	<u>\$ 454</u>	<u>\$ 26</u>	<u>\$ 480</u>	<u>\$ 470</u>	<u>\$ (10)</u>

The senior notes listed below are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price prior to the dates stated below, at specified redemption prices beginning on the dates stated below and at 100 percent of principal two years before maturity.

Debt Instrument	Date
5.00% Senior Notes due 2027	September 1, 2022
4.125% Senior Notes due 2028	March 1, 2023
4.375% Senior Notes due 2028	August 1, 2023
5.25% Senior Notes due 2029	September 1, 2024
4.25% Senior Notes due 2030	March 1, 2025
4.625% Senior Notes due 2030	August 1, 2025

The senior notes listed below are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price prior to the dates stated below, and beginning on the dates stated below at 100 percent of principal.

Debt Instrument	Date
3.55% Senior Notes due 2022	December 1, 2021
3.875% Senior Notes due 2023	December 15, 2022
4.55% Senior Notes due 2024	August 14, 2024
5.40% Senior Notes due 2034	May 14, 2034
5.450% Senior Notes due 2042	September 15, 2042

FCX's senior notes contain limitations on liens and rank equally with FCX's other existing and future unsecured and unsubordinated indebtedness.

Guarantees. All of the senior notes issued by FCX are fully and unconditionally guaranteed on a senior basis jointly and severally by FM O&G LLC, as guarantor, which is a 100-percent-owned subsidiary of FM O&G and FCX.

Maturities. Maturities of debt instruments based on the principal amounts and terms outstanding at December 31, 2020, total \$36 million in 2021, \$1.05 billion in 2022, \$1.0 billion in 2023, \$730 million in 2024, none in 2025 and 2026 and \$7.0 billion thereafter.

NOTE 9. OTHER LIABILITIES, INCLUDING EMPLOYEE BENEFITS

The components of other liabilities follow:

December 31,	2020	2019
Pension, postretirement, postemployment and other employment benefits ^a	\$1,213	\$1,318
Cerro Verde royalty dispute	376	502
Provision for tax positions	261	255
Leases ^b	190	204
Other	229	212
Total other liabilities	<u>\$2,269</u>	<u>\$2,491</u>

a. Refer to Note 7 for current portion.

b. Refer to Note 13 for further discussion.

Pension Plans. Following is a discussion of FCX's pension plans.

FMC Plans. FMC has U.S. trustee, non-contributory pension plans covering some U.S. employees and some employees of its international subsidiaries hired before 2007. The applicable FMC plan design determines the manner in which benefits are calculated for any particular group of employees. Benefits are calculated based on final average monthly compensation and years of service or based on a fixed amount for each year of service. Non-bargained FMC employees hired after December 31, 2006, are not eligible to participate in the FMC U.S. pension plan. See below for discussion of a 2020 plan amendment.

FCX's funding policy for these plans provides that contributions to pension trusts shall be at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, for U.S. plans; or, in the case of international plans, the minimum legal requirements that may be applicable in the various countries. Additional contributions also may be made from time to time.

FCX's policy for determining asset-mix targets for the FMC plan assets held in a master trust (Master Trust) includes the periodic development of asset allocation studies and review of the liabilities to determine expected long-term rates of return and expected risk for various investment portfolios.



FCX's retirement plan administration and investment committee considers these studies in the formal establishment of asset-mix targets defined in the investment policy. FCX's investment objective emphasizes diversification through both the allocation of the Master Trust assets among various asset classes and the selection of investment managers whose various styles are fundamentally complementary to one another and serve to achieve satisfactory rates of return. Diversification, by asset class and by investment manager, is FCX's principal means of reducing volatility and exercising prudent investment judgment. FCX's present target asset allocation approximates 40 percent equity investments (primarily developed market equities), 52 percent fixed income (primarily long-term treasury STRIPS or "separate trading or registered interest and principal securities"; long-term U.S. treasury/agency bonds; global fixed income securities; long-term, high-credit quality corporate bonds; high-yield and emerging markets fixed income securities; and fixed income debt securities) and 8 percent alternative investments (private real estate, real estate investment trusts and private equity).

The expected rate of return on plan assets is evaluated at least annually, taking into consideration asset allocation, historical and expected future performance on the types of assets held in the Master Trust, and the current economic environment. Based on these factors, FCX expects the pension assets will earn an average of 5.25 percent per annum beginning January 1, 2021, which was based on the target asset allocation and long-term capital market return expectations.

For estimation purposes, FCX assumes the long-term asset mix for these plans generally will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension costs, the funded status of the plans and the need for future cash contributions. A lower-than-expected return on assets also would decrease plan assets and increase the amount of recorded pension costs in future years. When calculating the expected return on plan assets, FCX uses the market value of assets.

Among the assumptions used to estimate the pension benefit obligation is a discount rate used to calculate the present value of expected future benefit payments for service to date. The discount rate assumption for FCX's U.S. plans is designed to reflect yields on high-quality, fixed-income investments for a given duration. The determination of the discount rate for these plans is based on expected future benefit payments for service to date together with the Mercer Yield Curve—Above Mean. The Mercer Yield Curve—Above Mean is constructed

from the bonds in the Mercer Pension Discount Curve that have a yield higher than the regression mean yield curve. The Mercer Yield Curve—Above Mean consists of spot (*i.e.*, zero coupon) interest rates at one-half-year increments for each of the next 30 years and is developed based on pricing and yield information for high-quality corporate bonds. Changes in the discount rate are reflected in FCX's benefit obligation and, therefore, in future pension costs.

SERP Plan. FCX has an unfunded Supplemental Executive Retirement Plan (SERP) for its chief executive officer. The SERP provides for retirement benefits payable in the form of a joint and survivor annuity, life annuity or an equivalent lump sum, which is determined on January 1 of the year in which the participant completed 25 years of credited service. The annuity will equal a percentage of the participant's highest average compensation for any consecutive three-year period during the five years immediately preceding the completion of 25 years of credited service. The SERP benefit will be reduced by the value of all benefits from current and former retirement plans (qualified and nonqualified) sponsored by FCX, by FM Services Company, FCX's wholly owned subsidiary, or by any predecessor employer (including FCX's former parent company), except for benefits produced by accounts funded exclusively by deductions from the participant's pay.

PT-FI Plan. PT-FI has a defined benefit pension plan denominated in Indonesia rupiah covering substantially all of its Indonesia national employees. PT-FI funds the plan and invests the assets in accordance with Indonesia pension guidelines. The pension obligation was valued at an exchange rate of 14,034 rupiah to one U.S. dollar on December 31, 2020, and 13,832 rupiah to one U.S. dollar on December 31, 2019. Indonesia labor laws require that companies provide a minimum level of benefits to employees upon employment termination based on the reason for termination and the employee's years of service. PT-FI's pension benefit obligation includes benefits determined in accordance with this law. PT-FI's expected rate of return on plan assets is evaluated at least annually, taking into consideration its long-range estimated return for the plan based on the asset mix. Based on these factors, PT-FI expects its pension assets will earn an average of 7.75 percent per annum beginning January 1, 2021. The discount rate assumption for PT-FI's plan is based on the Indonesia Government Security Yield Curve. Changes in the discount rate are reflected in PT-FI's benefit obligation and, therefore, in future pension costs.

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Plan Information. FCX uses a measurement date of December 31 for its plans. Information for qualified and non-qualified plans where the projected benefit obligations and the accumulated benefit obligations exceed the fair value of plan assets follows:

December 31,	2020	2019
Projected benefit obligation	\$2,666	\$2,522
Accumulated benefit obligation	2,664	2,361
Fair value of plan assets	1,884	1,615

Information on the qualified and non-qualified FCX (FMC and SERP plans) and PT-FI plans as of December 31 follows:

	FCX		PT-FI	
	2020	2019	2020	2019
Change in benefit obligation:				
Benefit obligation at beginning of year	\$2,576	\$2,230	\$ 217	\$220
Service cost	37	42	11	12
Interest cost	77	95	14	17
Actuarial losses (gains)	308	328	12	(27)
Foreign exchange losses (gains)	1	1	(2)	8
Curtailment	(154)	—	—	—
Benefits and administrative expenses paid	(123)	(120)	(14)	(13)
Benefit obligation at end of year	<u>2,722</u>	<u>2,576</u>	<u>238</u>	<u>217</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	1,677	1,433	254	238
Actual return on plan assets	272	289	13	19
Employer contributions ^a	119	74	2	—
Foreign exchange gains (losses)	1	1	(4)	10
Benefits and administrative expenses paid	(123)	(120)	(14)	(13)
Fair value of plan assets at end of year	<u>1,946</u>	<u>1,677</u>	<u>251</u>	<u>254</u>
Funded status	<u>\$ (776)</u>	<u>\$ (899)</u>	<u>\$ 13</u>	<u>\$ 37</u>
Accumulated benefit obligation	<u>\$2,719</u>	<u>\$2,414</u>	<u>\$194</u>	<u>\$175</u>
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	2.50%	3.40%	6.25%	7.25%
Rate of compensation increase	—%	3.25%	4.00%	4.00%
Balance sheet classification of funded status:				
Other assets	\$ 7	\$ 8	\$ 13	\$ 37
Accounts payable and accrued liabilities	(4)	(4)	—	—
Other liabilities	(779)	(903)	—	—
Total	<u>\$ (776)</u>	<u>\$ (899)</u>	<u>\$ 13</u>	<u>\$ 37</u>

a. Employer contributions for 2021 are expected to approximate \$64 million for the FCX plans and \$2 million for the PT-FI plan (based on a December 31, 2020, exchange rate of 14,034 Indonesia rupiah to one U.S. dollar).

In August 2020, the FMC Retirement Plan, the largest FMC plan, was amended such that, effective September 1, 2020, participants no longer accrue any additional benefits under the FMC Retirement Plan. As a result, FCX remeasured its pension assets and benefit obligation as of July 31, 2020. The discount rate and expected long-term rate of return on the plan assets used for the July 31, 2020, remeasurement were 2.40 percent and 6.25 percent, respectively. The rate of compensation increase was unchanged (3.25 percent). The remeasurement and curtailment resulted in the projected benefit obligation increasing by \$184 million and plan assets increasing by \$103 million. In addition, FCX recognized a curtailment loss of \$4 million in third-quarter 2020.

During 2020, the actuarial loss of \$308 million for the FCX pension plans primarily resulted from the decrease in the discount rate from 3.40 percent to 2.50 percent, offset by the FMC Retirement Plan amendment to discontinue additional benefits. During 2019, the actuarial loss of \$328 million for the FCX pension plans primarily resulted from the decrease in the discount rate from 4.40 percent to 3.40 percent.

During 2020, the actuarial loss of \$12 million for the PT-FI pension plan primarily resulted from the decrease in the discount rate from 7.25 percent to 6.25 percent. During 2019, the actuarial gain of \$27 million for the PT-FI pension plan primarily resulted from a change in the estimated plan administration costs, partially offset by a decrease in the discount rate from 8.25 percent to 7.25 percent.

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's pension plans for the years ended December 31 follow:

	2020	2019	2018
Weighted-average assumptions:^a			
Discount rate	2.98%	4.40%	3.70%
Expected return on plan assets	6.25%	6.50%	6.50%
Rate of compensation increase	3.25%	3.25%	3.25%
Service cost	\$ 37	\$ 42	\$ 44
Interest cost	77	95	84
Expected return on plan assets	(105)	(90)	(101)
Amortization of net actuarial losses	45	48	49
Curtailment loss	4	—	—
Net periodic benefit cost	<u>\$ 58</u>	<u>\$ 95</u>	<u>\$ 76</u>

a. The assumptions shown relate only to the FMC Retirement Plan.



The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for PT-FI's pension plan for the years ended December 31 follow:

	2020	2019	2018
Weighted-average assumptions:			
Discount rate	7.25%	8.25%	6.75%
Expected return on plan assets	7.75%	8.25%	6.75%
Rate of compensation increase	4.00%	4.00%	4.00%
Service cost	\$ 11	\$ 12	\$ 13
Interest cost	14	17	14
Expected return on plan assets	(19)	(17)	(19)
Amortization of prior service cost	2	1	2
Amortization of net actuarial gains	(3)	(1)	(1)
Net periodic benefit cost	\$ 5	\$ 12	\$ 9

The service cost component of net periodic benefit cost is included in operating income, and the other components are included in other income (expense), net in the consolidated statements of operations.

Included in accumulated other comprehensive loss are the following amounts that have not been recognized in net periodic pension cost as of December 31:

	2020		2019	
	Before Taxes	After Taxes and Noncontrolling Interests	Before Taxes	After Taxes and Noncontrolling Interests
Net actuarial losses	\$673	\$558	\$710	\$604
Prior service costs	6	1	11	6
	\$679	\$559	\$721	\$610

Plan assets are classified within a fair value 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), then to prices derived using significant observable inputs (Level 2) and the lowest priority to prices derived using significant unobservable inputs (Level 3).

A summary of the fair value for pension plan assets, including those measured at net asset value (NAV) as a practical expedient, associated with the FCX plans follows:

	Fair Value at December 31, 2020				
	Total	NAV	Level 1	Level 2	Level 3
Commingled/collective funds:					
Global equity	\$ 527	\$ 527	\$ —	\$ —	\$ —
Fixed income securities	404	404	—	—	—
International small-cap equity	76	76	—	—	—
Real estate property	59	59	—	—	—
U.S. real estate securities	51	51	—	—	—
Short-term investments	51	51	—	—	—
U.S. small-cap equity	25	25	—	—	—
Fixed income:					
Corporate bonds	381	—	—	381	—
Government bonds	181	—	—	181	—
Global large-cap equity securities	109	—	109	—	—
Private equity investments	10	10	—	—	—
Other investments	55	—	1	54	—
Total investments	1,929	\$1,203	\$110	\$616	\$ —
Cash and receivables	100				
Payables	(83)				
Total pension plan net assets	\$1,946				

	Fair Value at December 31, 2019				
	Total	NAV	Level 1	Level 2	Level 3
Commingled/collective funds:					
Global equity	\$ 425	\$425	\$ —	\$ —	\$ —
Fixed income securities	239	239	—	—	—
U.S. small-cap equity	67	67	—	—	—
Real estate property	58	58	—	—	—
International small-cap equity	55	55	—	—	—
U.S. real estate securities	53	53	—	—	—
Short-term investments	16	16	—	—	—
Fixed income:					
Government bonds	279	—	—	279	—
Corporate bonds	256	—	—	256	—
Global large-cap equity securities	107	—	107	—	—
Private equity investments	11	11	—	—	—
Other investments	64	—	14	50	—
Total investments	1,630	\$924	\$121	\$585	\$ —
Cash and receivables	86				
Payables	(39)				
Total pension plan net assets	\$1,677				

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Following is a description of the pension plan asset categories and the valuation techniques used to measure fair value. There have been no changes to the techniques used to measure fair value.

Commingled/collective funds are managed by several fund managers and are valued at the NAV per unit of the fund. For most of these funds, the majority of the underlying assets are actively traded securities. These funds (except the real estate property fund) require up to a 15-calendar-day notice for redemptions. The real estate property fund is valued at NAV using information from independent appraisal firms, who have knowledge and expertise about the current market values of real property in the same vicinity as the investments. Redemptions of the real estate property fund are allowed once per quarter, subject to available cash.

Fixed income investments include government and corporate bonds held directly by the Master Trust. Fixed income securities are valued using a bid-evaluation price or a mid-evaluation price and, as such, are classified within Level 2 of the fair value hierarchy. 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.

Common stocks included in global large-cap equity securities and preferred stocks included in other investments 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.

Private equity investments are valued at NAV using information from general partners and have inherent restrictions on redemptions that may affect the ability to sell the investments at their NAV in the near term.

A summary of the fair value hierarchy for pension plan assets associated with the PT-FI plan follows:

	Fair Value at December 31, 2020			
	Total	Level 1	Level 2	Level 3
Government bonds	\$117	\$117	\$ —	\$ —
Common stocks	77	77	—	—
Mutual funds	18	18	—	—
Total investments	212	\$212	\$ —	\$ —
Cash and receivables ^a	41			
Payables	(2)			
Total pension plan net assets	\$251			

	Fair Value at December 31, 2019			
	Total	Level 1	Level 2	Level 3
Government bonds	\$ 93	\$ 93	\$ —	\$ —
Common stocks	80	80	—	—
Mutual funds	17	17	—	—
Total investments	190	\$190	\$ —	\$ —
Cash and receivables ^a	65			
Payables	(1)			
Total pension plan net assets	\$254			

a. Cash consists primarily of short-term time deposits.

Following is a description of the valuation techniques used for pension plan assets measured at fair value associated with the PT-FI plan. There have been no changes to the techniques used to measure fair value.

Government bonds, common stocks and mutual funds 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.

The techniques described above may produce a fair value calculation that may not be indicative of NRV or reflective of future fair values. Furthermore, while FCX believes its valuation techniques are appropriate and consistent with those used by other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The expected benefit payments for FCX's and PT-FI's pension plans follow:

	FCX	PT-FI ^a
2021	\$127	\$ 16
2022	174	21
2023	129	29
2024	131	31
2025	132	28
2026 through 2030	655	154

a. Based on a December 31, 2020, exchange rate of 14,034 Indonesia rupiah to one U.S. dollar.



