United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-11307-01

Freeport-McMoRan Inc.

(Exact name of registrant as specified in its charter)

Delaware	**74-2480931**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

333 North Central Avenue
Phoenix AZ **85004-2189**
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.10 per share	FCX	The New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

On July 31, 2020, there were issued and outstanding 1,452,218,624 shares of the registrant's common stock, par value $0.10 per share.

Freeport-McMoRan Inc.

TABLE OF CONTENTS

	Page
Part I. Financial Information	3
Item 1. Financial Statements:	3
Consolidated Balance Sheets (Unaudited)	3
Consolidated Statements of Operations (Unaudited)	4
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)	5
Consolidated Statements of Cash Flows (Unaudited)	6
Consolidated Statements of Equity (Unaudited)	7
Notes to Consolidated Financial Statements (Unaudited)	9
Report of Independent Registered Public Accounting Firm	26
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk	68
Item 4. Controls and Procedures	68
Part II. Other Information	68
Item 1. Legal Proceedings	68
Item 1A. Risk Factors	68
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	72
Item 4. Mine Safety Disclosures	72
Item 5. Other Information	73
Item 6. Exhibits	73
Signature	S-1

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Freeport-McMoRan Inc.
CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2020	December 31, 2019
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,465	$ 2,020
Trade accounts receivable	717	741
Income and other tax receivables	646	426
Inventories:		
Materials and supplies, net	1,604	1,649
Mill and leach stockpiles	1,030	1,143
Product	1,176	1,281
Other current assets	517	655
Total current assets	7,155	7,915
Property, plant, equipment and mine development costs, net	29,936	29,584
Long-term mill and leach stockpiles	1,446	1,425
Other assets	1,693	1,885
Total assets	$ 40,230	$ 40,809
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,471	$ 2,576
Current portion of environmental and asset retirement obligations	298	436
Current portion of debt	90	5
Accrued income taxes	47	119
Dividends payable	—	73
Total current liabilities	2,906	3,209
Long-term debt, less current portion	9,824	9,821
Deferred income taxes	4,180	4,210
Environmental and asset retirement obligations, less current portion	3,767	3,630
Other liabilities	2,398	2,491
Total liabilities	23,075	23,361
Equity:		
Stockholders' equity:		
Common stock	158	158
Capital in excess of par value	25,905	25,830
Accumulated deficit	(12,718)	(12,280)
Accumulated other comprehensive loss	(652)	(676)
Common stock held in treasury	(3,739)	(3,734)
Total stockholders' equity	8,954	9,298
Noncontrolling interests	8,201	8,150
Total equity	17,155	17,448
Total liabilities and equity	$ 40,230	$ 40,809

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions, except per share amounts)			
Revenues	$ 3,054	$ 3,546	$ 5,852	$ 7,338
Cost of sales:				
Production and delivery	2,394	3,005	4,939	5,929
Depreciation, depletion and amortization	358	352	699	699
Metals inventory adjustments	(139)	2	83	59
Total cost of sales	2,613	3,359	5,721	6,687
Selling, general and administrative expenses	91	92	201	199
Mining exploration and research expenses	18	31	34	58
Environmental obligations and shutdown costs	11	23	37	65
Net loss (gain) on sales of assets	—	8	11	(25)
Total costs and expenses	2,733	3,513	6,004	6,984
Operating income (loss)	321	33	(152)	354
Interest expense, net	(115)	(132)	(242)	(278)
Net loss on early extinguishment of debt	(9)	—	(41)	(6)
Other income, net	20	5	40	19
Income (loss) from continuing operations before income taxes and equity in affiliated companies' net earnings	217	(94)	(395)	89
(Provision for) benefit from income taxes	(96)	15	(36)	(90)
Equity in affiliated companies' net earnings	3	5	6	2
Net income (loss) from continuing operations	124	(74)	(425)	1
Net gain from discontinued operations	—	—	—	1
Net income (loss)	124	(74)	(425)	2
Net (income) loss attributable to noncontrolling interests	(71)	2	(13)	(43)
Net income (loss) attributable to common stockholders	$ 53	$ (72)	$ (438)	$ (41)
Basic and diluted net income (loss) per share attributable to common stockholders:				
Continuing operations	$ 0.03	$ (0.05)	$ (0.30)	$ (0.03)
Discontinued operations	—	—	—	—
	$ 0.03	$ (0.05)	$ (0.30)	$ (0.03)
Weighted-average common shares outstanding:				
Basic	1,453	1,451	1,453	1,451
Diluted	1,458	1,451	1,453	1,451
Dividends declared per share of common stock	$ —	$ 0.05	$ —	$ 0.10

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(In millions)			
Net income (loss)	$ 124	$ (74)	$ (425)	$ 2
Other comprehensive income, net of taxes:				
Defined benefit plans:				
Amortization of unrecognized amounts included in net periodic benefit costs	12	13	24	24
Foreign exchange gains (losses)	4	—	(1)	—
Other comprehensive income	16	13	23	24
Total comprehensive income (loss)	140	(61)	(402)	26
Total comprehensive (income) loss attributable to noncontrolling interests	(71)	1	(12)	(44)
Total comprehensive income (loss) attributable to common stockholders	$ 69	$ (60)	$ (414)	$ (18)

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
	2020	2019
	(In millions)	
Cash flow from operating activities:		
Net (loss) income	$ (425)	$ 2
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation, depletion and amortization	699	699
Metals inventory adjustments	83	59
Net loss (gain) on sales of assets	11	(25)
Stock-based compensation	43	40
Net charges for environmental and asset retirement obligations, including accretion	112	109
Payments for environmental and asset retirement obligations	(119)	(100)
Net charges for defined pension and postretirement plans	45	53
Pension plan contributions	(29)	(33)
Net loss on early extinguishment of debt	41	6
Deferred income taxes	(28)	20
PT Freeport Indonesia (PT-FI) surface water tax settlement	—	28
Charges for Cerro Verde royalty dispute	15	28
Payments for Cerro Verde royalty dispute	(90)	(86)
Other, net	(46)	40
Changes in working capital and other:		
Accounts receivable	83	256
Inventories	168	254
Other current assets	(4)	(26)
Accounts payable and accrued liabilities	(73)	9
Accrued income taxes and timing of other tax payments	(33)	(245)
Net cash provided by operating activities	453	1,088
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(332)	(417)
South America	(125)	(108)
Indonesia	(634)	(658)
Molybdenum mines	(11)	(6)
Other	(35)	(62)
Proceeds from sales of assets	116	94
Other, net	(5)	(10)
Net cash used in investing activities	(1,026)	(1,167)
Cash flow from financing activities:		
Proceeds from debt	1,585	328
Repayments of debt	(1,527)	(1,563)
Cash dividends and distributions paid:		
Common stock	(73)	(146)
Noncontrolling interests	—	(79)
Contributions from noncontrolling interests	74	100
Stock-based awards net payments	(4)	(6)
Debt financing costs and other, net	(31)	(4)
Net cash provided by (used in) financing activities	24	(1,370)
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(549)	(1,449)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	2,278	4,455
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 1,729	$ 3,006

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)
THREE MONTHS ENDED JUNE 30

	Stockholders' Equity									
	Common Stock				Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value	Accumulated Deficit		Number of Shares	At Cost			
	(In millions)									
Balance at March 31, 2020	1,583	$ 158	$ 25,875	$ (12,771)	$ (668)	131	$ (3,739)	$ 8,855	$ 8,108	$ 16,963
Stock-based compensation, including the tender of shares	—	—	9	—	—	—	—	9	1	10
Contributions from noncontrolling interests	—	—	21	—	—	—	—	21	21	42
Net income attributable to common stockholders	—	—	—	53	—	—	—	53	—	53
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	71	71
Other comprehensive income	—	—	—	—	16	—	—	16	—	16
Balance at June 30, 2020	1,583	$ 158	$ 25,905	$ (12,718)	$ (652)	131	$ (3,739)	$ 8,954	$ 8,201	$ 17,155