Postretirement and Other Benefits. FCX also provides postretirement medical and life insurance benefits for certain U.S. employees and, in some cases, employees of certain international subsidiaries. These postretirement benefits vary among plans, and many plans require contributions from retirees. The expected cost of providing such postretirement benefits is accrued during the years employees render service.

The benefit obligation (funded status) for the postretirement medical and life insurance benefit plans consisted of a current portion of \$7 million (included in accounts payable and accrued liabilities) and a long-term portion of \$69 million (included in other liabilities) at December 31, 2020, and a current portion of \$13 million and a long-term portion of \$112 million at December 31, 2019. The decrease in the benefit obligation from December 31, 2019, to December 31, 2020, is primarily a result of a plan amendment that modified the benefit for most Medicare eligible retirees effective January 1, 2021. The discount rate used to determine the benefit obligation for these plans, which was determined on the same basis as FCX's pension plans, was 2.21 percent at December 31, 2020, and 3.00 percent at December 31, 2019. Expected benefit payments for these plans total \$8 million for 2021, \$7 million for 2022, \$7 million for 2023, \$6 million for 2024, \$6 million for 2025 and \$23 million for 2026 through 2030.

The net periodic benefit cost charged to operations for FCX's postretirement benefits (primarily for interest costs) totaled \$3 million in 2020, \$4 million in 2019 and \$5 million in 2018. The discount rate used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's postretirement benefits was 3.00 percent in 2020, 4.20 percent in 2019 and 3.50 percent in 2018. The medical-care trend rates assumed the first year trend rate was 7.50 percent at December 31, 2020, which declines over the next 15 years with an ultimate trend rate of 4.25 percent.

FCX has a number of postemployment plans covering severance, long-term disability income, continuation of health and life insurance coverage for disabled employees or other welfare benefits. The accumulated postemployment benefit obligation consisted of a current portion of \$6 million (included in accounts payable and accrued liabilities) and a long-term portion of \$42 million (included in other liabilities) at December 31, 2020, and a current portion of \$7 million and a long-term portion of \$44 million at December 31, 2019.

FCX also sponsors savings plans for the majority of its U.S. employees. The plans allow employees to contribute a portion of their income in accordance with specified guidelines. These savings plans are principally qualified 401(k) plans

for all U.S. salaried and non-bargained hourly employees. In these plans, participants exercise control and direct the investment of their contributions and account balances among various investment options. FCX contributes to these plans at varying rates and matches a percentage of employee contributions up to certain limits, which vary by plan. For employees whose eligible compensation exceeds certain levels, FCX provides an unfunded defined contribution plan, which had a liability balance of \$49 million at December 31, 2020, and \$46 million at December 31, 2019, all of which was included in other liabilities.

The costs charged to operations for employee savings plans totaled \$40 million in 2020, \$85 million in 2019 and \$75 million in 2018. The decrease in costs for 2020, compared with 2019, resulted from a temporary suspension of FCX contributions to certain plans implemented as part of its April 2020 revised operating plans. FCX contributions resumed on January 1, 2021. FCX has other employee benefit plans, certain of which are related to FCX's financial results, which are recognized in operating costs.

NOTE 10. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

FCX's authorized shares of capital stock total 3.05 billion shares, consisting of 3.0 billion shares of common stock and 50 million shares of preferred stock.

Common Stock. In March 2020, in response to the COVID-19 pandemic and resulting global economic uncertainties, the Board suspended FCX's quarterly cash dividend of \$0.05 per share. In February 2021, the Board reinstated a cash dividend on FCX's common stock at an annual rate of \$0.30 per share. The Board also adopted a new financial policy for the allocation of cash flows aligned with its strategic objectives of maintaining a strong balance sheet, increasing cash returns to shareholders and advancing opportunities for future growth. Under the new policy, up to 50 percent of available cash flows generated after planned capital spending and distributions to noncontrolling interests would be allocated to shareholder returns and the balance to debt reduction and investments in value enhancing growth projects. The new payout policy will be implemented following achievement of a net debt (total consolidated debt less total consolidated cash and cash equivalents) target in the range of \$3 billion to \$4 billion, excluding project debt for additional smelter capacity in Indonesia. The declaration and payment of future dividends is at the discretion of the Board and will be assessed on an

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ongoing basis, taking into account FCX's financial results, cash requirements, future prospects, global economic conditions and other factors deemed relevant by the Board.

Accumulated Other Comprehensive Loss. A summary of changes in the balances of each component of accumulated other comprehensive loss, net of tax, follows:

	Defined Benefit Plans	Unrealized Losses on Securities	Translation Adjustment	Total
Balance at January 1, 2018	\$(494)	\$(3)	\$10	\$(487)
Adoption of accounting standard for reclassification of income taxes	(79)	—	—	(79)
Amounts arising during the period ^{a,b}	(84)	—	—	(84)
Amounts reclassified ^c	48	3	—	51
Sale of interest in PT-FI (refer to Note 2)	(6)	—	—	(6)
Balance at December 31, 2018	(615)	—	10	(605)
Amounts arising during the period ^{a,b}	(118)	—	—	(118)
Amounts reclassified ^c	47	—	—	47
Balance at December 31, 2019	(686)	—	10	(676)
Amounts arising during the period ^{a,b}	47	—	—	47
Amounts reclassified ^c	46	—	—	46
Balance at December 31, 2020	\$(593)	\$—	\$10	\$(583)

a. Includes net actuarial (losses) gains, net of noncontrolling interest, totaling \$(87) million for 2018, \$(111) million for 2019 and \$40 million for 2020.

b. Includes tax provision (benefit) totaling \$4 million for 2018, \$(8) million for 2019 and \$7 million for 2020.

c. Includes amortization primarily related to actuarial losses, net of taxes of less than \$1 million for 2018, 2019 and 2020.

Stock Award Plans. FCX currently has awards outstanding under various stock-based compensation plans. The stockholder-approved 2016 Stock Incentive Plan (the 2016 Plan) provides for the issuance of stock options, stock appreciation rights, restricted stock, RSUs, PSUs and other stock-based awards for up to 72 million common shares. As of December 31, 2020, 39.7 million shares were available for grant under the 2016 Plan, and no shares were available under other plans.

Stock-Based Compensation Cost. Compensation cost charged against earnings for stock-based awards for the years ended December 31 follows:

	2020	2019	2018
Selling, general and administrative expenses	\$70	\$48	\$62
Production and delivery	29	15	12
Total stock-based compensation	99	63	74
Tax benefit and noncontrolling interests' share ^a	(5)	(4)	(4)
Impact on net income (loss)	\$94	\$59	\$70

a. Charges in the U.S. are not expected to generate a future tax benefit.

Stock Options. Stock options granted under the plans generally expire 10 years after the date of grant. Stock options granted prior to 2018 generally vest in 25 percent annual increments; beginning in 2018, awards granted vest in 33 percent annual increments beginning one year from the date of grant. The award agreements provide that participants will receive the following year's vesting upon retirement. Therefore, on the date of grant, FCX accelerates one year of amortization for retirement-eligible employees. Stock options provide for accelerated vesting only upon certain qualifying terminations of employment within one year following a change of control.

A summary of stock options outstanding as of December 31, 2020, and activity during the year ended December 31, 2020, follows:

	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	48,312,053	\$26.16		
Granted	3,803,000	12.04		
Exercised	(6,240,340)	9.09		
Expired/Forfeited	(8,774,615)	34.62		
Balance at December 31	37,100,098	25.58	4.6	\$259
Vested and exercisable at December 31	30,045,828	28.71	3.7	\$162



The fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option valuation model. Expected volatility is based on implied volatilities from traded options on FCX's common stock and historical volatility of FCX's common stock. FCX uses historical data to estimate future option exercises, forfeitures and expected life. When appropriate, separate groups of employees who have similar historical exercise behavior are considered separately for valuation purposes. The expected dividend rate is calculated using the annual dividend at the date of grant. The risk-free interest rate is based on Federal Reserve rates in effect for bonds with maturity dates equal to the expected term of the option.

Information related to stock options during the years ended December 31 follows:

	2020	2019	2018
Weighted-average assumptions used to value stock option awards:			
Expected volatility	47.7%	47.8%	46.1%
Expected life of options (in years)	5.83	6.10	5.92
Expected dividend rate	1.7%	1.8%	1.2%
Risk-free interest rate	1.5%	2.5%	2.6%
Weighted-average grant-date fair value (per option)	\$4.72	\$4.87	\$7.84
Intrinsic value of options exercised	\$ 82	\$ 3	\$ 7
Fair value of options vested	\$ 28	\$ 26	\$ 24

As of December 31, 2020, FCX had \$14 million of total unrecognized compensation cost related to unvested stock options expected to be recognized over a weighted-average period of approximately 1.2 years.

Stock-Settled PSUs and RSUs. Beginning in 2014, FCX's executive officers received annual grants of PSUs that vest after three years. The total grant date target shares related to the PSU grants were 0.5 million for 2018, 0.7 million for 2019 and 0.8 million for 2020, of which the executive officers will earn (i) between 0 percent and 200 percent of the target shares based on achievement of financial metrics and (ii) +/- up to 25 percent of the target shares based on FCX's total shareholder return compared to the total shareholder return of a peer group.

All of FCX's executive officers are retirement eligible, and their PSU awards are therefore non-forfeitable. As such, FCX charges the estimated fair value of the PSU awards to expense at the time the financial and operational, if applicable, metrics are established.

FCX grants RSUs that vest over a period of three years or at the end of three years to certain employees. Some award agreements allow for participants to receive the following year's vesting upon retirement. Therefore, on the date of grant of these RSU awards, FCX accelerates one year of amortization for retirement-eligible employees. FCX also grants RSUs to its directors, which vest on the first anniversary of the date of grant. The fair value of the RSUs is amortized over the vesting period or the period until the director becomes retirement eligible, whichever is shorter. Upon a director's retirement, all of their unvested RSUs immediately vest. For retirement-eligible directors, the fair value of RSUs is recognized in earnings on the date of grant.

The award agreements provide for accelerated vesting of all RSUs held by directors if there is a change of control (as defined in the award agreements) and for accelerated vesting of all RSUs held by employees if they experience a qualifying termination within one year following a change of control.

Dividends attributable to RSUs and PSUs accrue and are paid if the award vests. A summary of outstanding stock-settled RSUs and PSUs as of December 31, 2020, and activity during the year ended December 31, 2020, follows:

	Number of Awards	Weighted-Average Grant-Date Fair Value Per Award	Aggregate Intrinsic Value
Balance at January 1	5,590,685	\$18.61	
Granted	3,548,497	13.15	
Vested	(1,475,892)	14.95	
Forfeited	(140,268)	14.85	
Balance at December 31	7,523,022	16.79	\$196

The total fair value of stock-settled RSUs and PSUs granted was \$47 million during 2020, \$24 million during 2019 and \$41 million during 2018. The total intrinsic value of stock-settled RSUs and PSUs vested was \$18 million during 2020, \$26 million during 2019 and \$14 million during 2018. As of December 31, 2020, FCX had \$10 million of total unrecognized compensation cost related to unvested stock-settled RSUs expected to be recognized over approximately 1.6 years.

Cash-Settled RSUs. Cash-settled RSUs are similar to stock-settled RSUs, but are settled in cash rather than in shares of common stock. These cash-settled RSUs generally vest over three years of service. Some award agreements allow for

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participants to receive the following year's vesting upon retirement. Therefore, on the date of grant of these cash-settled RSU awards, FCX accelerates one year of amortization for retirement-eligible employees. The cash-settled RSUs are classified as liability awards, and the fair value of these awards is remeasured each reporting period until the vesting dates. The award agreements for cash-settled RSUs provide for accelerated vesting upon certain qualifying terminations of employment within one year following a change of control.

Dividends attributable to cash-settled RSUs accrue and are paid if the award vests. A summary of outstanding cash-settled RSUs as of December 31, 2020, and activity during the year ended December 31, 2020, follows:

	Number of Awards	Weighted-Average Grant-Date Fair Value Per Award	Aggregate Intrinsic Value
Balance at January 1	1,582,887	\$14.54	
Granted	879,500	11.96	
Vested	(911,459)	14.79	
Forfeited	(29,831)	13.44	
Balance at December 31	1,521,097	12.92	\$40

The total grant-date fair value of cash-settled RSUs was \$11 million during 2020, \$10 million during 2019 and \$16 million during 2018. The intrinsic value of cash-settled RSUs vested was \$11 million during 2020, \$8 million during 2019 and \$11 million during 2018. The accrued liability associated with cash-settled RSUs consisted of a current portion of \$22 million (included in accounts payable and accrued liabilities) and a long-term portion of \$6 million (included in other liabilities) at December 31, 2020, and a current portion of \$11 million and a long-term portion of \$3 million at December 31, 2019.

Other Information. The following table includes amounts related to exercises of stock options and vesting of RSUs and PSUs during the years ended December 31:

	2020	2019	2018
FCX shares tendered to pay the exercise price and/or the minimum required taxes ^a	1,193,183	670,508	195,322
Cash received from stock option exercises	\$ 51	\$ 2	\$ 8
Actual tax benefit realized for tax deductions	\$ 2	\$ 1	\$ 3
Amounts FCX paid for employee taxes	\$ 17	\$ 8	\$ 4

a. Under terms of the related plans, upon exercise of stock options, vesting of stock-settled RSUs and payout of PSUs, employees may tender FCX shares to pay the exercise price and/or the minimum required taxes.

NOTE 11. INCOME TAXES

Geographic sources of income (losses) before income taxes and equity in affiliated companies' net earnings for the years ended December 31 consist of the following:

	2020	2019	2018
U.S.	\$ (40)	\$(287)	\$ 390
Foreign	1,837	593	3,502
Total	\$1,797	\$ 306	\$3,892

Income taxes are provided on the earnings of FCX's material foreign subsidiaries under the assumption that these earnings will be distributed. FCX has not provided deferred income taxes for other differences between the book and tax carrying amounts of its investments in material foreign subsidiaries as FCX considers its ownership positions to be permanent in duration, and quantification of the related deferred tax liability is not practicable.

FCX's provision for income taxes for the years ended December 31 consist of the following:

	2020	2019	2018
Current income taxes:			
Federal	\$ 53 ^a	\$(23) ^{c,d}	\$ 46 ^{c,e}
State	(1)	3	1
Foreign	(816) ^b	(462)	(1,445) ^e
Total current	(764)	(482)	(1,398)
Deferred income taxes:			
Federal	3	48	(106)
State	5	8	(8)
Foreign	(306)	(101)	(102)
Total deferred	(298)	(45)	(216)
Adjustments	37	12	504 ^f
Operating loss carryforwards	81	5	119
Provision for income taxes	\$(944)	\$(510)	\$(991)

- Includes a tax credit of \$53 million associated with the reversal of the tax charge discussed in footnote d below.
- Includes a tax charge of \$135 million associated with the gain on sale of Kisanfu.
- As a result of the 2017 Tax Cuts and Jobs Act (the Act) guidance regarding a transition tax issued in 2018, FCX recognized a \$29 million tax charge in 2018. Additional guidance released in 2019 resulted in a \$29 million tax credit in 2019.
- Includes a tax charge of \$53 million associated with the sale of FCX's interest in the lower zone of the Timok exploration project in Serbia.
- In 2018, FCX completed its analysis of the Act and recognized benefits totaling \$123 million (\$76 million to the U.S. tax provision and \$47 million to PT-FI's tax provision) associated with alternative minimum tax (AMT) credit refunds.
- Represents net tax credits resulting from the reduction in PT-FI's statutory tax rates in accordance with its new special mining license (LUPK).



A reconciliation of the U.S. federal statutory tax rate to FCX's effective income tax rate for the years ended December 31 follows:

	2020		2019		2018	
	Amount	Percent	Amount	Percent	Amount	Percent
U.S. federal statutory tax rate	\$ (377)	(21)%	\$ (64)	(21)%	\$ (817)	(21)%
Valuation allowance ^a	(210)	(12)	(149)	(49)	129	3
PT-FI historical tax disputes	(8)	—	(145)	(47)	—	—
Percentage depletion	104	6	118	39	141	4
Effect of foreign rates different than the U.S. federal statutory rate	(109)	(6)	(64)	(21)	(494)	(13)
Withholding and other impacts on foreign earnings	(193)	(11)	(55)	(18)	(232)	(6)
Adjustment to deferred taxes	—	—	(49) ^b	(16)	—	—
Non-deductible permanent differences	—	—	(47)	(15)	(25)	(1)
Uncertain tax positions	(15)	(1)	(47)	(15)	(7)	—
U.S. tax reform	—	—	29 ^c	9	94 ^{c,d}	2
Foreign tax credit limitation	28	2	(16)	(5)	(195)	(5)
State income taxes	(2)	—	16	6	7	1
Cerro Verde historical tax disputes ^e	(39)	(2)	2	1	(55)	(1)
Change in PT-FI tax rates	—	—	—	—	504	13
Timok exploration project sale	53	3	(15)	(5)	—	—
Sale of Kisanfu	(135)	(8)	—	—	—	—
Other items, net	(41)	(3)	(24)	(9)	(41)	(1)
Provision for income taxes	<u>\$ (944)</u>	<u>(53)%</u>	<u>\$ (510)</u>	<u>(166)%</u>	<u>\$ (991)</u>	<u>(25)%</u>

a. Refer to "Valuation Allowance" below for discussion of changes.

b. Represents net tax charges primarily to adjust deferred taxes on historical balance sheet items in accordance with tax accounting principles.

c. As a result of the Act guidance regarding a transition tax issued in 2018, FCX recognized a \$29 million tax charge in 2018. Additional guidance released in 2019 resulted in a \$29 million tax credit in 2019.

d. In 2018, FCX completed its analysis of the Act and recognized benefits totaling \$123 million (\$76 million to the U.S. tax provisions and \$47 million to PT-FI's tax provision) associated with AMT credit refunds.

e. Refer to Note 12 for further discussion.

FCX paid federal, state and foreign income taxes totaling \$397 million in 2020, \$610 million in 2019 and \$2.0 billion in 2018. FCX received refunds of federal, state and foreign income taxes of \$265 million in 2020, \$306 million in 2019 and \$108 million in 2018.

The components of deferred taxes follow:

December 31,	2020	2019
Deferred tax assets:		
Foreign tax credits	\$ 1,641	\$ 1,716
Accrued expenses	1,194	1,108
Net operating losses	2,443	2,249
Employee benefit plans	171	198
Other	238	267
Deferred tax assets	<u>5,687</u>	<u>5,538</u>
Valuation allowances	(4,732)	(4,576)
Net deferred tax assets	<u>955</u>	<u>962</u>
Deferred tax liabilities:		
Property, plant, equipment and mine development costs	(4,500)	(4,372)
Undistributed earnings	(694)	(639)
Other	(169)	(157)
Total deferred tax liabilities	<u>(5,363)</u>	<u>(5,168)</u>
Net deferred tax liabilities	<u>\$ (4,408)</u>	<u>\$ (4,206)</u>

Tax Attributes. At December 31, 2020, FCX had (i) U.S. foreign tax credits of \$1.6 billion that will expire between 2021 and 2027, (ii) U.S. federal net operating losses of \$7.0 billion that primarily expire between 2036 and 2037, of that balance approximately \$305 million can be carried forward indefinitely, (iii) U.S. state net operating losses of \$10.8 billion that primarily expire between 2021 and 2040, (iv) Spanish net operating losses of \$559 million that can be carried forward indefinitely and (v) Indonesia net operating losses of \$910 million that expire between 2021 and 2025.

Valuation Allowance. On the basis of available information at December 31, 2020, including positive and negative evidence, FCX has provided valuation allowances for certain of its deferred tax assets where it believes it is more-likely-than-not that some portion or all of such assets will not be realized. Valuation allowances totaled \$4.7 billion at December 31, 2020, and \$4.6 billion at December 31, 2019, and covered all of FCX's U.S. foreign tax credits, U.S. federal net operating losses, foreign net operating losses and substantially all of its U.S. state net operating losses.



The valuation allowance related to FCX's U.S. foreign tax credits totaled \$1.6 billion at December 31, 2020. FCX has operations in tax jurisdictions where statutory income taxes and withholding taxes are in excess of the U.S. federal income tax rate. Valuation allowances are recognized on foreign tax credits for which no benefit is expected to be realized.

The valuation allowance related to FCX's U.S. federal, state and foreign net operating losses totaled \$2.4 billion and other deferred tax assets totaled \$647 million at December 31, 2020. Net operating losses and deferred tax assets represent future deductions for which a benefit will only be realized to the extent these deductions offset future income. FCX develops an estimate of which future tax deductions will be realized and recognizes a valuation allowance to the extent these deductions are not expected to be realized in future periods.

Valuation allowances will continue to be carried on U.S. foreign tax credits, U.S. federal, state and foreign net operating losses and U.S. federal, state and foreign deferred tax assets, until such time that (i) FCX generates taxable income against which any of the assets, credits or net operating losses can be used, (ii) forecasts of future income provide sufficient positive evidence to support reversal of the valuation allowances or (iii) FCX identifies a prudent and feasible means of securing the benefit of the assets, credits or net operating losses that can be implemented.

The \$156 million net increase in the valuation allowances during 2020 primarily related to increases totaling \$250 million in U.S. federal net operating loss carryforwards, partly offset by an \$11 million decrease in U.S. deferred tax assets for which no benefit is expected to be realized, and a \$75 million decrease in U.S. foreign tax credits associated with expirations.

Other Events. In connection with the negative impacts of the COVID-19 pandemic on the global economy, governments throughout the world are announcing measures that are intended to provide tax and other financial relief. Such measures include the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law by President Trump on March 27, 2020. None of these measures resulted in material impacts to FCX's provision for income taxes for the year ended December 31, 2020. However, certain provisions of the CARES Act provided FCX with the opportunity to accelerate collections of tax refunds, primarily those associated with the U.S. AMT. FCX collected U.S. AMT credit refunds of \$244 million in 2020. FCX expects to collect an additional \$24 million within the next 12 months. FCX continues to evaluate income tax accounting considerations of COVID-19 measures as they develop, including any impact on its measurement of existing deferred

tax assets and deferred tax liabilities. FCX will recognize any impact from COVID-19 related changes to tax laws in the period in which the new legislation is enacted.

On December 21, 2018, FCX completed the transaction with the Indonesia government regarding PT-FI's long-term mining rights and share ownership. Concurrent with closing the transaction, the Indonesia government granted PT-FI an IUPK to replace its former COW. Under the terms of the IUPK, PT-FI is subject to a 25 percent corporate income tax rate and a 10 percent profits tax on net income beginning in 2019. As a result of the change in statutory tax rate applicable to deferred income tax liabilities, during fourth-quarter 2018, FCX recognized a tax credit of \$504 million.

In 2018, PT-FI received unfavorable Indonesia Tax Court decisions with respect to its appeal of capitalized mine development costs on its 2012 and 2014 corporate income tax returns. PT-FI appealed those decisions to the Indonesia Supreme Court. On October 31, 2019, the Indonesia Supreme Court communicated an unfavorable ruling regarding the treatment of mine development costs on PT-FI's 2014 tax return. During the fourth quarter of 2019, PT-FI met with the Indonesia Tax Office and developed a framework for resolution of the disputed matters. On December 30, 2019, PT-FI made a payment of \$250 million based on its understanding of the framework for resolution of disputes arising from the audits of the tax years 2012 through 2016, as well as tax years 2017 (for which a tax audit is not complete), 2018 (for which a tax audit has not begun) and 2019 (for which an audit has just begun). Additional administrative steps will need to be completed by both PT-FI and the Indonesia Tax Office in order to implement the resolution.

In 2019, in conjunction with the framework for resolution above, PT-FI recorded total net charges in 2019 of \$304 million, including \$123 million for non-deductible penalties recorded to other income (expense), net, \$78 million for non-deductible interest recorded to interest expense and \$103 million to provision for income tax expense, primarily for the impact of a reduction in the statutory rate on PT-FI's deferred tax assets.

During fourth-quarter 2020, in connection with progress of the framework for resolution, PT-FI recorded additional net charges of \$42 million, including \$9 million for non-deductible penalties recorded to other income (expense), net and \$35 million for non-deductible interest recorded to interest expense, partly offset by a benefit of \$2 million to provision for income tax expense.



SUNAT (National Superintendency of Customs and Administration), the Peru national tax authority, has assessed mining royalties on ore processed by the Cerro Verde concentrator for the period December 2006 to December 2013, which Cerro Verde has contested on the basis that its 1998 stability agreement exempts from royalties all minerals extracted from its mining concessions, irrespective of the method used for processing those minerals. Refer to Note 12 for further discussion of the Cerro Verde royalty dispute and net charges recorded in 2017 through 2019.

In December 2016, the Peru parliament passed tax legislation that, in part, modified the applicable tax rates established in its December 2014 tax legislation, which progressively decreased the corporate income tax rate from 30 percent in 2014 to 26 percent in 2019 and thereafter, and also increased the dividend tax rate on distributions from 4.1 percent in 2014 to 9.3 percent in 2019 and thereafter. Under the tax legislation, which was effective January 1, 2017, the corporate income tax rate was 29.5 percent, and the dividend tax rate on distributions of earnings was 5 percent. Cerro Verde's current mining stability agreement subjects FCX to a stable income tax rate of 32 percent through the expiration of the agreement on December 31, 2028. The tax rate on dividend distributions is not stabilized by the agreement.

In September 2014, the Chile legislature approved a tax reform package that implemented a dual tax system, which was amended in January 2016. Under previous rules, FCX's share of income from Chile operations was subject to an effective 35 percent tax rate allocated between income taxes and dividend withholding taxes. Under the amended tax reform package, FCX's Chile operation is subject to the "Partially-Integrated System," resulting in FCX's share of income from El Abra being subject to progressively increasing effective tax rates of 35 percent through 2019 and 44.5 percent in 2020 and thereafter. In November 2017, the progression of increasing tax rates was delayed by the Chile legislature so that the 35 percent rate continues through 2021 increasing to 44.5 percent in 2022 and thereafter. In January 2020, the Chile legislature approved a tax reform package that would further delay the 44.5 percent rate until 2027 and thereafter.

In 2010, the Chile legislature approved an increase in mining royalty taxes to help fund earthquake reconstruction activities, education and health programs. Mining royalty taxes at FCX's El Abra mine were 4 percent for the years 2013 through 2017. Beginning in 2018, and through 2023, rates moved to a sliding scale of 5 to 14 percent (depending on a defined operational margin).

Uncertain Tax Positions. FCX accounts for uncertain income tax positions using a threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FCX's policy associated with uncertain tax positions is to record accrued interest in interest expense and accrued penalties in other income (expense), net rather than in the provision for income taxes.

A summary of the activities associated with FCX's reserve for unrecognized tax benefits for the years ended December 31 follows:

	2020	2019	2018
Balance at beginning of year	\$376	\$404	\$390
Additions:			
Prior year tax positions	48	73	100
Current year tax positions	10	11	14
Decreases:			
Prior year tax positions	(60)	(75)	(86)
Settlements with taxing authorities	(79)	(37)	(9)
Lapse of statute of limitations	—	—	(5)
Balance at end of year	<u>\$295</u>	<u>\$376</u>	<u>\$404</u>

The total amount of accrued interest and penalties associated with unrecognized tax benefits included in the consolidated balance sheets was \$163 million at December 31, 2020, primarily relating to unrecognized tax benefits associated with royalties and other related mining taxes, and \$231 million at December 31, 2019, and \$186 million at December 31, 2018.

The reserve for unrecognized tax benefits of \$295 million at December 31, 2020, included \$254 million (\$168 million net of income tax benefits and valuation allowances) that, if recognized, would reduce FCX's provision for income taxes. Changes in the reserve for unrecognized tax benefits associated with prior year tax positions were primarily related to uncertainties associated with non-deductible service costs, royalties and other related mining taxes and cost recovery methods. There continues to be uncertainty related to the timing of settlements with taxing authorities, but if additional settlements are agreed upon during the year 2021, FCX could experience a change in its reserve for unrecognized tax benefits.

FCX or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions.



The tax years for FCX's major tax jurisdictions that remain subject to examination are as follows:

Jurisdiction	Years Subject to Examination	Additional Open Years
U.S. Federal	2017-2018	2014-2016, 2019-2020
Indonesia	2011-2017, 2019	2018, 2020
Peru	2014-2016	2017-2020
Chile	2018-2019	2020

NOTE 12. CONTINGENCIES

Environmental. FCX subsidiaries are subject to various national, state and local environmental laws and regulations that govern emissions of air pollutants; discharges of water pollutants; generation, handling, storage and disposal of hazardous substances, hazardous wastes and other toxic materials; and remediation, restoration and reclamation of environmental contamination. FCX subsidiaries that operate in the U.S. also are subject to potential liabilities arising under CERCLA and similar state laws that impose responsibility on current and previous owners and operators of a facility for the remediation of hazardous substances released from the facility into the environment, including damages to natural resources, in some cases irrespective of when the damage to the environment occurred or who caused it. Remediation liability also extends to persons who arranged for the disposal of hazardous substances or transported the hazardous substances to a disposal site selected by the transporter. These liabilities are often shared on a joint and several basis, meaning that each responsible party is fully responsible for the remediation if some or all of the other historical owners or operators no longer exist, do not have the financial ability to respond or cannot be found. As a result, because of FCX's acquisition of FMC in 2007, many of the subsidiary companies FCX now owns are responsible for a wide variety of environmental remediation projects throughout the U.S., and FCX expects to spend substantial sums annually for many years to address those remediation issues. Certain FCX subsidiaries have been advised by the U.S. Environmental Protection Agency (EPA), the Department of the Interior, the Department of Agriculture and various state agencies that, under CERCLA or similar state laws and regulations, they may be liable for costs of responding to environmental conditions at a number of sites that have been or are being investigated to determine whether releases of hazardous substances have occurred and, if so, to develop and implement remedial actions to address environmental concerns. FCX is also subject to claims where the release of hazardous substances is alleged

to have damaged natural resources (NRD) and to litigation by individuals allegedly exposed to hazardous substances. As of December 31, 2020, FCX had more than 100 active remediation projects, including NRD claims, in 24 U.S. states.

A summary of changes in estimated environmental obligations for the years ended December 31 follows:

	2020	2019	2018
Balance at beginning of year	\$1,561	\$1,511	\$1,439
Accretion expense ^a	102	102	100
Additions ^b	38	23	56
Reductions ^b	(58)	(1)	—
Spending	(59)	(74)	(84)
Balance at end of year	1,584	1,561	1,511
Less current portion	(83)	(106)	(132)
Long-term portion	\$1,501	\$1,455	\$1,379

a. Represents accretion of the fair value of environmental obligations assumed in the 2007 acquisition of FMC, which were determined on a discounted cash flow basis.

b. Adjustments to environmental obligations that do not provide future economic benefits are charged to operating income. Reductions primarily reflect revisions for changes in the anticipated scope and timing of projects and other noncash adjustments.

Estimated future environmental cash payments (on an undiscounted and de-escalated basis) total \$83 million in 2021, \$95 million in 2022, \$100 million in 2023, \$100 million in 2024, \$100 million in 2025 and \$3.2 billion thereafter. The amount and timing of these estimated payments will change as a result of changes in regulatory requirements, changes in scope and timing of remediation activities, the settlement of environmental matters and as actual spending occurs.

At December 31, 2020, FCX's environmental obligations totaled \$1.6 billion, including \$1.5 billion recorded on a discounted basis for those obligations assumed in the FMC acquisition at fair value. On an undiscounted and de-escalated basis, these obligations totaled \$3.7 billion. FCX estimates it is reasonably possible that these obligations could range between \$3.3 billion and \$4.2 billion on an undiscounted and de-escalated basis.

At December 31, 2020, the most significant environmental obligations were associated with the Pinal Creek site in Arizona; the Newtown Creek site in New York City; historical smelter sites principally located in Arizona, Indiana, Kansas, Missouri, New Jersey, Oklahoma and Pennsylvania; and uranium mining sites in the western U.S. The recorded environmental obligations for these sites totaled \$1.4 billion at December 31, 2020. FCX may also be subject to litigation brought by private parties, regulators and local governmental authorities related to these historical sites. A discussion of these sites follows.



Pinal Creek. The Pinal Creek site was listed under the Arizona Department of Environmental Quality's (ADEQ) Water Quality Assurance Revolving Fund program in 1989 for contamination in the shallow alluvial aquifers within the Pinal Creek drainage near Miami, Arizona. Since that time, environmental remediation has been performed by members of the Pinal Creek Group, consisting of Freeport-McMoRan Miami Inc. (Miami), an indirect wholly owned subsidiary of FCX, and two other companies. Pursuant to a 2010 settlement agreement, Miami agreed to take full responsibility for future groundwater remediation at the Pinal Creek site, with limited exceptions. Remediation work consisting of groundwater extraction and treatment plus source control capping is expected to continue for many years.