	Stockholders' Equity									
	Common Stock				Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value	Accumulated Deficit		Number of Shares	At Cost			
	(In millions)									
Balance at March 31, 2019	1,582	$ 158	$ 25,963	$ (12,010)	$ (594)	131	$ (3,734)	$ 9,783	$ 8,058	$ 17,841
Stock-based compensation, including the tender of shares	—	—	10	—	—	—	—	10	—	10
Dividends	—	—	(73)	—	—	—	—	(73)	—	(73)
Contributions from noncontrolling interests	—	—	49	—	—	—	—	49	51	100
Net loss attributable to common stockholders	—	—	—	(72)	—	—	—	(72)	—	(72)
Net loss attributable to noncontrolling interests	—	—	—	—	—	—	—	—	(2)	(2)
Other comprehensive income	—	—	—	—	12	—	—	12	1	13
Balance at June 30, 2019	1,582	$ 158	$ 25,949	$ (12,082)	$ (582)	131	$ (3,734)	$ 9,709	$ 8,108	$ 17,817

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

Freeport-McMoRan Inc.
CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)
SIX MONTHS ENDED JUNE 30

	Stockholders' Equity									
	Common Stock				Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value	Accumulated Deficit		Number of Shares	At Cost			
	(In millions)									
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	1	—	1	—	—	—	—	1	—	1
Stock-based compensation, including the tender of shares	—	—	38	—	—	—	(5)	33	1	34
Contributions from noncontrolling interests	—	—	36	—	—	—	—	36	38	74
Net loss attributable to common stockholders	—	—	—	(438)	—	—	—	(438)	—	(438)
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	13	13
Other comprehensive income (loss)	—	—	—	—	24	—	—	24	(1)	23
Balance at June 30, 2020	1,583	$ 158	$ 25,905	$(12,718)	$ (652)	131	$ (3,739)	$ 8,954	$ 8,201	$ 17,155

	Stockholders' Equity									
	Common Stock				Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value	Accumulated Deficit		Number of Shares	At Cost			
	(In millions)									
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	—	—	33	—	—	1	(7)	26	—	26
Dividends	—	—	(146)	—	—	—	—	(146)	(70)	(216)
Change in ownership interests	—	—	(1)	—	—	—	—	(1)	(11)	(12)
Contributions from noncontrolling interests	—	—	49	—	—	—	—	49	51	100
Net loss attributable to common stockholders	—	—	—	(41)	—	—	—	(41)	—	(41)
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	43	43
Other comprehensive income	—	—	—	—	23	—	—	23	1	24
Balance at June 30, 2019	1,582	$ 158	$ 25,949	$(12,082)	$ (582)	131	$ (3,734)	$ 9,709	$ 8,108	$ 17,817

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

Freeport-McMoRan Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1. GENERAL INFORMATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all information and disclosures required by generally accepted accounting principles (GAAP) in the United States (U.S.). Therefore, this information should be read in conjunction with Freeport-McMoRan Inc.'s (FCX) consolidated financial statements and notes contained in its annual report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K). The information furnished herein reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. All such adjustments are, in the opinion of management, of a normal recurring nature. Operating results for the six-month period ended June 30, 2020, are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

Operations Update. In April 2020, FCX announced revised operating plans in response to the global COVID-19 pandemic and resulting negative impact on the global economy. FCX proactively implemented operating protocols at each of its operating sites to contain and mitigate the risk of spread of COVID-19. FCX also continues to work closely with communities where it operates across the globe and has provided monetary support and in-kind contributions of medical supplies, equipment and food.

FCX achieved significant progress at Cerro Verde during second-quarter 2020 to restore operations following COVID-19 restrictions imposed by the Peruvian government in March 2020. Strict health protocols have been implemented and a plan for Cerro Verde to restore operations was approved by the Peruvian government in second-quarter 2020. FCX is currently assessing options and future timing of restart of the Chino mine in New Mexico, which will take into account public health and market conditions.

During second-quarter 2020, FCX implemented a series of actions to reduce administrative and centralized support costs in conjunction with its April 2020 revised operating plans. Cost savings initiatives included a temporary reduction in certain employee benefits, the initiation of furloughs and an employee separation program, and reductions in third party service costs, facilities costs, travel and other expenses.

FCX recognized charges totaling $196 million in second-quarter 2020 and $224 million for the first six months of 2020 associated with the COVID-19 pandemic and revised operating plans, including employee separation charges. These charges, none of which were capitalized into inventory, were recorded to production and delivery ($153 million in second-quarter 2020 and $173 million for the first six months of 2020); depreciation, depletion and amortization ($21 million in second-quarter 2020 and $29 million for the first six months of 2020); selling, general and administrative ($15 million for each of the second quarter and first six months of 2020) and mining exploration and research expense ($7 million for each of the second quarter and first six months of 2020).

NOTE 2. 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 period. 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 follow (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss) from continuing operations	$ 124	$ (74)	$ (425)	$ 1
Net (income) loss from continuing operations attributable to noncontrolling interests	(71)	2	(13)	(43)
Undistributed earnings allocated to participating securities	(3)	(3)	(3)	(3)
Net income (loss) from continuing operations attributable to common stockholders	50	(75)	(441)	(45)
Net income from discontinued operations attributable to common stockholders	—	—	—	1
Net income (loss) attributable to common stockholders	$ 50	$ (75)	$ (441)	$ (44)
Basic weighted-average shares of common stock outstanding	1,453	1,451	1,453	1,451
Add shares issuable upon exercise or vesting of dilutive stock options and restricted stock units (RSUs)	5	— [a]	— [a]	— [a]
Diluted weighted-average shares of common stock outstanding	1,458	1,451	1,453	1,451
Basic and diluted net income (loss) per share attributable to common stockholders:				
Continuing operations	$ 0.03	$ (0.05)	$ (0.30)	$ (0.03)
Discontinued operations	—	—	—	—
	$ 0.03	$ (0.05)	$ (0.30)	$ (0.03)

a. Excludes approximately 10 million shares in second-quarter 2019, 10 million shares for the first six months of 2020 and 12 million shares for the first six months of 2019 associated with outstanding stock options with exercise prices less than the average market price of FCX's common stock and RSUs that were anti-dilutive.

Outstanding stock options with exercise prices greater than the average market price of FCX's common stock during the period are excluded from the computation of diluted net income (loss) per share of common stock. Stock options for 38 million shares of common stock in second-quarter 2020, 43 million shares of common stock in second-quarter 2019, 39 million shares of common stock for first six months of 2020 and 41 million shares of common stock for the first six months of 2019 were excluded.

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

The components of inventories follow (in millions):

	June 30, 2020	December 31, 2019
Current inventories:		
Total materials and supplies, net[a]	$ 1,604	$ 1,649
Mill stockpiles	$ 166	$ 220
Leach stockpiles	864	923
Total current mill and leach stockpiles	$ 1,030	$ 1,143
Raw materials (primarily concentrate)	$ 287	$ 318
Work-in-process	110	124
Finished goods	779	839
Total product	$ 1,176	$ 1,281
Long-term inventories:		
Mill stockpiles	$ 207	$ 181
Leach stockpiles	1,239	1,244
Total long-term mill and leach stockpiles[b]	$ 1,446	$ 1,425

a. Materials and supplies inventory was net of obsolescence reserves totaling $31 million at June 30, 2020, and $24 million at December 31, 2019.