Newtown Creek. From the 1930s until 1964, Phelps Dodge Refining Corporation (PDRC), an indirect wholly owned subsidiary of FCX, operated a copper smelter, and from the 1930s until 1984 operated a copper refinery, on the banks of Newtown Creek (the creek), which is a 3.5-mile-long waterway that forms part of the boundary between Brooklyn and Queens in New York City. Heavy industrialization along the banks of the creek and discharges from the City of New York's sewer system over more than a century resulted in significant environmental contamination of the waterway. In 2010, EPA notified PDRC, four other companies and the City of New York that EPA considers them to be PRPs under CERCLA. The notified parties began working with EPA to identify other PRPs. In 2010, EPA designated the creek as a Superfund site, and in 2011, PDRC and five other parties (the Newtown Creek Group, NCG) entered an Administrative Order on Consent (AOC) to perform a remedial investigation/feasibility study (RI/FS) to assess the nature and extent of environmental contamination in the creek and identify potential remedial options. The parties' RI/FS work under the AOC and their efforts to identify other PRPs are ongoing. The NCG submitted the initial draft RI to EPA in 2016 and currently expects the report to be finalized in 2021. The NCG currently anticipates a draft FS to be submitted to EPA for review and approval in 2024. EPA is not expected to propose a final creek-wide remedy until after the RI/FS is completed, with the actual remediation construction starting several years later. In July 2019, the NCG entered into an AOC to conduct a Focused Feasibility Study (FFS) of the first two miles of the creek to support an evaluation of an interim remedy for that section of the creek (Early Action). A draft FFS was submitted to EPA in December 2019, and an EPA decision

on the Early Action is currently expected in late 2021. The actual costs of fulfilling this remedial obligation and the allocation of costs among PRPs are uncertain and subject to change based on the results of the Early Action, the RI/FS, the remedy ultimately selected by EPA and related allocation determinations. The overall cost and the portion ultimately allocated to PDRC could be material to FCX.

Historical Smelter Sites. FCX subsidiaries and their predecessors at various times owned or operated copper, zinc and lead smelters or refineries in states including Arizona, Indiana, Kansas, Missouri, New Jersey, Oklahoma and Pennsylvania. For some of these former processing sites, certain FCX subsidiaries have been advised by EPA or state agencies that they may be liable for costs of investigating and, if appropriate, remediating environmental conditions associated with these former processing facilities. At other sites, certain FCX subsidiaries have entered into state voluntary remediation programs to investigate and, if appropriate, remediate on-site and off-site conditions associated with the facilities. The historical processing sites are in various stages of assessment and remediation. At some of these sites, disputes with local residents and elected officials regarding alleged health effects or the effectiveness of remediation efforts have resulted in litigation of various types, and similar litigation at other sites is possible.

From 1920 until 1986, United States Metals Refining Company (USMR), an indirect wholly owned subsidiary of FCX, owned and operated a copper smelter and refinery in the Borough of Carteret, New Jersey. Since the early 1980s, the site has been the subject of environmental investigation and remediation, under the direction and supervision of the New Jersey Department of Environmental Protection (NJDEP). On-site contamination is in the later stages of remediation. In 2012, after receiving a request from NJDEP, USMR also began investigating and remediating off-site properties, which is ongoing. As a result of off-site soil sampling in public and private areas near the former Carteret smelter, FCX established an environmental obligation for known and potential off-site environmental remediation. Additional sampling and analysis is ongoing and could result in additional adjustments to the related environmental remediation obligation in future periods. The extent of contamination and potential remedial actions are uncertain and may take several years to evaluate.



On January 30, 2017, a putative class action titled Juan Duarte, Betsy Duarte and N.D., Infant, by Parents and Natural Guardians Juan Duarte and Betsy Duarte, Leroy Nobles and Betty Nobles, on behalf of themselves and all others similarly situated v. United States Metals Refining Company, Freeport-McMoRan Copper & Gold Inc. and Amax Realty Development, Inc., Docket No. 734-17, was filed in the Superior Court of New Jersey against USMR, FCX, and Amax Realty Development, Inc. The defendants removed this litigation to the U.S. District Court for the District of New Jersey, where it remains pending, and FMC was added as a defendant. The suit alleges that USMR generated and disposed of smelter waste at the site and allegedly released contaminants on-site and off-site through discharges to surface water and air emissions over a period of decades and seeks unspecified compensatory and punitive damages for economic losses, including diminished property values, additional soil investigation and remediation and other damages. In January 2020, the parties completed briefing on the plaintiffs' motion for class certification and are awaiting a decision by the court. FCX continues to vigorously defend this matter.

Uranium Mining Sites. During a period between 1940 and the early 1980s, certain FCX subsidiaries and their predecessors were involved in uranium exploration and mining in the western U.S., primarily on federal and tribal lands in the Four Corners region of the southwest. Similar exploration and mining activities by other companies have also caused environmental impacts warranting remediation. In 2017, the Department of Justice, EPA, Navajo Nation, and two FCX subsidiaries reached an agreement regarding the financial contribution of the U.S. Government and the FCX subsidiaries and the scope of the environmental investigation and remediation work for 94 former uranium mining sites on tribal lands. Under the terms of the Consent Decree executed on May 22, 2017, and approved by the U.S. District Court for the District of Arizona, the U.S. contributed \$335 million into a trust fund to cover the government's initial share of the costs, and FCX's subsidiaries are proceeding with the environmental investigation and remediation work at the 94 sites. The program is expected to take more than 20 years to complete. In 2020, FCX reduced its associated obligation and recorded a \$47 million credit to operating income to reflect the discounting effect of the recent and expected pace of project work under post-COVID-19 pandemic conditions. FCX is also conducting site surveys of historical uranium mining claims associated with FCX subsidiaries on non-tribal federal

lands in the Four Corners region. Under a memorandum of understanding with the U.S. Bureau of Land Management (BLM), site surveys are being performed on approximately 15,000 mining claims, ranging from undisturbed claims to claims with mining features. Based on these surveys, BLM has issued no further action determinations for certain undisturbed claims. BLM may request additional assessment or reclamation activities for other claims with mining features. FCX will update this obligation when it has a sufficient number of remedy decisions from the BLM to support a reasonably certain range of outcomes. FCX expects it will take several years to complete this work.

AROs. FCX's ARO estimates are reflected on a third-party cost basis and are based on FCX's legal obligation to retire tangible, long-lived assets. A summary of changes in FCX's AROs for the years ended December 31 follows:

	2020	2019	2018
Balance at beginning of year	\$2,505	\$2,547	\$2,583
Liabilities incurred	7	20	1
Settlements and revisions to cash flow estimates, net	(13)	(5)	50
Accretion expense	131	118	110
Dispositions	(2)	(5)	(37)
Spending	(156)	(170)	(160)
Balance at end of year	2,472	2,505	2,547
Less current portion	(268)	(330)	(317)
Long-term portion	\$2,204	\$2,175	\$2,230

ARO costs may increase or decrease significantly in the future as a result of changes in regulations, changes in engineering designs and technology, permit modifications or updates, changes in mine plans, settlements, inflation or other factors and as reclamation (concurrent with mining operations or post mining) spending occurs. ARO activities and expenditures for mining operations generally are made over an extended period of time commencing near the end of the mine life; however, certain reclamation activities may be accelerated if legally required or if determined to be economically beneficial. The methods used or required to plug and abandon non-producing oil and gas wellbores; remove platforms, tanks, production equipment and flow lines; and restore wellsites could change over time.

Financial Assurance. New Mexico, Arizona, Colorado and other states, as well as federal regulations governing mine operations on federal land, require financial assurance to be provided for the estimated costs of mine reclamation and closure, including groundwater quality protection programs. FCX has satisfied financial assurance requirements by using a variety of mechanisms, primarily involving parent company performance guarantees and financial capability



demonstrations, but also including trust funds, surety bonds, letters of credit and other collateral. The applicable regulations specify financial strength tests that are designed to confirm a company's or guarantor's financial capability to fund estimated reclamation and closure costs. The amount of financial assurance FCX subsidiaries are required to provide will vary with changes in laws, regulations, reclamation and closure requirements, and cost estimates. At December 31, 2020, FCX's financial assurance obligations associated with these U.S. mine closure and reclamation/restoration costs totaled \$1.5 billion, of which \$860 million was in the form of guarantees issued by FCX and FMC. At December 31, 2020, FCX had trust assets totaling \$212 million (included in other assets), which are legally restricted to be used to satisfy its financial assurance obligations for its mining properties in New Mexico. In addition, FCX subsidiaries have financial assurance obligations for its oil and gas properties associated with plugging and abandoning wells and facilities totaling \$469 million. Where oil and gas guarantees associated with the Bureau of Ocean Energy Management do not include a stated cap, the amounts reflect management's estimates of the potential exposure.

New Mexico Environmental and Reclamation Programs. FCX's New Mexico operations are regulated under the New Mexico Water Quality Act and regulations adopted by the Water Quality Control Commission. In connection with discharge permits, the New Mexico Environment Department (NMED) has required each of these operations to submit closure plans for NMED's approval. The closure plans must include measures to assure meeting applicable groundwater quality standards following the closure of discharging facilities and to abate groundwater or surface water contamination to meet applicable standards. FCX's New Mexico operations also are subject to regulation under the 1993 New Mexico Mining Act (the Mining Act) and the related rules that are administered by the Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department. Under the Mining Act, mines are required to obtain approval of reclamation plans. In 2020, the agencies approved updates to the closure plan and financial assurance instruments and completed a permit renewal for Chino. FCX expects permit renewals and updated financial assurance instruments for Tyrone to be finalized in 2021. At December 31, 2020, FCX had accrued reclamation and closure costs of \$477 million for its New Mexico operations. Additional accruals may be required based on the state's periodic review of FCX's updated closure plans and any resulting permit conditions, and the amount of those accruals could be material.

Arizona Environmental and Reclamation Programs. FCX's Arizona operations are subject to regulatory oversight by the ADEQ. ADEQ has adopted regulations for its aquifer protection permit (APP) program that require permits for, among other things, certain facilities, activities and structures used for mining, leaching, concentrating and smelting, and require compliance with aquifer water quality standards during operations and closure. An application for an APP requires a proposed closure strategy that will meet applicable groundwater protection requirements following cessation of operations and an estimate of the implementation cost, with a more detailed closure plan required at the time operations cease. A permit applicant must demonstrate its financial ability to meet the closure costs approved by ADEQ. Closure costs for facilities covered by APPs are required to be updated every six years and financial assurance mechanisms are required to be updated every two years. Morenci's APP requires updated stockpile reclamation plans by 2022, which will result in increased closure costs. Bagdad's APP also requires an updated cost estimate for its closure plan in 2022. FCX will continue updating its closure strategy and closure cost estimates at other Arizona sites and intends to submit an updated tailings dam system closure cost for Bagdad according to a schedule to be determined by ADEQ.

Portions of Arizona mining facilities that operated after January 1, 1986, also are subject to the Arizona Mined Land Reclamation Act (AMLRA). AMLRA requires reclamation to achieve stability and safety consistent with post-mining land use objectives specified in a reclamation plan. Reclamation plans must be approved by the State Mine Inspector and must include an estimate of the cost to perform the reclamation measures specified in the plan along with financial assurance. FCX will continue to evaluate options for future reclamation and closure activities at its operating and non-operating sites, which are likely to result in adjustments to FCX's AROs, and those adjustments could be material. At December 31, 2020, FCX had accrued reclamation and closure costs of \$362 million for its Arizona operations.

Colorado Reclamation Programs. FCX's Colorado operations are regulated by the Colorado Mined Land Reclamation Act (Reclamation Act) and regulations promulgated thereunder. Under the Reclamation Act, mines are required to obtain approval of plans for reclamation of lands affected by mining operations to be performed during mining or upon cessation of mining operations. In December 2019, Henderson submitted an updated closure plan, which resulted in increased closure costs. In March 2020, the Division of Reclamation, Mining, and Safety (DRMS) approved Henderson's proposed update to its



closure plan and closure cost estimate. As of December 31, 2020, FCX had accrued reclamation and closure costs of \$138 million for its Colorado operations. In 2019, Colorado enacted legislation that requires proof of an end date for water treatment as a condition of permit authorizations for new mining operations and expansions beyond current permit authorizations. While this requirement does not apply to existing operations, it may lead to changes in long-term water management requirements at Climax and Henderson operations and AROs. In accordance with its permit from DRMS, Climax will submit an updated reclamation plan and cost estimate in 2024.

Chile Reclamation and Closure Programs. El Abra is subject to regulation under the Mine Closure Law administered by the Chile Mining and Geology Agency. In compliance with the requirement for five-year updates, in November 2018, El Abra submitted an updated plan with closure cost estimates based on the existing approved closure plan. Approval of the updated closure plan and cost estimates was received on August 12, 2020, and did not result in a material increase to closure costs. At December 31, 2020, FCX had accrued reclamation and closure costs of \$81 million for its El Abra operation.

Peru Reclamation and Closure Programs. Cerro Verde is subject to regulation under the Mine Closure Law administered by the Peru Ministry of Energy and Mines. Under the closure regulations, mines must submit a closure plan that includes the reclamation methods, closure cost estimates, methods of control and verification, closure and post-closure plans, and financial assurance. In compliance with the five-year closure plan and cost update required by the Mine Closure Law, the latest closure plan and cost estimate for the Cerro Verde mine expansion were submitted in 2017 and approved in February 2018. At December 31, 2020, FCX had accrued reclamation and closure costs of \$138 million for its Cerro Verde operation.

Indonesia Reclamation and Closure Programs. The ultimate amount of reclamation and closure costs to be incurred at PT-FI's operations will be determined based on applicable laws and regulations and PT-FI's assessment of appropriate remedial activities under the circumstances, after consultation with governmental authorities, affected local residents and other affected parties and cannot currently be projected with precision. Some reclamation costs will be incurred during mining activities, while the remaining reclamation costs will be incurred at the end of mining activities, which are currently estimated to continue through 2041. At December 31, 2020, FCX had accrued reclamation and closure costs of \$827 million for its PT-FI operations.

Indonesia government regulations issued in 2010 require a company to provide a mine closure guarantee in the form of a time deposit placed in a state-owned bank in Indonesia. In December 2018, PT-FI, in conjunction with the issuance of the IUPK, submitted a revised mine closure plan to Indonesia's Department of Energy and Mineral Resources to reflect the extension of operations to 2041. At December 31, 2020, PT-FI had restricted time deposits for mine closure guarantees (\$94 million) and reclamation guarantees (\$2 million).

In October 2017, Indonesia's Ministry of Environment and Forestry (the MOEF) notified PT-FI of administrative sanctions related to certain activities the MOEF indicated were not reflected in PT-FI's environmental permit. The MOEF also notified PT-FI that certain operational activities were inconsistent with factors set forth in its environmental permitting studies and that additional monitoring and improvements need to be undertaken related to air quality, water drainage, treatment and handling of certain wastes, and tailings management. In December 2018, the MOEF issued a revised environmental permit to PT-FI to address many of the operational activities that it alleged were inconsistent with earlier studies. The remaining administrative sanctions are being resolved through adoption of revised practices and, in a few situations, PT-FI has agreed with the MOEF on an appropriate multi-year work plan, including the closure of an overburden stockpile. In addition, PT-FI continues to work with MOEF to finalize environmental permitting related to the rail facilities and certain of the underground mining production operations as well as permitting for the extension of levees to contain the lateral flow of tailings in the lowlands.

In December 2018, PT-FI and the MOEF also established a new framework for continuous improvement in environmental practices in PT-FI's operations, including initiatives that PT-FI will pursue to increase tailings retention and to evaluate large-scale beneficial uses of tailings within Indonesia. The MOEF issued a new decree that incorporates various initiatives and studies to be completed by PT-FI that would target continuous improvement in a manner that would not impose new technical risks or significant long-term costs to PT-FI's operations. The new framework enables PT-FI to maintain compliance with site-specific standards and provides for ongoing monitoring by the MOEF. In 2018, PT-FI recorded a \$32 million charge for MOEF assessments of prior period permit fees. In 2020, the final settlement for these permit fees totaled \$13 million and PT-FI recorded a credit of \$19 million.



Oil and Gas Properties. Substantially all of FM O&G's oil and gas leases require that, upon termination of economic production, the working interest owners plug and abandon non-producing wellbores, remove equipment and facilities from leased acreage, and restore land in accordance with applicable local, state and federal laws. Following several sales transactions, FM O&G's remaining operating areas primarily include offshore California and the Gulf of Mexico (GOM). As of December 31, 2020, FM O&G AROs cover approximately 165 wells and 120 platforms and other structures and it had accrued reclamation and closure costs of \$410 million.

Litigation. In addition to the material pending legal proceedings discussed below and above under "Environmental," we are involved periodically in ordinary routine litigation incidental to our business and not required to be disclosed, some of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. SEC regulations require us to disclose environmental proceedings involving a governmental authority if we reasonably believe that such proceedings may result in monetary sanctions above a stated threshold. Pursuant to the SEC regulations, we use a threshold of \$1 million for purposes of determining whether disclosure of any such environmental proceedings is required. Management does not believe, based on currently available information, that the outcome of any current pending legal proceeding will have a material adverse effect on FCX's financial condition, although individual or cumulative outcomes could be material to FCX's operating results for a particular period, depending on the nature and magnitude of the outcome and the operating results for the period.