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

During second-quarter 2020, FCX recorded net favorable adjustments to increase long-term metals inventory carrying values by $139 million, including an increase to long-term copper inventories ($144 million), primarily related to the reversal of net realizable value adjustments recorded on long-term copper inventories in first-quarter 2020 because of higher copper market prices at June 30, 2020, and a decrease to long-term molybdenum inventories ($5 million) because of lower molybdenum market prices at June 30, 2020. Net realizable value inventory adjustments to decrease metals inventory carrying values totaled $83 million for the first six months of 2020 associated with lower market prices for copper ($61 million) and molybdenum ($22 million). Net realizable value inventory adjustments to decrease metals inventory carrying values totaled $2 million in second-quarter 2019 and $59 million for the first six months of 2019, primarily for cobalt inventories because of lower cobalt market prices (refer to Note 9 for metals inventory adjustments by business segment).

NOTE 4. INCOME TAXES

Geographic sources of FCX's benefit from (provision for) income taxes follow (in millions):

	Six Months Ended June 30,	
	2020	2019
U.S. operations	$ 58 [a]	$ 20 [b]
International operations	(94)	(110)
Total	$ (36)	$ (90)

a. Includes a tax credit 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.

b. Includes a tax credit of $18 million primarily associated with state law changes.

FCX's consolidated effective income tax rate was (9) percent for the first six months of 2020 and 101 percent for the first six months of 2019. Because FCX's U.S. jurisdiction generated net losses in the first six months of 2020 and 2019 that will not result in a realized tax benefit, applicable accounting rules require FCX to adjust its estimated annual effective tax rate to exclude the impact of U.S. net losses. Variations in the relative proportions of jurisdictional income result in fluctuations to FCX's consolidated effective income tax rate.

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, including the CARES Act, resulted in material impacts to FCX's provision for income taxes for the six months ended June 30, 2020. Some of these measures will provide FCX with the opportunity to accelerate the timing of cash collections, primarily those associated with the U.S. alternative minimum tax credit refunds. FCX collected $221 million of U.S. alternative minimum tax credit refunds in July 2020, and expects to collect the outstanding balance ($47 million) within the next 12 months. FCX continues to evaluate income tax accounting considerations of additional 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.

NOTE 5. DEBT AND EQUITY

The components of debt follow (in millions):

	June 30, 2020	December 31, 2019
Senior notes and debentures:		
Issued by FCX	$ 8,621	$ 8,602
Issued by Freeport Minerals Corporation (FMC)	357	357
Cerro Verde credit facility	827	826
Other	109	41
Total debt	9,914	9,826
Less current portion of debt	(90)	(5)
Long-term debt	$ 9,824	$ 9,821

Revolving Credit Facility. At June 30, 2020, FCX had no borrowings outstanding and $13 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.

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) a suspension of the total leverage ratio through June 30, 2021, followed by a limit of 5.25x beginning with the quarter ending September 30, 2021, and stepping down to 3.75x beginning January 1, 2022; and (ii) a reduction in the interest expense coverage ratio 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. FCX retained the option to revert to the previous covenant requirements if it is determined additional flexibility is no longer needed. At June 30, 2020, FCX was in compliance with its revolving credit facility covenants.

Senior Notes. On March 4, 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 $1.29 billion. Interest on these senior notes is payable semiannually on March 1 and September 1 of each year. These senior notes rank equally with FCX's other existing and future unsecured and unsubordinated indebtedness. 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. On April 3, 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.

As a result of these transactions, FCX recorded a loss on early extinguishment of debt of $9 million in second-quarter 2020 and $41 million for the six months ended June 30, 2020.

On July 27, 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 $1.49 billion. Interest on these senior notes is payable semiannually on February 1 and August 1 of each year. These senior notes rank equally with FCX's other existing and future unsecured and unsubordinated indebtedness. FCX used $1.3 billion of the net proceeds from this offering to purchase a portion of its 3.55% Senior Notes due 2022, 3.875% Senior Notes due 2023 and 4.55% Senior Notes due 2024, in connection with the early settlement of its previously announced tender offers, and the payment of accrued and unpaid interest, premiums, fees and expenses in connection with these transactions. Depending on the final tender results, FCX may use all or a portion of the remaining net proceeds from this offering to purchase more of certain existing senior notes in the tender offers and expects the final settlement of the tender offers, if any, to occur on August 11, 2020. Any net proceeds not used for the tender offers will be used for general corporate purposes, which may include repurchases or redemptions of FCX's notes. FCX expects to record a loss on early extinguishment of debt of approximately $60 million in third-quarter 2020 related to the early settlement of the tender offers.

Interest Expense, Net. Consolidated interest costs (before capitalization) totaled $159 million in second-quarter 2020, $167 million in second-quarter 2019, $330 million for the first six months of 2020 and $345 million for the first six months of 2019. Capitalized interest added to property, plant, equipment and mine development costs, net, totaled $44 million in second-quarter 2020, $35 million in second-quarter 2019, $88 million for the first six months of 2020 and $67 million for the first six months of 2019.

Common Stock. In March 2020, in response to the COVID-19 pandemic and resulting global economic uncertainties, the FCX Board of Directors (the Board) suspended FCX's quarterly cash dividend of $0.05 per share previously planned for May 1, 2020. Under current market and economic conditions, the Board does not expect to declare common stock dividends during 2020. 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 FCX's financial results, cash requirements, future prospects, global economic conditions and other factors deemed relevant by the Board. As noted above, in accordance with the June 2020 amendment to the revolving credit facility, FCX is restricted from declaring or paying common stock dividends through December 31, 2021, unless FCX, at its option, reverts to the previous covenant requirements which would also eliminate the restriction on the declaration or payment of common stock dividends.

NOTE 6. FINANCIAL INSTRUMENTS

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

Commodity Contracts. From time to time, FCX has entered into derivative contracts to hedge the market risk associated with fluctuations in the prices of commodities it purchases and sells. 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 in second-quarter 2020 and for the six months ended June 30, 2020. There were no remaining forward sales contracts as of June 30, 2020.

A discussion of FCX's other derivative contracts and programs follow.

Derivatives Designated as Hedging Instruments – Fair Value Hedges

Copper Futures and Swap Contracts. Some of FCX's U.S. copper rod customers request a fixed market price instead of the Commodity Exchange Inc. (COMEX) average copper price in the month of shipment. FCX hedges this price exposure in a manner that allows it to receive the COMEX average price in the month of shipment while

the customers pay the fixed price they requested. FCX accomplishes this by entering into copper futures or swap contracts. Hedging gains or losses from these copper futures and swap contracts are recorded in revenues. FCX did not have any significant gains or losses resulting from hedge ineffectiveness during the six-month periods ended June 30, 2020 and 2019. At June 30, 2020, FCX held copper futures and swap contracts that qualified for hedge accounting for 54 million pounds at an average contract price of $2.50 per pound, with maturities through December 2021.