Louisiana Parishes Coastal Erosion Cases. Certain FCX affiliates were named as defendants, along with numerous co-defendants, in 13 cases out of a total of 42 cases filed in Louisiana state courts by six south Louisiana parishes (Cameron, Jefferson, Plaquemines, St. Bernard, St. John the Baptist and Vermilion), alleging that certain oil and gas exploration and production operations and sulphur mining and production operations in coastal Louisiana contaminated and damaged coastal wetlands and caused significant land loss along the Louisiana coast. The state of Louisiana, through the Attorney General and separately through the Louisiana Department of Natural Resources, intervened in the litigation in support of the parishes' claims. Specifically, the cases alleged the defendants failed to obtain and/or comply with required coastal use permits in violation of the Louisiana State and Local Coastal

Resources Management Act of 1978, and sought unspecified damages for the alleged statutory violations, and restoration of the properties at issue to their original condition. Certain FCX affiliates were named as defendants in two of the five cases that had been set for trial, both originally filed on November 8, 2013: Parish of Plaquemines v. ConocoPhillips Company et al., 25th Judicial District Court, Plaquemines Parish, Louisiana; No. 60-982, Div. B and Parish of Plaquemines v. Hilcorp Energy Company et al., 25th Judicial District Court, Plaquemines Parish, Louisiana; No. 60-999, Div. B. In 2019, affiliates of FCX reached an agreement in principle to settle all 13 cases. The maximum out-of-pocket settlement payment will be \$23.5 million with the initial payment of \$15 million to be paid upon execution of the settlement agreement. The initial payment will be held in trust and later deposited into a newly formed Coastal Zone Recovery Fund (the Fund) once the state of Louisiana passes enabling legislation to establish the Fund. The settlement agreement will also require the FCX affiliates to pay into the Fund twenty annual installments of \$4.25 million beginning in 2023 provided the state of Louisiana passes the enabling legislation. The first two of those annual installments are conditioned only on the enactment of the enabling legislation within three years of execution of the settlement agreement, but all subsequent installments are also conditioned on the FCX affiliates receiving simultaneous reimbursement on a dollar-for-dollar basis from the proceeds of environmental credit sales generated by the Fund, resulting in the \$23.5 million maximum total payment obligation. The settlement agreement must be executed by all parties, including authorized representatives of the six south Louisiana parishes originally plaintiffs in the suit and certain other non-plaintiff Louisiana parishes and the state of Louisiana. The agreement in principle does not include any admission of liability by FCX or its affiliates. FCX recorded a charge in 2019 for the initial payment of \$15 million, which will be paid upon execution of the settlement agreement. The settlement agreement has been executed by the FCX affiliates and several of the Louisiana parishes. FCX expects the agreement to be executed by all parties; however, execution has been delayed by the ongoing COVID-19 pandemic, fall 2020 elections and changes to the administrative structure developed by the Louisiana parishes. Upon execution of the settlement agreement by all parties, the FCX affiliates will be fully released and dismissed from all 13 pending cases.



Asbestos and Talc Claims. Since approximately 1990, various FCX affiliates have been named as defendants in a large number of lawsuits alleging personal injury from exposure to asbestos or talc allegedly contained in industrial products such as electrical wire and cable, raw materials such as paint and joint compounds, talc-based lubricants used in rubber manufacturing or from asbestos contained in buildings and facilities located at properties owned or operated by affiliates of FCX. Many of these suits involve a large number of codefendants. Based on litigation results to date and facts currently known, FCX believes there is a reasonable possibility that losses may have been incurred related to these matters; however, FCX also believes that the amounts of any such losses, individually or in the aggregate, are not material to its consolidated financial statements. There can be no assurance that future developments will not alter this conclusion.

There has been a significant increase in the number of cases alleging the presence of asbestos contamination in talc-based cosmetic and personal care products and in cases alleging exposure to talc products that are not alleged to be contaminated with asbestos. The primary targets have been the producers of those products, but defendants in many of these cases also include talc miners. Cyprus Amax Minerals Company (CAMC), an indirect wholly owned subsidiary of FCX, and Cyprus Mines Corporation (Cyprus Mines), a wholly owned subsidiary of CAMC, are among those targets. Cyprus Mines was engaged in talc mining and processing from 1964 until 1992 when it exited its talc business by conveying it to a third party in two related transactions. Those transactions involved (1) a transfer by Cyprus Mines of the assets of its talc business to a newly formed subsidiary that assumed all pre-sale and post-sale talc liabilities, subject to limited reservations, and (2) a sale of the stock of that subsidiary to the third party. In 2011, the third party sold that subsidiary to Imerys Talc America (Imerys), an affiliate of Imerys S.A. In accordance with the terms of the 1992 transactions and subsequent agreements, Imerys undertook the defense and indemnification of Cyprus Mines and CAMC in talc lawsuits.

Cyprus Mines has contractual indemnification rights, subject to limited reservations, against Imerys, which has historically acknowledged those indemnification obligations and took responsibility for all cases tendered to it. However, on February 13, 2019, Imerys filed for Chapter 11 bankruptcy protection, which triggered an immediate automatic stay under the federal bankruptcy code prohibiting any party from continuing or initiating litigation or asserting new claims against Imerys. As a result, Imerys stopped defending the talc lawsuits against Cyprus Mines and CAMC. In addition, Imerys took the

position that it alone owns, and has the sole right to access, the proceeds of the legacy insurance coverage of Cyprus Mines and CAMC for talc liabilities. In late March 2019, Cyprus Mines and CAMC challenged this position and obtained emergency relief from the bankruptcy court to gain access to the insurance until the question of ownership and contractual access could be decided in an adversary proceeding before the bankruptcy court, which is currently on hold.

FCX recorded legal defense and settlement costs associated with talc-related litigation totaling approximately \$24 million for the year 2020 and \$28 million for the year 2019. Multiple trials previously scheduled during 2020 were postponed because of the ongoing COVID-19 pandemic. Postponed cases may be reset prior to the adversary proceeding regarding the legacy insurance, which is currently on hold.

On December 22, 2020, Imerys filed an amended bankruptcy plan disclosing a global settlement with Cyprus Mines and CAMC, which provides a framework for a full and comprehensive resolution of all current and future potential liabilities arising out of the Cyprus Mines talc business, including claims against FCX, its affiliates, Cyprus Mines, and CAMC.

On January 21, 2021, Imerys sought an injunction temporarily staying approximately 950 talc-related lawsuits against CAMC and Cyprus Mines and the bankruptcy court is expected to rule on the injunction in February 2021. The interim stay is a component of the global settlement but there can be no assurance that the bankruptcy court will impose the interim stay.

On January 23, 2021, Imerys filed the form of a settlement and release agreement to be entered into by CAMC, Cyprus Mines, FCX, Imerys and the other debtors, tort claimants' committee and future claims representative in the Imerys bankruptcy. In accordance with the global settlement, among other things, (1) CAMC will pay a total of \$130 million in cash to a settlement trust in seven annual installments, which will be guaranteed by FCX; (2) CAMC and Cyprus Mines and their affiliates will contribute to the settlement trust all rights that they have to the proceeds of certain legacy insurance policies as well as indemnity rights they have against Johnson & Johnson, and (3) Cyprus Mines will file for Chapter 11 bankruptcy protection with CAMC paying expenses of Cyprus Mines' bankruptcy process. On February 11, 2021, Cyprus Mines filed for Chapter 11 bankruptcy protection. FCX has concluded that it has a probable loss and recorded a \$130 million charge to environmental obligations and shutdown costs in 2020.

The global settlement is subject to, among other things, bankruptcy court approvals of both the Imerys bankruptcy plan and the Cyprus Mines bankruptcy plan, and there can be no assurance that the global settlement will be successfully implemented.



Tax and Other Matters. FCX's operations are in multiple jurisdictions where uncertainties arise in the application of complex tax regulations. Some of these tax regimes are defined by contractual agreements with the local government, while others are defined by general tax laws and regulations. FCX and its subsidiaries are subject to reviews of its income tax filings and other tax payments, and disputes can arise with the taxing authorities over the interpretation of its contracts or laws. The final taxes paid may be dependent upon many factors, including negotiations with taxing authorities. In certain jurisdictions, FCX pays a portion of the disputed amount before formally appealing an assessment. Such payment is recorded as a receivable if FCX believes the amount is collectible.

Cerro Verde Royalty Dispute. SUNAT has assessed mining royalties on ore processed by the Cerro Verde concentrator, which commenced operations in late 2006, for the period December 2006 to December 2013. No assessments can be issued for years after 2013, as Cerro Verde began paying royalties on all of its production in January 2014 under its new 15-year stability agreement. Cerro Verde contested each of these assessments because it believes that its 1998 stability agreement exempts from royalties all minerals extracted from its mining concession, irrespective of the method used for processing such minerals. Since 2014, Cerro Verde has been paying the disputed assessments for the period from December 2006 through December 2013 under installment payment programs provided under Peru law. Through December 31, 2020, Cerro Verde has paid \$477 million under these installment payment programs.

In October 2017, the Peru Supreme Court issued a ruling in favor of SUNAT that the assessments of royalties for the year 2008 on ore processed by the Cerro Verde concentrator were proper under Peru law. As a result of the unfavorable Peru Supreme Court ruling, Cerro Verde recorded net charges in 2017. In September 2018, the Peru Tax Tribunal denied Cerro Verde's request to waive penalties and interest, primarily associated with the disputed assessments for the period January 2009 through September 2011. In December 2018, Cerro Verde elected not to appeal the Peru Tax Tribunal's decisions, and as a result, recorded net charges for these amounts in 2018.

As of December 31, 2019, Cerro Verde had recorded all of its exposure associated with disputed royalties for prior years with the Peru tax authorities. Cumulative charges to net income recorded during the three years ended December 31, 2019, totaled \$388 million. Any future recoveries would be recorded when collected.

A summary of the charges recorded for the three years ended December 31, 2019, related to the Cerro Verde royalty dispute follows:

	2019	2018 ^a	2017	Total
Royalty and related assessment charges:				
Production and delivery	\$ 6	\$ 14	\$ 203 ^b	\$ 223
Interest expense, net	10	370	145	525
Other expense	—	22	—	22
(Benefit from) provision for income taxes	(2)	(35)	7 ^c	(30)
Net loss attributable to noncontrolling interests	(7)	(176)	(169)	(352)
	<u>\$ 7</u>	<u>\$ 195</u>	<u>\$ 186</u>	<u>\$ 388</u>

- Amounts are net of gains of \$16 million (consisting of pre-tax gains of \$14 million and net tax benefits of \$17 million, net of \$15 million in noncontrolling interests) for refunds received for the overpayment of special (voluntary) levies for the period October 2012 through the year 2013.
- Includes \$175 million related to disputed royalty assessments for the period from December 2006 to September 2011 (when royalties were determined based on revenues).
- Includes tax charges of \$136 million for disputed royalties (\$69 million) and other related mining taxes (\$67 million) for the period October 2011 through the year 2013 when royalties were determined based on operating income, mostly offset by a tax benefit of \$129 million associated with disputed royalties and other related mining taxes for the period December 2006 through December 2013.

Cerro Verde has also recorded other interest charges associated with royalty matters, including installment payment programs, totaling \$44 million in 2020 and \$58 million in 2019.

On February 28, 2020, FCX filed on its own behalf and on behalf of Cerro Verde international arbitration proceedings against the Peru government. In April 2020, SMM Cerro Verde Netherlands B.V., another shareholder of Cerro Verde, filed a parallel arbitration proceeding under a different investment treaty against the Peru government.

Other Peru Tax Matters. Cerro Verde has also received assessments from SUNAT for additional taxes, penalties and interest related to various audit exceptions for income and other taxes. Cerro Verde has filed or will file objections to the assessments because it believes it has properly determined and paid its taxes. A summary of these assessments follows:

Tax Year	Tax Assessment	Penalty and Interest Assessment	Total
2003 to 2008	\$ 50	\$129	\$179
2009	56	52	108
2010	54	118	172
2011 and 2012	42	78	120
2013	48	66	114
2014 to 2020	45	—	45
	<u>\$295</u>	<u>\$443</u>	<u>\$738</u>



As of December 31, 2020, Cerro Verde had paid \$433 million on these disputed tax assessments. A reserve has been applied against these payments totaling \$243 million, resulting in a net receivable of \$190 million (included in other assets), which Cerro Verde believes is collectible.

Indonesia Tax Matters. PT-FI has received assessments from the Indonesia tax authorities for additional taxes and interest related to various audit exceptions for income and other taxes. PT-FI has filed objections to the assessments because it believes it has properly determined and paid its taxes. Excluding surface water and withholding tax assessments discussed below and the Indonesia government's previous imposition of a 7.5 percent export duty that PT-FI paid under protest during the period April 2017 to December 21, 2018 (refer to Note 13), a summary of these assessments follows:

Tax Year	Tax Assessment	Interest Assessment	Total
2005	\$ 62	\$ 30	\$ 92
2007	48	23	71
2008, 2010 to 2011	31	8	39
2012	97	—	97
2013	152	76	228
2014	123	—	123
2015	159	—	159
2016	257	113	370
2017	40	19	59
	<u>\$969</u>	<u>\$269</u>	<u>\$1,238</u>

As of December 31, 2020, PT-FI had paid \$143 million (included in other assets) on disputed tax assessments, which it believes is collectible.

Surface Water Taxes. PT-FI received assessments from the local regional tax authority in Papua, Indonesia, for additional taxes and penalties related to surface water taxes for the period from January 2011 through December 2018. As a result, PT-FI offered to pay one trillion rupiah to settle these historical surface water tax disputes and charged \$69 million to production and delivery costs in December 2018. In May 2019, PT-FI agreed to a final settlement of 1.394 trillion rupiah (approximately \$99 million) and recorded an incremental charge of \$28 million. PT-FI paid 708.5 billion rupiah (\$50 million) in October 2019, and will pay the balance of 685.5 billion rupiah (\$49 million based on the exchange rate at December 31, 2020, and included in accounts payable and accrued liabilities in the consolidated balance sheet at December 31, 2020) in 2021.

Export Duty Matter. In April 2017, PT-FI entered into a memorandum of understanding with the Indonesia government (the 2017 MOU) confirming that the former COW would continue to be valid and honored until replaced by a mutually agreed IUPK and investment stability agreement and agreed to continue to pay export duties of 5 percent on copper concentrate export sales until completion of the divestment and new IUPK. Subsequently, the Customs Office of the Minister of Finance refused to recognize the 5 percent export duty agreed to under the 2017 MOU and imposed a 7.5 percent export duty under the Ministry of Finance regulations. PT-FI paid \$155 million under protest during the period April 2017 and December 21, 2018, and appealed the disputed amounts to the Indonesia Tax Court. The Indonesia Tax Court subsequently ruled in favor of PT-FI related to the cases involving \$29 million of the disputed amounts, which were refunded by the Indonesia Customs Office to PT-FI. The Indonesia Customs Office appealed the Indonesia Tax Court decisions on these cases to the Indonesia Supreme Court. On October 29, 2019, the Indonesia Supreme Court posted on its website rulings unfavorable to PT-FI for certain of the appealed cases involving approximately half of the \$29 million that had been refunded to PT-FI. As a result of the October 2019 ruling, FCX recorded a charge of \$155 million in 2019 to fully reserve for this matter. PT-FI continues to believe that a five percent export duty was applicable during this period and is evaluating options to recover these overpayments.

Withholding Tax Assessments. In January 2019, the Indonesia Supreme Court posted on its website an unfavorable decision related to a PT-FI 2005 withholding tax matter. PT-FI had also received an unfavorable Indonesia Supreme Court decision in November 2017 and has other pending cases at the Indonesia Supreme Court related to withholding taxes for employees and other service providers for the year 2005 and the year 2007, which total approximately \$47 million (based on the exchange rate as of December 31, 2020, and included in accounts payable and accrued liabilities in the consolidated balance sheet at December 31, 2020), including penalties and interest. As a result of the January 2019 ruling, PT-FI concluded a loss on all outstanding withholding tax matters is probable under applicable accounting guidance, and it recorded a charge of \$61 million in 2018.

For information regarding PT-FI mine development cost tax matters, refer to Note 11.



Smelter Development Progress. As a result of COVID-19 mitigation measures, there have been disruptions to work and travel schedules of international contractors and restrictions on access to the proposed physical site of the new smelter in Gresik, Indonesia. PT-FI continues to discuss with the Indonesia government a deferred schedule for the new smelter project as well as other alternatives in light of the ongoing COVID-19 pandemic and volatile global economic conditions.

On January 7, 2021, the Indonesia government levied an administrative fine of \$149 million for the period from March 30, 2020, through September 30, 2020 (additional fines could be levied on exports after September 30, 2020), on PT-FI for failing to achieve physical development progress on the new smelter as of July 31, 2020. On January 13, 2021, PT-FI responded to the Indonesia government objecting to the fine because of events outside of its control causing a delay of the new smelter's development progress. PT-FI believes that its communications during 2020 with the Indonesia government were not properly considered before the administrative fine was levied. PT-FI and its legal counsel believe, upon consideration of all the facts, PT-FI is not obligated to pay the fine and, therefore, it has not recorded an accrual for this loss contingency.

Letters of Credit, Bank Guarantees and Surety Bonds.

Letters of credit and bank guarantees totaled \$671 million at December 31, 2020, primarily for environmental and AROs, the Cerro Verde royalty dispute (refer to discussion above), workers' compensation insurance programs, tax and customs obligations, and other commercial obligations. In addition, FCX had surety bonds totaling \$437 million at December 31, 2020, primarily associated with environmental and AROs.

Insurance. FCX purchases a variety of insurance products to mitigate potential losses, which typically have specified deductible amounts or self-insured retentions and policy limits. FCX generally is self-insured for U.S. workers' compensation but purchases excess insurance up to statutory limits. An actuarial analysis is performed twice a year on the various casualty insurance programs covering FCX's U.S.-based mining operations, including workers' compensation, to estimate expected losses. At December 31, 2020, FCX's liability for expected losses under these insurance programs totaled \$50 million, which consisted of a current portion of \$9 million (included in accounts payable and accrued liabilities) and a long-term portion of \$41 million (included in other liabilities). In addition, FCX has receivables of \$14 million (a current

portion of \$5 million included in other accounts receivable and a long-term portion of \$9 million included in other assets) for expected claims associated with these losses to be filed with insurance carriers.

FCX's oil and gas operations are subject to all of the risks normally incident to the production of oil and gas, including well blowouts, cratering, explosions, oil spills, releases of gas or well fluids, fires, pollution and releases of toxic gas, each of which could result in damage to or destruction of oil and gas wells, production facilities or other property, or injury to persons. While FCX is not fully insured against all risks related to its oil and gas operations, its insurance policies provide limited coverage for losses or liabilities relating to pollution, with broader coverage for sudden and accidental occurrences. FCX is self-insured for named windstorms in the GOM.

NOTE 13. COMMITMENTS AND GUARANTEES

Leases. Effective January 1, 2019, FCX adopted the new ASU for lease accounting. FCX leases various types of properties, including offices and equipment under non-cancelable leases. Nearly all of FCX's leases were considered operating leases under the new ASU.

The components of FCX's leases presented in the consolidated balance sheet for the years ended December 31 follow:

	2020	2019
Lease right-of-use assets (included in property, plant, equipment and mine development costs, net)	<u>\$207</u>	<u>\$232</u>
Short-term lease liabilities (included in accounts payable and accrued liabilities)	\$ 38	\$ 44
Long-term lease liabilities (included in other liabilities)	190	204
Total lease liabilities	<u>\$228</u>	<u>\$248</u>

Operating lease costs, primarily included in production and delivery expense in the consolidated statement of operations, for the two years ended December 31 follow:

	2020	2019
Operating leases	\$ 42	\$ 55
Variable and short-term leases	74	79
Total operating lease costs	<u>\$116</u>	<u>\$134</u>

Prior to the adoption of the new ASU, lease costs totaled \$80 million in 2018 (FCX elected the practical expedient not to adjust that year).



FCX paid \$40 million during 2020 and \$43 million in 2019 for lease liabilities recorded in the consolidated balance sheet (primarily included in operating cash flows in the consolidated statements of cash flows). As of December 31, 2020, the weighted-average discount rate used to determine the lease liabilities was 5.4 percent (5.5 percent as of December 31, 2019) and the weighted-average remaining lease term was 7.7 years (8.2 years as of December 31, 2019).

The future minimum payments for leases presented in the consolidated balance sheet at December 31, 2020, follow:

2021	\$ 50
2022	41
2023	36
2024	34
2025	29
Thereafter	97
Total payments	<u>287</u>
Less amount representing interest	(59)
Present value of net minimum lease payments	<u>228</u>
Less current portion	(38)
Long-term portion	<u>\$190</u>

Contractual Obligations. At December 31, 2020, based on applicable prices on that date, FCX has unconditional purchase obligations (including take-or-pay contracts with terms less than one year) of \$4.2 billion, primarily comprising the procurement of copper concentrate (\$2.9 billion), cobalt (\$516 million), electricity (\$301 million) and transportation services (\$209 million). Some of FCX's unconditional purchase obligations are settled based on the prevailing market rate for the service or commodity purchased. In some cases, the amount of the actual obligation may change over time because of market conditions. Obligations for copper concentrate provide for deliveries of specified volumes to Atlantic Copper at market-based prices. Obligations for cobalt hydroxide intermediate provide for deliveries of specified volumes to Freeport Cobalt at market-based prices. Electricity obligations are primarily for long-term power purchase agreements in North America and contractual minimum demand at the South America mines. Transportation obligations are primarily for South America contracted ocean freight.

FCX's unconditional purchase obligations by year total \$1.8 billion in 2021, \$1.2 billion in 2022, \$539 million in 2023, \$334 million in 2024, \$119 million in 2025 and \$253 million thereafter. During the three-year period ended December 31, 2020, FCX fulfilled its minimum contractual purchase obligations.

Special Mining License (IUPK)—Indonesia. As discussed in Note 2, on December 21, 2018, FCX completed the transaction with the Indonesia government regarding PT-FI's long-term mining rights and share ownership. Concurrent with the closing of the transaction, the Indonesia government granted PT-FI an IUPK to replace its former COW, enabling PT-FI to conduct operations in the Grasberg minerals district through 2041. Under the terms of the IUPK, PT-FI has been granted an extension of mining rights through 2031, with rights to extend mining rights through 2041, subject to PT-FI completing the construction of a new smelter in Indonesia within five years of closing the transaction and fulfilling its defined fiscal obligations to the Indonesia government. The IUPK, and related documentation, contains legal and fiscal terms and is legally enforceable through 2041. In addition, FCX, as a foreign investor, has rights to resolve investment disputes with the Indonesia government through international arbitration.

The key fiscal terms set forth in the IUPK include a 25 percent corporate income tax rate, a 10 percent profits tax on net income, and royalty rates of 4 percent for copper, 3.75 percent for gold and 3.25 percent for silver. PT-FI's royalties totaled \$160 million in 2020, \$106 million in 2019 and \$238 million in 2018. Dividend distributions from PT-FI to FCX are subject to a 10 percent withholding tax.

The IUPK requires PT-FI to pay export duties of 5 percent, declining to 2.5 percent when smelter development progress exceeds 30 percent and eliminated when smelter progress exceeds 50 percent. PT-FI had previously agreed to and has been paying export duties since July 2014 (refer to Note 12 for further discussion of disputed export duties for the period April 2017 to December 21, 2018). PT-FI's export duties charged against revenues totaled \$92 million in 2020, \$66 million in 2019 (excluding \$155 million associated with the historical export duty matter as discussed in Note 12), and \$180 million in 2018.

The IUPK also requires PT-FI to pay surface water taxes of \$15 million annually, beginning in 2019, which are recognized in production and delivery costs as incurred.

In connection with a memorandum of understanding previously entered into with the Indonesia government in July 2014, PT-FI provided an assurance bond at that time to support its commitment to construct a new smelter in Indonesia (\$148 million based on exchange rate as of December 31, 2020).

In March 2020, PT-FI received a one-year extension of its export license through March 15, 2021.



Community Development Programs. FCX has adopted policies that govern its working relationships with the communities where it operates. These policies are designed to guide its practices and programs in a manner that respects and promotes basic human rights and the culture of the local people impacted by FCX's operations. FCX continues to make significant expenditures on community development, education, training and cultural programs.

In 1996, PT-FI established the Freeport Partnership Fund for Community Development (Partnership Fund) through which PT-FI has made available funding and technical assistance to support community development initiatives in the areas of health, education, economic development and local infrastructure of the area. Throughout 2019, PT-FI consulted with key stakeholders to restructure the management of the Partnership Fund in compliance with PT-FI's IUPK. Throughout the restructuring process, PT-FI continued its contributions to ensure no disruptions in implementation of approved projects. Beginning in February 2020, the Partnership Fund is managed by a legally recognized Indonesian foundation (*Yayasan Pemberdayaan Masyarakat Amungme dan Kamoro*, or YPMAK). PT-FI charged \$36 million in 2020, \$28 million in 2019 and \$55 million in 2018 to cost of sales for this commitment.

Guarantees. FCX provides certain financial guarantees (including indirect guarantees of the indebtedness of others) and indemnities.

Prior to its acquisition by FCX, FMC and its subsidiaries have, as part of merger, acquisition, divestiture and other transactions, from time to time, indemnified certain sellers, buyers or other parties related to the transaction from and against certain liabilities associated with conditions in existence (or claims associated with actions taken) prior to the closing date of the transaction. As part of these transactions, FMC indemnified the counterparty from and against certain excluded or retained liabilities existing at the time of sale that would otherwise have been transferred to the party at closing. These indemnity provisions generally now require FCX to indemnify the party against certain liabilities that may arise in the future from the pre-closing activities of FMC for assets sold or purchased. The indemnity classifications include environmental, tax and certain operating liabilities, claims or litigation existing at closing and various excluded liabilities or obligations. Most of these indemnity obligations arise from transactions that closed many years ago, and given the nature of these indemnity obligations, it is not possible to

estimate the maximum potential exposure. Except as described in the following sentence, FCX does not consider any of such obligations as having a probable likelihood of payment that is reasonably estimable, and accordingly, has not recorded any obligations associated with these indemnities. With respect to FCX's environmental indemnity obligations, any expected costs from these guarantees are accrued when potential environmental obligations are considered by management to be probable and the costs can be reasonably estimated.

NOTE 14. 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. Derivative financial instruments used by FCX to manage its risks do not contain credit risk-related contingent provisions.

In April 2020, FCX entered into forward sales contracts for 150 million pounds of copper for settlement in May and June of 2020. The forward sales provided for fixed pricing of \$2.34 per pound of copper on approximately 60 percent of North America's sales volumes for May and June 2020. These contracts resulted in hedging losses totaling \$24 million for the year ended December 31, 2020. There were no remaining forward sales contracts after June 30, 2020.

A discussion of FCX's other 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 COMEX 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

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are recorded in revenues. FCX did not have any significant gains or losses during the three years ended December 31, 2020, resulting from hedge ineffectiveness. At December 31, 2020, FCX held copper futures and swap contracts that qualified for hedge accounting for 50 million pounds at an average contract price of \$3.21 per pound, with maturities through December 2022.

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, including the unrealized gains (losses) on the related hedged item for the years ended December 31 follows:

	2020	2019	2018
Copper futures and swap contracts:			
Unrealized gains (losses):			
Derivative financial instruments	\$ 9	\$ 15	\$(20)
Hedged item – firm sales commitments	(9)	(15)	20
Realized gains (losses):			
Matured derivative financial instruments	22	(8)	(22)

Derivatives Not Designated as Hedging Instruments

Embedded Derivatives. Certain FCX concentrate, copper cathode and gold sales contracts provide for provisional pricing primarily based on the LME copper price or the COMEX copper price and the London gold price at the time of shipment as specified in the contract. FCX receives market prices based on prices in the specified future month, which results in price fluctuations recorded in revenues until the date of settlement. FCX records revenues and invoices customers at the time of shipment based on then-current LME or COMEX copper prices and London gold prices as specified in the contracts, which results in an embedded derivative (*i.e.*, a pricing mechanism that is finalized after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale of the metals contained in the concentrate or cathode at the then-current LME or COMEX copper price and the London gold price. FCX applies the normal purchases and normal sales scope exception in accordance with derivatives and hedge accounting guidance to the host contract in its concentrate or cathode sales agreements since these contracts do not allow for net settlement and always result in physical delivery. The embedded derivative does not qualify for hedge accounting and is adjusted to fair value through earnings each period, using the period-end LME or COMEX copper forward prices and the adjusted London gold price, until the date of final pricing. Similarly, FCX purchases copper and cobalt under contracts

that provide for provisional pricing. 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 inventory for purchase contracts.

A summary of FCX's embedded derivatives at December 31, 2020, follows:

	Open Positions	Average Price Per Unit		Maturities Through
		Contract	Market	
Embedded derivatives in provisional sales contracts:				
Copper (millions of pounds)	520	\$ 3.21	\$ 3.52	May 2021
Gold (thousands of ounces)	142	1,850	1,893	February 2021
Embedded derivatives in provisional purchase contracts:				
Copper (millions of pounds)	53	3.15	3.52	April 2021

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 production and delivery costs. At December 31, 2020, Atlantic Copper held net copper forward purchase contracts for 6 million pounds at an average contract price of \$3.56 per pound, with maturities through February 2021.

Summary of Gains (Losses). A summary of the realized and unrealized gains (losses) recognized in operating income for commodity contracts that do not qualify as hedge transactions, including embedded derivatives, for the years ended December 31 follows:

	2020	2019	2018
Embedded derivatives in provisional sales contracts ^a :			
Copper	\$259	\$34	\$(310)
Gold and other	45	20	(7)
Copper forward contracts ^b	3	(7)	18

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:

December 31,	2020	2019
Commodity Derivative Assets:		
<i>Derivatives designated as hedging instruments:</i>		
Copper futures and swap contracts	\$ 15	\$ 6
<i>Derivatives not designated as hedging instruments:</i>		
Embedded derivatives in provisional sales/ purchase contracts	169	68
Total derivative assets	\$184	\$74
Commodity Derivative Liabilities:		
<i>Derivatives not designated as hedging instruments:</i>		
Embedded derivatives in provisional sales/ purchase contracts	\$ 21	\$20
Copper forward contracts	—	1
Total derivative liabilities	\$ 21	\$21

FCX's commodity contracts have netting arrangements with counterparties with which the right of offset exists, and it is FCX's policy to generally offset balances by contract on its balance sheet. FCX's embedded derivatives on provisional sales/purchase contracts are netted with the corresponding outstanding receivable/payable balances.

A summary of these unsettled commodity contracts that are offset in the balance sheet follows:

December 31,	Assets		Liabilities	
	2020	2019	2020	2019
Gross amounts recognized:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	\$169	\$68	\$21	\$20
Copper derivatives	15	6	—	1
	184	74	21	21
Less gross amounts of offset:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	1	—	1	—
	1	—	1	—
Net amounts presented in balance sheet:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	168	68	20	20
Copper derivatives	15	6	—	1
	\$183	\$74	\$20	\$21
Balance sheet classification:				
Trade accounts receivable	\$168	\$66	\$ —	\$ —
Other current assets	15	6	—	—
Accounts payable and accrued liabilities	—	2	20	21
	\$183	\$74	\$20	\$21

Credit Risk. FCX is exposed to credit loss when financial institutions with which it 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 December 31, 2020, the maximum amount of credit exposure associated with derivative transactions was \$186 million.

Other Financial Instruments. Other financial instruments include cash and cash equivalents, restricted cash, restricted cash equivalents, accounts receivable, 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 \$0.3 billion at December 31, 2020, and \$1.3 billion at December 31, 2019), restricted cash, restricted cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable approximates fair value because of their short-term nature and generally negligible credit losses (refer to Note 15 for the fair values of investment securities, legally restricted funds and long-term debt).

In addition, as of December 31, 2020, FCX has contingent consideration assets related to the sales of certain oil and gas properties (refer to Note 15 for the related fair values).

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents. The following table provides a reconciliation of total cash, cash equivalents, restricted cash and restricted cash equivalents presented in the consolidated statements of cash flows to the components presented in the consolidated balance sheets:

December 31,	2020	2019
Balance sheet components:		
Cash and cash equivalents	\$3,657	\$2,020
Restricted cash and restricted cash equivalents included in:		
Other current assets	97	100
Other assets	149	158
Total cash, cash equivalents, restricted cash and restricted cash equivalents presented in the consolidated statements of cash flows	\$3,903	\$2,278

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NOTE 15. 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) and the lowest priority to unobservable inputs (Level 3). FCX did not have any significant transfers in or out of Level 3 for 2020.