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 follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Copper futures and swap contracts:				
Unrealized gains (losses):				
Derivative financial instruments	$ 40	$ (13)	$ 7	$ 5
Hedged item – firm sales commitments	(40)	13	(7)	(5)
Realized losses:				
Matured derivative financial instruments	(8)	(3)	(17)	(1)

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 London Metal Exchange (LME) copper price or the COMEX copper price and the London Bullion Market Association (LBMA) 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 the LBMA 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 LBMA 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 LBMA gold prices, until the date of final pricing. Similarly, FCX purchases copper 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 June 30, 2020, follows:

	Open Positions	Average Price Per Unit		Maturities Through
		Contract	Market	
Embedded derivatives in provisional sales contracts:				
Copper (millions of pounds)	314	$ 2.50	$ 2.73	November 2020
Gold (thousands of ounces)	87	1,725	1,779	August 2020
Embedded derivatives in provisional purchase contracts:				
Copper (millions of pounds)	116	2.48	2.73	September 2020

Copper Forward Contracts. Atlantic Copper, FCX's wholly owned smelting and refining unit in Spain, enters into copper forward contracts designed to hedge its copper price risk whenever its physical purchases and sales pricing periods do not match. These economic hedge transactions are intended to hedge against changes in copper prices, with the mark-to-market hedging gains or losses recorded in cost of sales. At June 30, 2020, Atlantic Copper held net copper forward purchase contracts for 16 million pounds at an average contract price of $2.62 per pound, with maturities through August 2020.

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, follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Embedded derivatives in provisional sales contracts:[a]				
Copper	$ 162	$ (122)	$ (76)	$ —
Gold and other metals	17	13	24	11
Copper forward contracts[b]	(4)	(4)	19	(3)

a. Amounts recorded in revenues.

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

Unsettled Derivative Financial Instruments

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

	June 30, 2020	December 31, 2019
Commodity Derivative Assets:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts	$ 17	$ 6
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional sales/purchase contracts	77	68
Total derivative assets	$ 94	$ 74
Commodity Derivative Liabilities:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts	$ 6	$ —
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional sales/purchase contracts	28	20
Copper forward contracts	—	1
Total derivative liabilities	$ 34	$ 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 sheets follows (in millions):

	Assets		Liabilities	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Gross amounts recognized:				
Embedded derivatives in provisional sales/purchase contracts	$ 77	$ 68	$ 28	$ 20
Copper derivatives	17	6	6	1
	94	74	34	21
Less gross amounts of offset:				
Copper derivatives	4	—	4	—
	4	—	4	—
Net amounts presented in balance sheet:				
Embedded derivatives in provisional sales/purchase contracts	77	68	28	20
Copper derivatives	13	6	2	1
	$ 90	$ 74	$ 30	$ 21
Balance sheet classification:				
Trade accounts receivable	$ 76	$ 66	$ 2	$ —
Other current assets	13	6	—	—
Accounts payable and accrued liabilities	1	2	28	21
	$ 90	$ 74	$ 30	$ 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 June 30, 2020, the maximum amount of credit exposure associated with derivative transactions was $88 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 June 30, 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 7 for the fair values of investment securities, legally restricted funds and long-term debt).

In addition, as of June 30, 2020, FCX has contingent consideration assets related to the sales of certain oil and gas properties (refer to Note 7 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 (in millions):

	June 30, 2020	December 31, 2019
Balance sheet components:		
Cash and cash equivalents	$ 1,465	$ 2,020
Restricted cash and restricted cash equivalents included in:		
Other current assets	132	100
Other assets	132	158
Total cash, cash equivalents, restricted cash and restricted cash equivalents presented in the consolidated statements of cash flows	$ 1,729	$ 2,278

NOTE 7. FAIR VALUE MEASUREMENT

Fair value accounting guidance includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). FCX did not have any significant transfers in or out of Level 3 during second-quarter 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 Gulf of Mexico (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 net asset value (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 6) follows (in millions):

	At June 30, 2020					
	Carrying	Fair Value				
	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	5	5	—	5	—	—
Total	34	34	29	5	—	—
Legally restricted funds:[a]						
U.S. core fixed income fund	63	63	63	—	—	—
Corporate bonds	45	45	—	—	45	—
Government mortgage-backed securities	40	40	—	—	40	—
Government bonds and notes	32	32	—	—	32	—
Asset-backed securities	14	14	—	—	14	—
Money market funds	9	9	—	9	—	—
Collateralized mortgage-backed securities	4	4	—	—	4	—
Municipal bonds	1	1	—	—	1	—
Total	208	208	63	9	136	—
Derivatives:						
Embedded derivatives in provisional sales/purchase contracts in a gross asset position[c]	77	77	—	—	77	—
Copper futures and swap contracts[c]	13	13	—	11	2	—
Copper forward contracts[c]	4	4	—	2	2	—
Total	94	94	—	13	81	—
Contingent consideration for the sale of the Deepwater GOM oil and gas properties[a]	115	78	—	—	—	78
Liabilities						
Derivatives:[c]						
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	28	28	—	—	28	—
Copper forward contracts	6	6	—	2	4	—
Total	34	34	—	2	32	—
Long-term debt, including current portion[d]	9,914	10,013	—	—	10,013	—

	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:[c]						
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 $132 million at June 30, 2020, and $100 million at December 31, 2019, and (ii) other assets of $131 million at June 30, 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 and PT-FI's closure and reclamation guarantees.

c. Refer to Note 6 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 quoted monthly LME or COMEX copper forward prices and the adjusted LBMA gold prices at each reporting date based on the month of maturity (refer to Note 6 for further discussion); however, FCX's contracts themselves are not traded on an exchange. As a result, these derivatives are classified within Level 2 of the fair value hierarchy.

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

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. Based on current and forecasted oil prices for the remainder of 2020, FCX has concluded the fair value of the last tranche of this contingent consideration derivative approximates zero at June 30, 2020. The fair value of the contingent consideration derivative was $11 million (included in other assets in the consolidated balance sheets) at December 31, 2019. Future changes in the fair value of this contingent consideration derivative will continue to be recorded in operating income. Also, 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. Contingent consideration of $50 million was not realized in 2019 because the average Brent crude oil price did not exceed $70 per barrel for 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 June 30, 2020, and $18 million at December 31, 2019, and (ii) other assets totaled $103 million at June 30, 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 net realizable value or reflective of future fair values. Furthermore, while FCX believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the techniques used at June 30, 2020, as compared with 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, during the first six months of 2020 follows (in millions):

Fair value at January 1, 2020	$	108
Net unrealized loss related to assets still held at the end of the period		(22)
Settlements		(8)
Fair value at June 30, 2020	$	78

NOTE 8. CONTINGENCIES AND COMMITMENTS

Litigation

There were no significant updates to previously reported legal proceedings included in Note 12 of FCX's 2019 Form 10-K, other than the matters below, which were updated in Note 8 of FCX's quarterly report on Form 10-Q for the quarter ended March 31, 2020.

Louisiana Parishes Coastal Erosion Cases. As previously disclosed, in September 2019, affiliates of FCX reached an agreement in principle to settle all 13 cases filed in Louisiana state courts by six south Louisiana parishes (Cameron, Jefferson, Plaquemines, St. Bernard, St. John the Baptist and Vermilion) and the parties that intervened in the litigation in support of the parishes' claims, including the state of Louisiana, alleging that certain oil and gas exploration and production operations and sulphur mining and production operations of the FCX affiliates damaged coastal wetlands and caused significant land loss along the Louisiana coast.

The agreement in principle does not include any admission of liability by FCX or its affiliates. FCX recorded a charge in third-quarter 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. 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. As previously disclosed, there has been a significant increase in the number of cases alleging the presence of asbestos contamination in talc-based 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 from 1964 until 1992 when it exited its talc business by conveying it to a third party in two related transactions. Those transactions involved (i) 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 (ii) 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.

Cyprus Mines has contractual indemnification rights, subject to limited reservations, against Imerys, which has historically acknowledged those indemnification obligations, and had taken 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 is no longer defending the talc lawsuits against Cyprus Mines and CAMC. In addition, Imerys has taken 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 can be decided in an adversary proceeding before the bankruptcy court, which was previously scheduled for March 2020, but has been put on hold.

During first-quarter 2019, in a case pending at the time Imerys filed bankruptcy, a California jury entered a $29 million verdict against Johnson & Johnson (J&J) and Cyprus Mines, of which approximately $2 million was attributed to Cyprus Mines. Taking advantage of the temporary access to the insurance authorized by the bankruptcy court, Cyprus Mines used the insurance to fully resolve the case. Cyprus Mines and the insurers also settled several other cases and secured delays or dismissals in other cases. Multiple trials previously scheduled over the first half of 2020 have been postponed because of the ongoing COVID-19 pandemic. Other cases remain

scheduled for trial in the second half of 2020, and postponed cases may be reset prior to the adversary proceeding regarding the legacy insurance, which is currently on hold.

Cyprus Mines and CAMC also have contractual indemnification rights against J&J, which J&J disputes. In June 2020, Cyprus Mines and CAMC filed a complaint in the Imerys bankruptcy case asserting that J&J was required to indemnify Cyprus Mines and CAMC for liabilities related to J&J products.

FCX believes that Cyprus Mines and CAMC each has strong defenses to legal liability and that both should have access to the legacy insurance to cover defense costs, settlements and judgments, at least until the bankruptcy court decides otherwise or the insurance is exhausted. At this time, FCX cannot estimate the range of possible loss associated with these proceedings, but it does not currently believe the amount of any such losses are material to its consolidated financial statements. However, there can be no assurance that future developments will not alter this conclusion.

Environmental

On August 5, 2020, the co-conveners of the Global Tailings Review, which included the International Council on Mining and Metals (ICMM), an industry group of which FCX is a founding member, published the first Global Industry Standard on Tailings Management (the Standard). The Standard includes 77 requirements across six key areas including the design, construction, operation and monitoring of tailings facilities, management and governance, emergency response and long-term recovery, and public disclosure. As a member of ICMM, which has endorsed the Standard, FCX will move toward implementing it and will begin undertaking an extensive, multi-year analysis of its tailings facilities to ensure conformance with the Standard. Compliance with the new Standard will require incremental future costs.

Other Matters

PT-FI and PT Smelting Export Licenses. In March 2020, PT-FI received a one-year extension of its export license through March 15, 2021, and PT Smelting (PT-FI's 25 percent-owned smelter and refinery in Indonesia) received an extension of its anode slimes export license through March 10, 2021.

Cerro Verde Royalty Dispute. In November 2019, Cerro Verde filed a notice of intent to initiate international arbitration against the Peruvian government, which triggered a period for mandatory good faith settlement discussions. The parties were unable to find an amicable resolution and, on February 28, 2020, FCX and Cerro Verde filed international arbitration proceedings against the Peruvian government. In April 2020, SMM Cerro Verde Netherlands B.V. (SMM), another shareholder of Cerro Verde, filed a parallel arbitration proceeding under a different investment treaty against the Peruvian government.

NOTE 9. 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, Bagdad, Cerro Verde and Grasberg (Indonesia Mining) copper mines, the Rod & Refining operations and Atlantic Copper Smelting & Refining.

Beginning in fourth-quarter 2019, the Bagdad copper mine became a reportable segment. As a result, FCX revised its segment disclosure for the three and six months ended June 30, 2019, to conform with the current year presentation.

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

FCX defers recognizing profits on sales from its mines to other 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.

Product Revenues. FCX's revenues attributable to the products it sold for the second quarters and first six months of 2020 and 2019 follow (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Copper:				
Cathode	$ 1,124	$ 959	$ 1,961	$ 1,818
Concentrate	749	1,134	1,598	2,299
Rod and other refined copper products	303	516	845	1,023
Purchased copper[a]	166	325	401	662
Gold	341	305	611	696
Molybdenum	194	327	437	615
Other[b]	115	218	272	495
Adjustments to revenues:				
Treatment charges	(75)	(100)	(155)	(205)
Royalty expense[c]	(26)	(19)	(46)	(49)
Export duties[d]	(16)	(10)	(20)	(27)
Revenues from contracts with customers	2,875	3,655	5,904	7,327
Embedded derivatives[e]	179	(109)	(52)	11
Total consolidated revenues	$ 3,054	$ 3,546	$ 5,852	$ 7,338

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.

e. Refer to Note 6 for discussion of embedded derivatives related to FCX's provisionally priced concentrate and cathode sales contracts.

Financial Information by Business Segment

(In millions)

	North America Copper Mines				South America Mining								
	Morenci	Bagdad	Other	Total	Cerro Verde	Other	Total	Indonesia Mining	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Elimi-nations	FCX Total
Three Months Ended June 30, 2020													
Revenues:													
Unaffiliated customers	$ 20	$ —	$ 16	$ 36	$ 471	$ 106	$ 577	$ 683 [a]	$ —	$ 1,106	$ 464	$ 188 [b]	$ 3,054
Intersegment	447	166	339	952 [c]	52	—	52	35	58	8	2	(1,107)	—
Production and delivery	348	118	321	787	334	104	438	378	61	1,138	446	(854)	2,394
Depreciation, depletion and amortization	43	13	33	89	88	14	102	124	15	6	7	15	358
Metals inventory adjustments	—	—	(89)	(89)	—	(57)	(57)	—	1	1	—	5	(139)
Selling, general and administrative expenses	—	—	1	1	1	—	1	28	—	—	5	56	91
Mining exploration and research expenses	—	—	1	1	—	—	—	—	—	—	—	17	18
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	11	11
Operating income (loss)	76	35	88	199	100	45	145	188	(19)	(31)	8	(169)	321
Interest expense, net	1	—	—	1	20	—	20	1	—	—	1	92	115
Provision for (benefit from) income taxes	—	—	—	—	29	16	45	78	—	—	1	(28)	96
Total assets at June 30, 2020	2,697	794	4,404	7,895	8,515	1,631	10,146	16,848	1,777	259	726	2,579	40,230
Capital expenditures	27	12	109	148	31	20	51	308	4	2	5	9	527
Three Months Ended June 30, 2019													
Revenues:													
Unaffiliated customers	$ 16	$ —	$ 69	$ 85	$ 562	$ 128	$ 690	$ 583 [a]	$ —	$ 1,171	$ 546	$ 471 [b]	$ 3,546
Intersegment	491	204	340	1,035	71	—	71	(1)	109	4	—	(1,218)	—
Production and delivery	348	128	348	824	455	126	581	554	78	1,171	515	(718)	3,005
Depreciation, depletion and amortization	43	11	33	87	101	18	119	99	18	3	7	19	352
Metals inventory adjustments	—	—	1	1	—	—	—	—	—	—	—	1	2
Selling, general and administrative expenses	—	—	—	—	2	—	2	30	—	—	5	55	92
Mining exploration and research expenses	—	—	1	1	—	—	—	—	—	—	—	30	31
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	23	23
Net loss on sales of assets	—	—	—	—	—	—	—	—	—	—	—	8	8
Operating income (loss)	116	65	26	207	75	(16)	59	(101)	13	1	19	(165)	33
Interest expense, net	1	—	—	1	25	—	25	1	—	—	6	99	132
Provision for (benefit from) income taxes	—	—	—	—	20	(9)	11	(35)	—	—	2	7	(15)
Total assets at June 30, 2019	2,917	742	4,179	7,838	8,571	1,699	10,270	16,261	1,792	250	764	3,911	41,086
Capital expenditures	49	33	125	207	43	4	47	339	2	1	5	28	629

a. Includes PT-FI's sales to PT Smelting totaling $433 million in second-quarter 2020 and $470 million in second-quarter 2019.