FCX's financial instruments are recorded on the consolidated

balance sheets at fair value except for contingent consideration associated with the sale of the Deepwater GOM oil and gas properties (which was recorded under the loss recovery approach) and debt. A summary of the carrying amount and fair value of FCX's financial instruments (including those measured at NAV as a practical expedient), other than cash and cash equivalents, restricted cash, restricted cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable (refer to Note 14) follows:

	At December 31, 2020					
	Carrying Amount	Total	NAV	Level 1	Level 2	Level 3
Assets						
Investment securities: ^{a,b}						
U.S. core fixed income fund	\$ 29	\$ 29	\$29	\$ —	\$ —	\$ —
Equity securities	7	7	—	7	—	—
Total	36	36	29	7	—	—
Legally restricted funds: ^a						
U.S. core fixed income fund	65	65	65	—	—	—
Government bonds and notes	49	49	—	—	49	—
Corporate bonds	43	43	—	—	43	—
Government mortgage-backed securities	30	30	—	—	30	—
Asset-backed securities	16	16	—	—	16	—
Money market funds	5	5	—	5	—	—
Collateralized mortgage-backed securities	4	4	—	—	4	—
Municipal bonds	1	1	—	—	1	—
Total	213	213	65	5	143	—
Derivatives:						
Embedded derivatives in provisional sales/purchase contracts in a gross asset position ^c	169	169	—	—	169	—
Copper futures and swap contracts ^c	15	15	—	13	2	—
Total	184	184	—	13	171	—
Contingent consideration for the sale of the Deepwater GOM oil and gas properties ^a	108	88	—	—	—	88
Liabilities						
Derivatives: ^c						
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	21	21	—	—	21	—
Long-term debt, including current portion ^d	9,711	10,994	—	—	10,994	—



	At December 31, 2019					
	Carrying Amount	Fair Value				
		Total	NAV	Level 1	Level 2	Level 3
Assets						
Investment securities: ^{a,b}						
U.S. core fixed income fund	\$ 27	\$ 27	\$27	\$ —	\$ —	\$ —
Equity securities	4	4	—	4	—	—
Total	31	31	27	4	—	—
Legally restricted funds: ^a						
U.S. core fixed income fund	59	59	59	—	—	—
Government mortgage-backed securities	43	43	—	—	43	—
Government bonds and notes	36	36	—	—	36	—
Corporate bonds	33	33	—	—	33	—
Asset-backed securities	14	14	—	—	14	—
Collateralized mortgage-backed securities	7	7	—	—	7	—
Money market funds	3	3	—	3	—	—
Municipal bonds	1	1	—	—	1	—
Total	196	196	59	3	134	—
Derivatives:						
Embedded derivatives in provisional sales/purchase contracts in a gross asset position ^c	68	68	—	—	68	—
Copper futures and swap contracts ^c	6	6	—	5	1	—
Contingent consideration for the sale of onshore California oil and gas properties ^a	11	11	—	—	11	—
Total	85	85	—	5	80	—
Contingent consideration for the sale of the Deepwater GOM oil and gas properties ^a	122	108	—	—	—	108
Liabilities						
Derivatives:						
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	20	20	—	—	20	—
Copper forward contracts	1	1	—	—	1	—
Total	21	21	—	—	21	—
Long-term debt, including current portion ^d	9,826	10,239	—	—	10,239	—

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

b. Excludes time deposits (which approximated fair value) included in (i) other current assets of \$97 million at December 31, 2020, and \$100 million at December 31, 2019, and (ii) other assets of \$148 million at December 31, 2020, and \$157 million at December 31, 2019, primarily associated with an assurance bond to support PT-FI's commitment for the development of a new smelter in Indonesia (refer to Note 13 for further discussion) and PT-FI's closure and reclamation guarantees (refer to Note 12 for further discussion).

c. Refer to Note 14 for further discussion and balance sheet classifications.

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



Valuation Techniques. The U.S. core fixed income fund is valued at NAV. 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 (which are usually within one business day of notice).

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.

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. 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.

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

FCX's embedded derivatives on provisional copper concentrate, copper cathode and gold purchases and sales are valued using only quoted monthly LME or COMEX copper forward prices and the adjusted London gold prices at each reporting date based on the month of maturity (refer to Note 14 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 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 14 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.

In 2016, FCX completed the sale of its onshore California oil and gas properties, which included contingent consideration of up to \$150 million, consisting of \$50 million per year for 2018, 2019 and 2020 if the price of Brent crude oil averages over \$70 per barrel in each of these calendar years. No contingent

consideration was realized in 2020 or 2019 because the average Brent crude oil price did not exceed \$70 per barrel for either year. Contingent consideration of \$50 million was realized in 2018 and collected in first-quarter 2019 (included in proceeds from sales of assets in the consolidated statements of cash flows) because the average Brent crude oil price exceeded \$70 per barrel for 2018. The fair value of the contingent consideration derivative was \$11 million (included in other assets in the consolidated balance sheets) at December 31, 2019. The fair value at December 31, 2019, was calculated based on average commodity price forecasts through the applicable maturity date using a Monte-Carlo simulation model. The model used various observable inputs, including Brent crude oil forward prices, volatilities and discount rates. As a result, this contingent consideration asset was classified within Level 2 of the fair value hierarchy.

In December 2016, FCX's sale of its Deepwater GOM oil and gas properties included up to \$150 million in contingent consideration that was recorded at the total amount under the loss recovery approach. The contingent consideration will be received over time as future cash flows are realized from a third-party production handling agreement for an offshore platform, with the related payments commencing in third-quarter 2018. The contingent consideration included in (i) other current assets totaled \$12 million at December 31, 2020, and \$18 million at December 31, 2019, and (ii) other assets totaled \$96 million at December 31, 2020, and \$104 million at December 31, 2019. The fair value of this contingent consideration was calculated based on a discounted cash flow model using inputs that include third-party estimates for reserves, production rates and production timing, and discount rates. Because significant inputs are not observable in the market, the contingent consideration is classified within Level 3 of the fair value hierarchy.

Long-term debt, including current portion, is primarily valued using available market quotes and, as such, is classified within Level 2 of the fair value hierarchy.

The techniques described above may produce a fair value that may not be indicative of NRV 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 December 31, 2020, as compared to those techniques used at December 31, 2019.



A summary of the changes in the fair value of FCX's Level 3 instrument, contingent consideration for the sale of the Deepwater GOM oil and gas properties, for the years ended December 31 follows:

	2020	2019	2018
Balance at beginning of year	\$108	\$127	\$134
Net unrealized (losses) gains related to assets still held at the end of the year	(6)	2	—
Settlements	(14)	(21)	(7)
Balance at end of year	\$ 88	\$108	\$127

NOTE 16. BUSINESS SEGMENT INFORMATION

Product Revenues. FCX's revenues attributable to the products it sold for the years ended December 31 follow:

	2020	2019	2018
Copper:			
Concentrate	\$ 4,294	\$ 4,566	\$ 6,180
Cathode	4,204	3,656	4,366
Rod and other refined copper products	2,052	2,110	2,396
Purchased copper ^a	821	1,060	1,053
Gold	1,702	1,620	3,231
Molybdenum	848	1,169	1,190
Other ^b	592	905	1,490
Adjustments to revenues:			
Treatment charges	(362)	(404)	(535)
Royalty expense ^c	(165)	(113)	(246)
Export duties ^d	(92)	(221)	(180)
Revenues from contracts with customers	13,894	14,348	18,945
Embedded derivatives ^e	304	54	(317)
Total consolidated revenues	\$14,198	\$14,402	\$18,628

- a. FCX purchases copper cathode primarily for processing by its Rod & Refining operations.
b. Primarily includes revenues associated with cobalt and silver.
c. Reflects royalties on sales from PT-FI and Cerro Verde that will vary with the volume of metal sold and prices.
d. Reflects PT-FI export duties. The year 2019 includes charges totaling \$155 million primarily associated with an unfavorable Indonesia Supreme Court ruling related to certain disputed export duties (refer to Note 12).
e. Refer to Note 14 for discussion of embedded derivatives related to FCX's provisionally priced concentrate and cathode sales contracts.

Geographic Area. Information concerning financial data by geographic area follows:

December 31,	2020	2019
Long-lived assets:^a		
Indonesia	\$15,567	\$14,971
U.S.	8,420	8,834
Peru	6,989	7,215
Chile	1,172	1,084
Other	290	384
Total	\$32,438	\$32,488

- a. Excludes deferred tax assets and intangible assets.

Years Ended December 31,	2020	2019	2018
Revenues:^a			
U.S.	\$ 5,248	\$ 5,107	\$ 5,790
Switzerland	2,032	2,223	2,941
Indonesia	1,760	1,894	2,226
Japan	1,205	1,181	1,946
Spain	785	884	1,070
China	692	531	873
United Kingdom	491	233	296
Germany	248	311	256
Chile	221	242	294
France	153	198	255
India	152	107	389
Korea	89	140	269
Belgium	36	160	278
Philippines	34	73	221
Bermuda	—	38	207
Other	1,052	1,080	1,317
Total	\$14,198	\$14,402	\$18,628

- a. Revenues are attributed to countries based on the location of the customer.

Major Customers and Affiliated Companies. Copper concentrate sales to PT Smelting totaled 12 percent of FCX's consolidated revenues for the year ended December 31, 2020, 13 percent for the year ended December 31, 2019, and 12 percent for the year ended December 31, 2018, which is the only customer that accounted for 10 percent or more of FCX's consolidated revenues during the three years ended December 31, 2020.

Consolidated revenues include sales to the noncontrolling interest owners of FCX's South America mining operations totaling \$0.9 billion in 2020, \$1.0 billion in 2019 and \$1.2 billion in 2018, and PT-FI's sales to PT Smelting totaling \$1.8 billion in 2020, \$1.9 billion in 2019 and \$2.2 billion in 2018.

Labor Matters. As of December 31, 2020, approximately 38 percent of FCX's global labor force was covered by collective bargaining agreements, and approximately 16 percent was covered by agreements that expired and are currently being negotiated or will expire within one year. In December 2020, PT-FI signed a new agreement with one union effective April 2020 through March 2022, giving all employees the option to reject the new stipulations, but no employees have rejected the agreement. Another union filed a lawsuit in November 2020 regarding the new agreement, and the pending decision could modify the agreement.



Business Segments. FCX has organized its mining operations into four primary divisions—North America copper mines, South America mining, Indonesia mining and Molybdenum mines, and operating segments that meet certain thresholds are reportable segments. Separately disclosed in the following tables are FCX’s reportable segments, which include the Morenci, Cerro Verde and Grasberg (Indonesia Mining) copper mines, the Rod & Refining operations and Atlantic Copper Smelting & Refining.

At year-end 2020, FCX’s Bagdad mine did not meet the quantitative thresholds of a reportable segment. As a result, FCX revised its segment disclosure for the years ended December 31, 2019 and 2018, to conform with the current year presentation.

Intersegment sales between FCX’s business segments are based on terms similar to arm’s-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 segments, including Atlantic Copper Smelting & Refining, and on 25 percent of PT-FI’s sales to PT Smelting, until final sales to third parties occur. Quarterly variations in ore grades, the timing of intercompany shipments and changes in product prices result in variability in FCX’s net deferred profits and quarterly earnings.

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 Financial Information by Business Segment 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.

North America Copper Mines. FCX operates seven open-pit copper mines in North America—Morenci, Bagdad, Safford (including Lone Star), Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico. The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and SX/EW operations. A majority of the copper produced at the North America copper mines is cast into copper rod by FCX’s Rod & Refining segment. In addition to copper, certain of FCX’s North America copper mines also produce molybdenum concentrate, gold and silver.

The Morenci open-pit mine, located in southeastern Arizona, produces copper cathode and copper concentrate. In addition to copper, the Morenci mine also produces molybdenum concentrate. The Morenci mine produced 50 percent of FCX’s North America copper during 2020.

South America Mining. South America mining includes two operating copper mines—Cerro Verde in Peru and El Abra in Chile. These operations include open-pit mining, sulfide ore concentrating, leaching and SX/EW operations.

The Cerro Verde open-pit copper mine, located near Arequipa, Peru, produces copper cathode and copper concentrate. In addition to copper, the Cerro Verde mine also produces molybdenum concentrate and silver. The Cerro Verde mine produced 84 percent of FCX’s South America copper during 2020.

Indonesia Mining. Indonesia mining includes PT-FI’s Grasberg minerals district that produces copper concentrate that contains significant quantities of gold and silver.

Molybdenum Mines. Molybdenum mines include the wholly owned Henderson underground mine and Climax open-pit mine, both in Colorado. The Henderson and Climax mines produce high-purity, chemical-grade molybdenum concentrate, which is typically further processed into value-added molybdenum chemical products.

Rod & Refining. The Rod & Refining segment consists of copper conversion facilities located in North America, and includes a refinery and two rod mills, which are combined in accordance with segment reporting aggregation guidance. These operations process copper produced at FCX’s North America copper mines and purchased copper into copper cathode, rod and custom copper shapes. At times these operations refine copper and produce copper rod and shapes for customers on a toll basis. Toll arrangements require the tolling customer to deliver appropriate copper-bearing material to FCX’s facilities for processing into a product that is returned to the customer, who pays FCX for processing its material into the specified products.



Atlantic Copper Smelting & Refining. Atlantic Copper smelts and refines copper concentrate and markets refined copper and precious metals in slimes. During 2020, Atlantic Copper purchased 10 percent of its concentrate requirements from FCX's North America copper mines, 7 percent from FCX's South America mining operations and 4 percent from FCX's Indonesia mining operations, with the remainder purchased from unaffiliated third parties.

Corporate, Other & Eliminations. Corporate, Other & Eliminations consists of FCX's other mining, oil and gas operations and other corporate and elimination items. Other mining includes the Miami smelter (a smelter at FCX's Miami, Arizona, mining operation), Freeport Cobalt, molybdenum conversion facilities in the U.S. and Europe, five non-operating copper mines in North America (Ajo, Bisbee, Tohono, Twin Buttes and Christmas in Arizona) and other mining support entities.

FINANCIAL INFORMATION BY BUSINESS SEGMENT

	North America Copper Mines			South America Mining			Indonesia Mining	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Eliminations	FCX Total
	Morenci	Other	Total	Cerro Verde	Other	Total						
Year Ended December 31, 2020												
Revenues:												
Unaffiliated customers	\$ 29	\$ 48	\$ 77	\$2,282	\$ 431	\$ 2,713	\$ 3,534	\$ —	\$4,781	\$2,020	\$ 1,073 ^a	\$14,198
Intersegment	2,015	2,272	4,287	242	—	242	80	222	33	17	(4,881)	—
Production and delivery	1,269	1,831	3,100	1,599	379	1,978	1,606	230	4,819	1,962	(3,664)	10,031
Depreciation, depletion and amortization	166	189	355	367	54	421	580	57	16	29	70	1,528
Metals inventory adjustments	4	48	52	—	3	3	—	10	3	—	28	96
Selling, general and administrative expenses	2	2	4	6	—	6	108	—	—	21	231	370
Mining exploration and research expenses	—	2	2	—	—	—	—	—	—	—	48	50
Environmental obligations and shutdown costs	—	(1)	(1)	—	—	—	—	—	1	—	159 ^b	159
Net gain on sales of assets	—	—	—	—	—	—	—	—	—	—	(473) ^c	(473)
Operating income (loss)	603	249	852	552 ^d	(5)	547	1,320	(75)	(25) ^d	25	(207) ^d	2,437 ^d
Interest expense, net	2	—	2	139	—	139	39 ^e	—	—	6	412	598
Provision for income taxes	—	—	—	238	1	239	606	—	—	2	97 ^f	944
Total assets at December 31, 2020	2,574	5,163	7,737	8,474	1,678	10,152	17,169	1,760	211	877	4,238	42,144
Capital expenditures	102	326	428	141	42	183	1,266	19	6	29	30	1,961

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

b. Includes charges totaling \$130 million associated with a framework for the resolution of all current and future potential talc-related litigation.

c. Includes a \$486 million gain associated with the sale of FCX's interests in the Kisanfu undeveloped project. Refer to Note 2 for further discussion.

d. Includes charges totaling \$258 million associated with (i) idle facility costs (Cerro Verde), contract cancellation and other charges directly related to the COVID-19 pandemic and (ii) the April 2020 revised operating plans (including employee separation costs). These charges were primarily recorded in the Cerro Verde segment (\$89 million), Corporate, Other & Eliminations (\$57 million) and the Rod & Refining segment (\$30 million).

e. Includes charges totaling \$35 million associated with PT-FI's historical contested tax audits.

f. Includes tax charges totaling \$135 million associated with the sale of the Kisanfu undeveloped project, partly offset by tax credits of \$53 million associated with the reversal of a year-end 2019 tax charge related to the sale of FCX's interest in the lower zone of the Timok exploration project in Serbia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



FINANCIAL INFORMATION BY BUSINESS SEGMENT *(continued)*

	North America Copper Mines			South America Mining			Indonesia Mining	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Eliminations	FCX Total
	Morenci	Other	Total	Cerro Verde	Other	Total						
Year Ended December 31, 2019												
Revenues:												
Unaffiliated customers	\$ 143	\$ 224	\$ 367	\$ 2,576	\$ 499	\$ 3,075	\$ 2,713 ^a	\$ —	\$ 4,457	\$ 2,063	\$ 1,727 ^b	\$ 14,402
Intersegment	1,864	2,155	4,019	313	—	313	58	344	26	5	(4,765)	—
Production and delivery	1,376	1,943	3,319	1,852	474	2,326	2,055 ^c	299	4,475	1,971	(2,911)	11,534
Depreciation, depletion and amortization	171	178	349	406	68	474	406	62	9	28	84	1,412
Metals inventory adjustments	1	29	30	2	—	2	5	50	—	—	92	179
Selling, general and administrative expenses	2	2	4	8	—	8	125	—	—	20	237	394
Mining exploration and research expenses	—	2	2	—	—	—	—	—	—	—	102	104
Environmental obligations and shutdown costs	1	—	1	—	—	—	—	—	—	—	104	105
Net gain on sales of assets	—	—	—	—	—	—	—	—	—	—	(417) ^d	(417)
Operating income (loss)	456	225	681	621	(43)	578	180	(67)	(1)	49	(329)	1,091
Interest expense, net	3	1	4	114	—	114	82 ^c	—	—	22	398	620
Provision for (benefit from) income taxes	—	—	—	250	(11)	239	167 ^c	—	—	5	99 ^e	510
Total assets at December 31, 2019	2,880	5,109	7,989	8,612	1,676	10,288	16,485	1,798	193	761	3,295	40,809
Capital expenditures	231	646	877	232	24	256	1,369	19	5	34	92	2,652

a. Includes charges totaling \$155 million associated with an unfavorable Indonesia Supreme Court ruling related to PT-FI export duties. Refer to Note 12 for further discussion.