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 hedging losses totaling $24 million 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.

(In millions)

	North America Copper Mines				South America Mining								
	Morenci	Bagdad	Other Mines	Total	Cerro Verde	Other Mines	Total	Indonesia Mining	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Elimi-nations	FCX Total
Six Months Ended June 30, 2020													
Revenues:													
Unaffiliated customers	$ 22	$ —	$ 23	$ 45	$ 847	$ 204	$ 1,051	$ 1,128 [a]	$ —	$ 2,221	$ 893	$ 514 [b]	$ 5,852
Intersegment	889	325	714	1,928 [c]	90	—	90	35	129	16	13	(2,211)	—
Production and delivery	697	244	706	1,647	758	214	972	721	127	2,257	857	(1,642)	4,939
Depreciation, depletion and amortization	87	27	67	181	181	29	210	225	31	8	14	30	699
Metals inventory adjustments	4	—	52	56	—	3	3	—	5	1	—	18	83
Selling, general and administrative expenses	1	—	1	2	3	—	3	56	—	—	10	130	201
Mining exploration and research expenses	—	—	2	2	—	—	—	—	—	—	—	32	34
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	1	—	36	37
Net loss on sales of assets	—	—	—	—	—	—	—	—	—	—	—	11	11
Operating income (loss)	122	54	(91)	85	(5)	(42)	(47)	161	(34)	(30)	25	(312)	(152)
Interest expense, net	2	—	—	2	48	—	48	2	—	—	4	186	242
(Benefit from) provision for income taxes	—	—	—	—	(23)	(10)	(33)	90	—	—	1	(22)	36
Capital expenditures	71	37	224	332	90	35	125	634	11	4	11	20	1,137
Six Months Ended June 30, 2019													
Revenues:													
Unaffiliated customers	$ 28	$ —	$ 164	$ 192	$ 1,289	$ 226	$ 1,515	$ 1,288 [a]	$ —	$ 2,299	$ 1,117	$ 927 [b]	$ 7,338
Intersegment	949	382	631	1,962	197	—	197	57	200	10	5	(2,431)	—
Production and delivery	643	248	676	1,567	894	226	1,120	1,110	149	2,304	1,067	(1,388)	5,929
Depreciation, depletion and amortization	83	21	66	170	201	32	233	204	34	5	14	39	699
Metals inventory adjustments	—	—	1	1	—	—	—	—	—	—	—	58	59
Selling, general and administrative expenses	1	—	1	2	4	—	4	60	—	—	10	123	199
Mining exploration and research expenses	—	—	1	1	—	—	—	—	—	—	—	57	58
Environmental obligations and shutdown costs	—	—	—	—	—	—	—	—	—	—	—	65	65
Net gain on sales of assets	—	—	—	—	—	—	—	—	—	—	—	(25)	(25)
Operating income (loss)	250	113	50	413	387	(32)	355	(29)	17	—	31	(433)	354
Interest expense, net	2	—	—	2	54	—	54	1	—	—	12	209	278
Provision for (benefit from) income taxes	—	—	—	—	130	(14)	116	(9)	—	—	3	(20)	90
Capital expenditures	111	58	248	417	99	9	108	658	6	2	9	51	1,251

a. Includes PT-FI's sales to PT Smelting totaling $813 million for the first six months of 2020 and $879 million for the first six months of 2019.

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 hedging losses totaling $24 million 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.

NOTE 10. NEW ACCOUNTING STANDARD

Financial Instruments. 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.

NOTE 11. SUBSEQUENT EVENTS

FCX evaluated events after June 30, 2020, and through the date the consolidated financial statements were issued, and determined any events or transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of Freeport-McMoRan Inc. (the Company) as of June 30, 2020, the related consolidated statements of operations, comprehensive income (loss), and equity for the three- and six-month periods ended June 30, 2020 and 2019, the consolidated statements of cash flows for the six-month periods ended June 30, 2020 and 2019, and the related notes (collectively referred to as the “consolidated interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2019, the related consolidated statements of operations, comprehensive (loss) income, cash flows and equity for the year then ended, and the related notes (not presented herein); and in our report dated February 14, 2020, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of the Company's management. 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 review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Phoenix, Arizona
August 7, 2020

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

In Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), "we," "us" and "our" refer to Freeport-McMoRan Inc. (FCX) and its consolidated subsidiaries. You should read this discussion in conjunction with our consolidated financial statements, the related MD&A and the discussion of our Business and Properties in our annual report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K), filed with the United States (U.S.) Securities and Exchange Commission (SEC). The results of operations reported and summarized below are not necessarily indicative of future operating results (refer to "Cautionary Statement" for further discussion). References to "Notes" are Notes included in our Notes to Consolidated Financial Statements (Unaudited). Throughout MD&A, all references to income or losses per share are on a diluted basis.

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.

On April 24, 2020, we announced revised operating plans in response to the global COVID-19 pandemic and resulting negative impact on the global economy. The April 2020 revised operating plans included significant reductions to operating costs, capital expenditures and exploration and administrative costs for the year 2020. We proactively implemented operating protocols at each of our operating sites to contain and mitigate the risk of spread of COVID-19. We continue to work closely with communities where we operate across the globe and have provided monetary support and in-kind contributions of medical supplies, equipment and food.

We continue to focus on safeguarding our business in an uncertain public health and economic environment, advancing the ramp-up of underground production at Grasberg to establish large-scale, low-cost copper and gold production, and advancing initiatives in North America and South America to position us for significant increases in cash flows in 2021 and beyond.

The ramp-up of underground production at the Grasberg minerals district continues to advance on schedule, and the Lone Star project in North America is substantially complete and on track to produce approximately 200 million pounds of copper per year beginning in the second half of 2020. We achieved significant progress at Cerro Verde during second-quarter 2020 to restore operations following COVID-19 restrictions imposed by the Peruvian government in March 2020. Refer to "Operations" for further discussion.

With a focus on cost and capital management, our second-quarter 2020 results reflected strong execution of the April 2020 revised operating plans. Our second-quarter 2020 consolidated sales exceeded the April 2020 estimates by 10 percent for copper and 12 percent for gold.

Net income (loss) attributable to common stock totaled $53 million in second-quarter 2020, $(72) million in second-quarter 2019, $(438) million for the first six months of 2020 and $(41) million for the first six months of 2019. The results for second-quarter 2020, compared with second-quarter 2019, primarily reflect lower unit net cash costs, partly offset by lower copper prices, lower copper and gold sales volumes and charges associated with the COVID-19 pandemic and revised operating plans. The results for the first six months of 2020, compared with the first six months of 2019, primarily reflect lower copper and gold sales volumes, lower copper prices and charges associated with the COVID-19 pandemic and revised operating plans, partly offset by lower unit net cash costs. The 2020 periods also included favorable metals inventory adjustments of $139 million in second-quarter 2020 and unfavorable metals inventory adjustments of $83 million for the first six months of 2020. Refer to "Consolidated Results" for further discussion.

At June 30, 2020, we had $1.5 billion in consolidated cash and cash equivalents and $9.9 billion in total debt. At June 30, 2020, we had no borrowings and $3.5 billion was available under our revolving credit facility. We have a strong liquidity position to manage market volatility, especially in light of the fact that we have no senior note maturities until 2022.

In July 2020, we completed an offering of $1.5 billion of senior notes in two tranches in an underwritten registered public offering. We used a portion of the net proceeds from the offering to purchase certain existing senior notes in connection with the early settlement of our previously announced tender offers. Depending on the final tender results, we may use all or a portion of the the remaining net proceeds from the offering to purchase more of certain existing senior notes in the tender offers. Any net proceeds not used for the tender offers will be used for general corporate purposes, which may include repurchases or redemptions of our senior notes. These transactions will further enhance financial flexibility and extend debt maturities. Refer to Note 5 and “Capital Resources and Liquidity” for further discussion.

OUTLOOK

Despite the rapid change in market conditions and unfavorable changes to the global economy as a result of the 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” below and “Risk Factors” in Part I, Item 1A. of our 2019 Form 10-K and Part II, Item 1A. herein for further discussion. Because we cannot control the prices 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.

Consolidated Sales Volumes

Following are our projected consolidated sales volumes for the year 2020:

Copper (millions of recoverable pounds):	
North America copper mines	1,430
South America mining	950
Indonesia mining	770
Total	3,150
Gold (millions of recoverable ounces)	0.8
Molybdenum (millions of recoverable pounds)	77 [a]

a. Projected molybdenum sales include 25 million pounds produced by our Molybdenum mines and 52 million pounds produced by our North America and South America copper mines.

Consolidated sales volumes for third-quarter 2020 are expected to approximate 790 million pounds of copper, 220 thousand ounces of gold and 18 million pounds of molybdenum. As PT-FI continues to ramp-up production from its significant underground ore bodies, metal production is expected to improve significantly in 2021, with estimated consolidated sales of 3.8 billion pounds of copper and 1.4 million ounces of gold. Projected sales volumes are dependent on operational performance, impacts and the duration of the COVID-19 pandemic, weather-related conditions, timing of shipments 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 2019 Form 10-K and Part II, Item 1A. herein.

Consolidated Unit Net Cash Costs

Assuming average prices of $1,800 per ounce of gold and $7.00 per pound of molybdenum for the second half of 2020 and achievement of current sales volume and cost estimates, consolidated unit net cash costs (net of by-product credits) for our copper mines are expected to average $1.53 per pound of copper for the year 2020, (including $1.40 per pound of copper for the second half of 2020). The impact of price changes during the second half of 2020 on consolidated unit net cash costs for the year 2020 would approximate $0.01 per pound of copper for each $50 per ounce change in the average price of gold and $0.01 per pound of copper 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. We expect consolidated unit net cash costs to decline in 2021, following a ramp-up period at PT-FI.

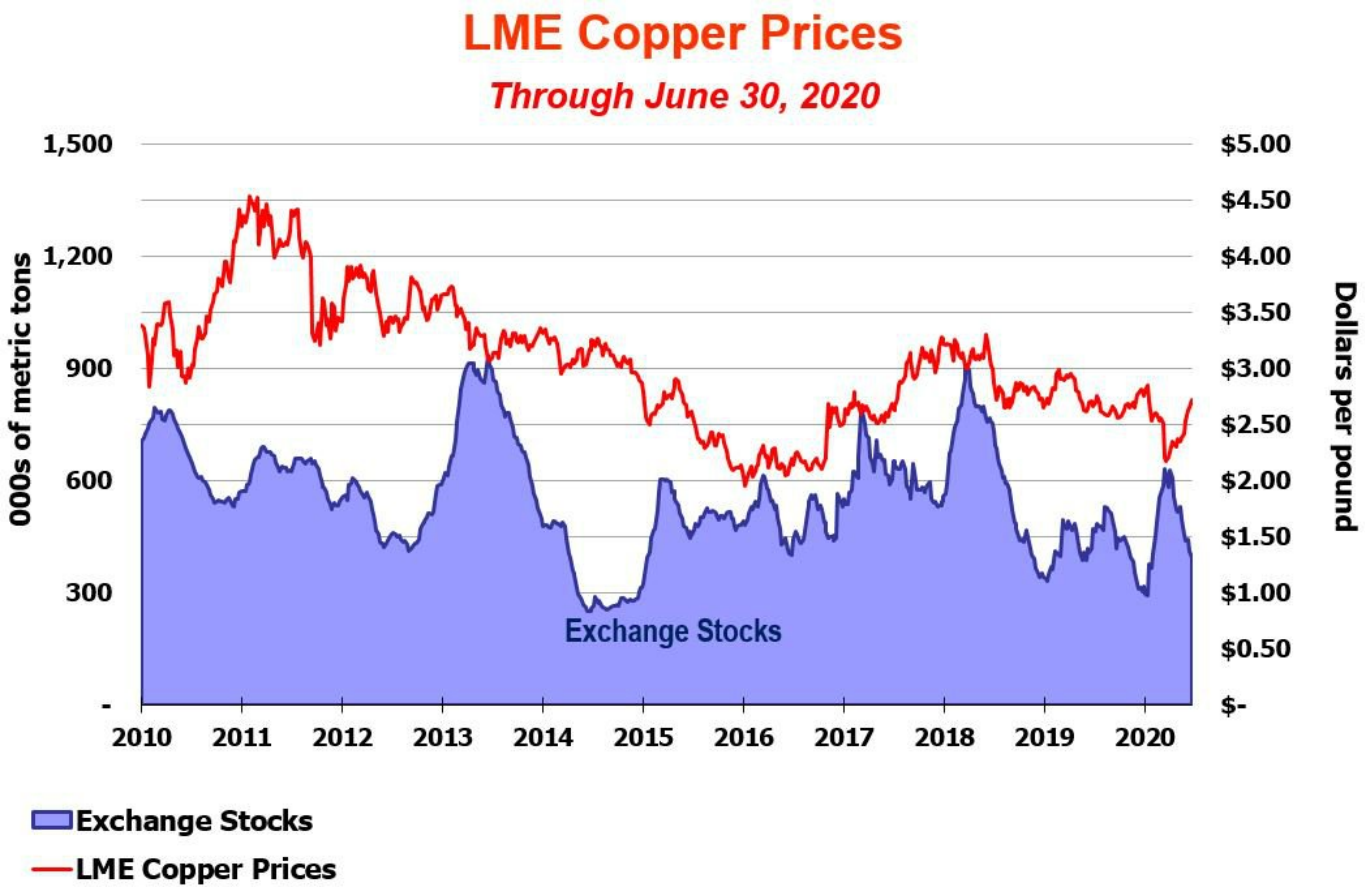
Consolidated Operating Cash Flows
Our consolidated operating cash flows vary with sales volumes; prices realized from copper, gold and molybdenum sales; production costs; income taxes; other working capital changes; and other factors. Based on current sales volume and cost estimates, and assuming average prices of $2.85 per pound for copper, $1,800 per ounce for gold, and $7.00 per pound for molybdenum for the second half of 2020, our consolidated operating cash flows are estimated to approximate $2.6 billion (including $0.5 billion of working capital and other sources) for the year 2020. Estimated consolidated operating cash flows for the year 2020 also reflect an estimated income tax provision of $0.5 billion (refer to “Consolidated Results – Income Taxes” for further discussion of our projected income tax rate for the year 2020). The impact of price changes during the second half of 2020 on operating cash flows for the year 2020 would approximate $165 million for each $0.10 per pound change in the average price of copper, $25 million for each $50 per ounce change in the average price of gold and $35 million for each $2 per pound change in the average price of molybdenum.

Consolidated Capital Expenditures
Consolidated capital expenditures are expected to approximate $2.0 billion for the year 2020, including $1.3 billion for major projects, primarily associated with underground development activities in the Grasberg minerals district and completion of the Lone Star copper leach project, and exclude estimates associated with the new smelter in Indonesia. A large portion of the capital expenditures relates to projects that are expected to add significant production and cash flow in future periods, enabling us to generate operating cash flows exceeding capital expenditures in future years. We have cash on hand and the financial flexibility to fund these expenditures and will continue to be disciplined in deploying capital.