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

c. Includes net charges totaling \$28 million in production and delivery costs for an adjustment to the settlement of the historical surface water tax matters with the local regional tax authority in Papua, Indonesia, and \$78 million in interest expense and \$103 million of tax charges in provision for income taxes associated with PT-FI's historical contested tax disputes.

d. Includes net gains totaling \$343 million associated with the sale of FCX's interest in the lower zone of the Timok exploration project and \$59 million for the sale of a portion of Freeport Cobalt. Refer to Note 2 for further discussion.

e. Includes tax charges totaling \$53 million associated with the sale of FCX's interest in the lower zone of the Timok exploration project and \$49 million primarily to adjust deferred taxes on historical balance sheet items in accordance with tax accounting principles.



FINANCIAL INFORMATION BY BUSINESS SEGMENT (continued)

	North America Copper Mines			South America Mining			Indonesia Mining	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Eliminations	FCX Total
	Morenci	Other	Total	Cerro Verde	Other	Total						
Year Ended December 31, 2018												
Revenues:												
Unaffiliated customers	\$ 90	\$ 54	\$ 144	\$2,709	\$ 594	\$ 3,303	\$ 5,446	\$ —	\$5,103	\$2,299	\$ 2,333 ^a	\$18,628
Intersegment	2,051	2,499	4,550	352	—	352	113	410	31	3	(5,459)	—
Production and delivery	1,183	1,941	3,124	1,887 ^{b,c}	478	2,365	1,864 ^d	289	5,117	2,218	(3,269)	11,708
Depreciation, depletion and amortization	176	184	360	456	90	546	606	79	11	27	125 ^e	1,754
Metals inventory adjustments	—	4	4	—	—	—	—	—	—	—	—	4
Selling, general and administrative expenses	3	3	6	9	—	9	123	—	—	21	263	422
Mining exploration and research expenses	—	3	3	—	—	—	—	—	—	—	102	105
Environmental obligations and shutdown costs	—	2	2	—	—	—	—	—	—	—	87	89
Net gain on sales of assets	—	—	—	—	—	—	—	—	—	—	(208) ^f	(208)
Operating income (loss)	779	416	1,195	709	26	735	2,966	42	6	36	(226)	4,754
Interest expense, net	3	1	4	429 ^b	—	429	1	—	—	25	486	945
Provision for (benefit from) income taxes	—	—	—	253 ^b	15	268	755 ^g	—	—	1	(33) ^h	991
Total assets at December 31, 2018	2,922	4,608	7,530	8,524	1,707	10,231	15,646	1,796	233	773	6,007	42,216
Capital expenditures	216	385	601	220	17	237	1,001	9	5	16	102	1,971

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

b. Includes net charges totaling \$14 million in production and delivery costs, \$370 million in interest expense and \$35 million of net tax benefits in provision for income taxes associated with disputed royalties for prior years.

c. Includes charges totaling \$69 million associated with Cerro Verde's three-year collective labor agreement.

d. Includes net charges of \$223 million, primarily associated with surface water tax disputes with the local regional tax authority in Papua, Indonesia, assessments for prior period permit fees with Indonesia's MOEF, disputed payroll withholding taxes for prior years and other tax settlements, and to write off certain previously capitalized project costs for the new smelter in Indonesia, partially offset by inventory adjustments.

e. Includes \$31 million of depreciation expense at Freeport Cobalt from December 2016 through December 2017 that was suspended while it was classified as held for sale.

f. Includes net gains totaling \$97 million associated with a favorable adjustment to the estimated fair value less costs to sell for Freeport Cobalt and fair value adjustments of \$31 million associated with potential contingent consideration related to the 2016 sale of onshore California oil and gas properties.

g. Includes tax credits totaling \$549 million related to the change in PT-FI's tax rates in accordance with its IUPK (\$482 million), U.S. tax reform (\$47 million) and adjustments to PT-FI's historical tax positions (\$20 million).

h. Includes net tax credits totaling \$76 million, primarily related to the Act and \$22 million related to the change in PT-FI's tax rates in accordance with its IUPK. Refer to Note 11 for further discussion.



NOTE 17. SUPPLEMENTARY MINERAL RESERVE INFORMATION (UNAUDITED)

Recoverable proven and probable reserves have been estimated as of December 31, 2020, in accordance with Industry Guide 7 as required by the Securities Exchange Act of 1934. FCX’s proven and probable reserves may not be comparable to similar information regarding mineral reserves disclosed in accordance with the guidance in other countries. Proven and probable reserves were determined by the use of mapping, drilling, sampling, assaying and evaluation methods generally applied in the mining industry, as more fully discussed below. The term “reserve,” as used in the reserve data presented here, means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term “proven reserves” means reserves for which (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (ii) grade and/or quality are computed from the results of detailed sampling; and (iii) the sites for inspection, sampling and measurements are spaced so closely and the geologic character is sufficiently defined that size, shape, depth and mineral content of reserves are well established. The term “probable reserves” means reserves for which quantity and grade are computed from information similar to that used for proven reserves but the sites for sampling are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

FCX’s reserve estimates are based on the latest available geological and geotechnical studies. FCX conducts ongoing studies of its ore bodies to optimize economic values and to manage risk. FCX revises its mine plans and estimates of proven and probable mineral reserves as required in accordance with the latest available studies.

Estimated recoverable proven and probable reserves at December 31, 2020, were determined using metals price assumptions of \$2.50 per pound for copper, \$1,200 per ounce for gold and \$10 per pound for molybdenum. For the three-year period ended December 31, 2020, LME copper settlement prices averaged \$2.83 per pound, London PM gold prices averaged \$1,477 per ounce and the weekly average price for molybdenum quoted by *Metals Week* averaged \$10.65 per pound.

The recoverable proven and probable 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 reserves are that part of a mineral deposit that FCX estimates can be economically and legally extracted or produced at the time of the reserve determination.

	Estimated Recoverable Proven and Probable Mineral Reserves at December 31, 2020		
	Copper ^a (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
North America	47.1	0.6	3.01
South America	32.7	—	0.70
Indonesia ^b	33.4	28.3	—
Consolidated ^c	113.2	28.9	3.71
Net equity interest ^d	81.8	15.5	3.39

- a. Estimated consolidated recoverable copper reserves included 1.7 billion pounds in leach stockpiles and 0.3 billion pounds in mill stockpiles.
- b. Reflects estimates of minerals that can be recovered through 2041. Refer to Note 13 for discussion of PT-FI’s IUPK.
- c. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America (refer to Note 3 for further discussion). Excluded from the table above were FCX’s estimated recoverable proven and probable reserves of 362 million ounces of silver, which were determined using \$15 per ounce.
- d. Net equity interest reserves represent estimated consolidated metal quantities further reduced for noncontrolling interest ownership (refer to Note 3 for further discussion of FCX’s ownership in subsidiaries). FCX’s net equity interest for estimated metal quantities in Indonesia reflects approximately 81 percent from 2021 through 2022 and 48.76 percent from 2023 through 2041. Excluded from the table above were FCX’s estimated recoverable proven and probable reserves of 247 million ounces of silver.



	Estimated Recoverable Proven and Probable Mineral Reserves at December 31, 2020						
	Ore ^a (million metric tons)	Average Ore Grade Per Metric Ton ^a			Recoverable Proven and Probable Reserves ^b		
		Copper (%)	Gold (grams)	Molybdenum (%)	Copper (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
North America							
Developed and producing:							
Morenci	4,300	0.23	—	— ^c	14.3	—	0.20
Sierrita	3,240	0.22	— ^c	0.02	13.2	0.2	1.28
Bagdad	2,591	0.31	— ^c	0.02	15.2	0.2	0.92
Safford, including Lone Star	777	0.45	—	—	5.7	—	—
Chino, including Cobre	313	0.44	0.03	—	2.5	0.2	—
Climax	156	—	—	0.15	—	—	0.48
Henderson	60	—	—	0.17	—	—	0.20
Tyrone	33	0.27	—	—	0.2	—	—
Miami	—	—	—	—	0.1	—	—
South America							
Developed and producing:							
Cerro Verde	4,077	0.36	—	0.01	28.6	—	0.70
El Abra	779	0.41	—	—	4.2	—	—
Indonesia^d							
Developed and producing:							
Grasberg Block Cave	874	1.08	0.73	—	17.5	13.1	—
Deep Mill Level Zone	439	0.89	0.72	—	7.4	8.1	—
Big Gossan	53	2.30	0.98	—	2.5	1.1	—
Deep Ore Zone	8	0.55	0.47	—	0.1	0.1	—
Undeveloped:							
Kucing Liar	351	0.92	0.90	—	6.0	6.0	—
Total 100% basis	18,052^e				117.2^e	28.9^e	3.77^e
Consolidated^f					113.2	28.9	3.71
FCX's equity share^g					81.8	15.5	3.39

a. Excludes material contained in stockpiles.

b. Includes estimated recoverable metals contained in stockpiles.

c. Amounts not shown because of rounding.

d. Estimated recoverable proven and probable reserves from Indonesia reflect estimates of minerals that can be recovered through 2041. Refer to Note 13 for discussion of PT-FI's IUPK.

e. Does not foot because of rounding.

f. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America. Refer to Note 3 for further discussion.

g. Net equity interest reserves represent estimated consolidated metal quantities further reduced for noncontrolling interest ownership. FCX's net equity interest for estimated metal quantities in Indonesia reflects an approximate 81 percent from 2021 through 2022 and 48.76 percent from 2023 through 2041. Refer to Note 3 for further discussion of FCX's ownership in subsidiaries.

PERFORMANCE GRAPH

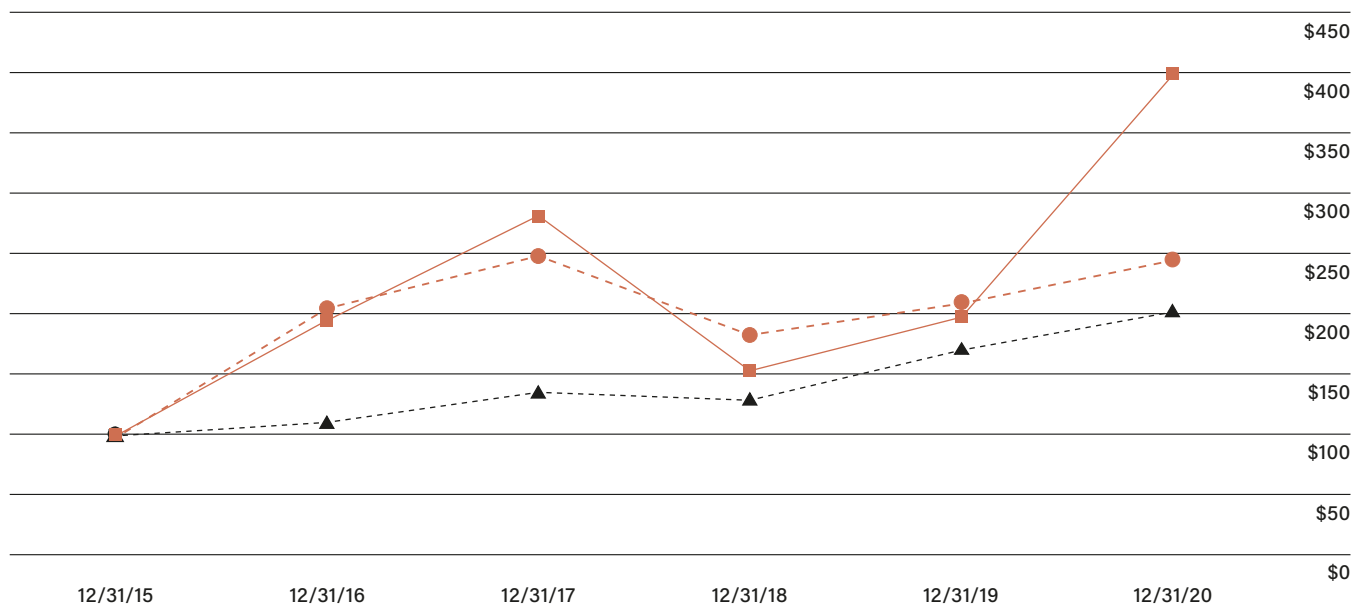


The following graph compares the change in the cumulative total stockholder return on our common stock with the cumulative total return of the S&P 500 Stock Index and the S&P Metals and Mining Select Industry Index from 2016 through 2020. The S&P Metals and Mining Select Industry Index comprises stocks in the S&P Total Market Index that

are classified in the metals and mining sub-industry. This comparison assumes \$100 invested on December 31, 2015, in (a) Freeport-McMoRan Inc. common stock, (b) the S&P 500 Stock Index and (c) the S&P Metals and Mining Select Industry Index (with the reinvestment of all dividends).

Comparison of 5-Year Cumulative Total Return

Among Freeport-McMoRan Inc., the S&P 500 Stock Index and the S&P Metals and Mining Select Industry Index



	December 31,					
	2015	2016	2017	2018	2019	2020
—■— Freeport-McMoRan Inc.	\$100.00	\$194.83	\$280.06	\$153.76	\$199.16	\$396.48
--▲-- S&P 500 Stock Index	100.00	111.96	136.40	130.42	171.49	203.04
-●- S&P Metals and Mining Select Industry Index	100.00	205.20	247.53	183.04	210.18	244.73

INVESTOR INQUIRIES

The Investor Relations Department is pleased to receive any inquiries about the company. Our Principles of Business Conduct and our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (SEC), which includes certifications of our Chief Executive Officer and Chief Financial Officer, are available on our website. Additionally, copies will be furnished, without charge, to any stockholder of the company entitled to vote at the annual meeting, upon written request. The Investor Relations Department can be contacted as follows:

Freeport-McMoRan Inc.
Investor Relations Department
333 North Central Avenue
Phoenix, AZ 85004
Telephone 602.366.8400
fcx.com

TRANSFER AGENT

Questions about lost certificates, lost or missing dividend checks, or notifications of change of address should be directed to our transfer agent, registrar and dividend disbursement agent:

Computershare
462 South 4th Street, Suite 1600
Louisville, KY 40202
Telephone 800.953.2493
<https://www-us.computershare.com/investor/contact>

NOTICE OF ANNUAL MEETING

The annual meeting of stockholders will be held June 8, 2021. Notice of the annual meeting will be sent to stockholders of record as of the close of business on April 12, 2021. In accordance with SEC rules, we will report the voting results of our annual meeting on a Form 8-K, which will be available on our website (fcx.com).

CAUTIONARY STATEMENT AND REGULATION G DISCLOSURE

This 2020 Annual Report contains forward-looking statements in which FCX discusses its potential future performance. FCX cautions readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, expected, projected or assumed in the forward-looking statements. This report also includes statements regarding mineralized material not included in proven and probable mineral reserves. Mineralized material is a mineralized body that has been delineated by appropriately spaced drilling and/or underground sampling to support the reported tonnage and average metal grades. Such a deposit cannot qualify as recoverable proven and probable reserves until legal and economic feasibility are confirmed based upon a comprehensive evaluation. Accordingly, no assurances can be given that estimated mineralized material will become proven and probable reserves. Please refer to the Cautionary Statement on page 62 of this report. This 2020 Annual Report also contains certain financial measures, such as unit net cash costs and net debt, which are not recognized under U.S. generally accepted accounting principles. As required by SEC Regulation G, reconciliations of unit net cash costs to amounts reported in FCX's consolidated financial statements are available beginning on page 53 of this report. Net debt equals consolidated debt less consolidated cash.

FCX COMMON STOCK

FCX's common stock trades on the New York Stock Exchange (NYSE) under the symbol "FCX." As of March 15, 2021, the number of holders of record of FCX's common stock was 11,260.

NYSE composite tape common share price ranges during 2020 and 2019 were:

	2020		2019	
	High	Low	High	Low
First Quarter	\$ 13.64	\$ 4.82	\$ 13.86	\$ 9.84
Second Quarter	11.68	6.14	14.68	9.47
Third Quarter	17.50	11.24	12.07	8.58
Fourth Quarter	26.83	15.22	13.38	8.43

COMMON STOCK DIVIDENDS

Our Board of Directors suspended the cash dividend on our common stock in March 2020, and there were no cash dividends paid after first-quarter 2020. In February 2021, our Board of Directors reinstated a cash dividend on our common stock at an annual rate of \$0.30 per share. In addition, the Board of Directors adopted a new financial policy, which allows for a portion of available cash flows generated to be allocated to shareholder returns once a net debt target in the range of \$3-\$4 billion has been achieved.

	2020		
	Amount per Share	Record Date	Payment Date
First Quarter	\$ 0.05	Jan. 15, 2020	Feb. 3, 2020

	2019		
	Amount per Share	Record Date	Payment Date
First Quarter	\$ 0.05	Jan. 15, 2019	Feb. 1, 2019
Second Quarter	0.05	April 15, 2019	May 1, 2019
Third Quarter	0.05	July 15, 2019	Aug. 1, 2019
Fourth Quarter	0.05	Oct. 15, 2019	Nov. 1, 2019

The declaration of dividends is at the discretion of our Board of Directors and will depend upon our financial results, cash requirements, future prospects and other factors deemed relevant.



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