Corporate Items and Other
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. Cost savings initiatives included a temporary reduction in certain employee benefits, the initiation of furloughs and an employee separation program, and reductions in third party service costs, facilities costs, travel and other expenses. During second-quarter 2020, we recognized charges totaling approximately $82 million ($60 million in production and delivery costs, $15 million in selling, general and administrative costs, and $7 million in mining exploration and research expenses) associated with the employee separation program. Annual savings associated with this program are expected to be in excess of $100 million. As part of the cost savings initiatives initiated in second-quarter 2020, the Board of Directors (the Board) approved a 25 percent reduction in the salary of each of our Chief Executive Officer and Chief Financial Officer through the end of 2020. Each of these executives also agreed to forgo substantially all their reduced cash salary for the remainder of 2020, which was substituted with an award of restricted stock units that will vest at the end of the year. Selling, general and administrative expense, excluding costs of the employee separation program, are expected to approximate $355 million for the year 2020.

MARKETS

World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2010 through June 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 (LBMA) PM gold price fluctuated from a low of $1,049 per ounce in 2015 to a record high of $1,895 per ounce in 2011; and the *Metals Week* Molybdenum Dealer Oxide weekly average price ranged from a low of $4.46 per pound in 2015 to a high of $18.60 per pound in 2010. Copper, gold and molybdenum prices are affected by numerous factors beyond our control as described further in “Risk Factors” contained in Part I, Item 1A. of our 2019 Form 10-K and Part II, 1A. herein.



This graph presents LME copper settlement prices and the combined reported stocks of copper at the LME, Commodity Exchange Inc., a division of the New York Mercantile Exchange, and the Shanghai Futures Exchange from January 2010 through June 2020. During second-quarter 2020, LME copper settlement prices ranged from a low of $2.16 per pound to a high of $2.74 per pound, averaged $2.43 per pound and settled at $2.74 per pound on June 30, 2020. In second-quarter 2020, copper prices recovered from the sharp decline that occurred during first-quarter 2020, reflecting the combination of supply curtailments related to the COVID-19 pandemic, and an improving economic outlook during second-quarter 2020. The COVID-19 pandemic continues to cause substantial disruption and uncertainty in global economies and markets. The LME copper settlement price was $2.92 per pound on July 31, 2020.

While we acknowledge unfavorable changes to the global economy as a result of 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 world's response to the COVID-19 pandemic, demand from China and emerging markets, as well as economic activity in the U.S. and other industrialized countries, the timing of the development of new supplies of copper and the production levels of mines and copper smelters.

This graph presents LBMA PM gold prices from January 2010 through June 2020. During second-quarter 2020, LBMA PM gold prices ranged from a low of $1,577 per ounce to a high of $1,772 per ounce, averaged $1,711 per ounce, and closed at $1,768 per ounce on June 30, 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. The LBMA PM gold price was $1,965 per ounce on July 31, 2020.

This graph presents the *Metals Week* Molybdenum Dealer Oxide weekly average price from January 2010 through June 2020. During second-quarter 2020, the weekly average price of molybdenum ranged from a low of $7.65 per pound to a high of $9.05 per pound, averaged $8.40 per pound, and was $7.65 per pound on June 30, 2020. Molybdenum prices continued to be negatively impacted by economic uncertainty associated with the COVID-19 pandemic during second-quarter 2020. The *Metals Week* Molybdenum Dealer Oxide weekly average price was $7.18 per pound on July 31, 2020.

CONSOLIDATED RESULTS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
SUMMARY FINANCIAL DATA	(in millions, except per share amounts)			
Revenues[a,b]	$ 3,054	$ 3,546	$ 5,852	$ 7,338
Operating income (loss)[a,c,d]	$ 321 [e]	$ 33 [f,g]	$ (152) [e,g]	$ 354 [f,g]
Net income (loss) attributable to common stock[h,i]	$ 53 [j,k]	$ (72)	$ (438) [j,k]	$ (41) [j,k]
Diluted net income (loss) per share of common stock	$ 0.03	$ (0.05)	$ (0.30)	$ (0.03)
Diluted weighted-average common shares outstanding	1,458	1,451	1,453	1,451
Operating cash flows[l]	$ 491	$ 554	$ 453	$ 1,088
Capital expenditures	$ 527	$ 629	$ 1,137	$ 1,251
At June 30:				
Cash and cash equivalents	$ 1,465	$ 2,623	$ 1,465	$ 2,623
Total debt, including current portion	$ 9,914	$ 9,916	$ 9,914	$ 9,916

a. Refer to Note 9 for a summary of revenues and operating income (loss) by operating division.

b. Includes favorable (unfavorable) adjustments to prior period provisionally priced concentrate and cathode copper sales totaling $55 million ($19 million to net income attributable to common stock or $0.01 per share) in second-quarter 2020, $(83) million ($(35) million to net loss attributable to common stock or $(0.02) per share) in second-quarter 2019, $(102) million ($(43) million to net loss attributable to common stock or $(0.03) per share) for the first six months of 2020 and $58 million ($23 million to net loss attributable to common stock or $0.02 per share) for the first six months of 2019 (refer to Note 6). The second-quarter and first six months of 2020 also include reductions to revenues totaling $24 million ($24 million to net income (loss) attributable to common stock or $0.02 per share) related to forward sales contracts (refer to Note 6).

c. Includes metals inventory adjustments totaling $139 million ($101 million to net income attributable to common stock or $0.07 per share) in second-quarter 2020, $(2) million ($(1) million to net loss attributable to common stock or less than $0.01 per share) in second-quarter 2019, $(83) million ($(81) million to net loss attributable to common stock or $(0.06) per share) for the first six months of 2020 and $(59) million ($(27) million to net loss attributable to common stock or $(0.02) per share) for the first six months of 2019.

d. Includes net charges to environmental obligations and related litigation reserves totaling $1 million ($1 million to net income attributable to common stock or less than $0.01 per share) in second-quarter 2020, $9 million ($9 million to net loss attributable to common stock or $0.01 per share) in second-quarter 2019, $15 million ($15 million to net loss attributable to common stock or $0.01 per share) for the first six months of 2020 and $44 million ($44 million to net loss attributable to common stock or $0.03 per share) for the first six months of 2019.

e. Includes charges totaling $196 million ($144 million to net income attributable to common stock or $0.10 per share) in second-quarter 2020 and $224 million ($153 million to net loss attributable to common stock or $0.11 per share) for the first six months of 2020 associated with the COVID-19 pandemic and revised operating plans, including employee separation costs. These charges were recorded to production and delivery ($153 million in second-quarter 2020 and $173 million for the first six months of 2020); depreciation, depletion and amortization ($21 million in second-quarter 2020 and $29 million for the first six months of 2020); selling, general and administrative ($15 million for each of the second quarter and first six months of 2020) and mining exploration and research expense ($7 million for each of the second quarter and first six months of 2020).

f. Includes a charge of $28 million ($14 million to net loss attributable to common stock or $0.01 per share) for the second-quarter and first six months of 2019 for an adjustment to the settlement of the historical surface water tax disputes with the local regional tax authority in Papua, Indonesia.

g. Includes net (losses) gains on sales of assets totaling $(8) million ($(8) million to net loss attributable to common stock or $(0.01) per share) in second-quarter 2019, $(11) million ($(11) million to net loss attributable to common stock or $(0.01) per share) for the first six months of 2020 and $25 million ($25 million to net loss attributable to common stock or $0.02 per share) for the first six months of 2019 (refer to Note 7 for discussion of adjustments to the estimated fair value of contingent consideration related to the 2016 sale of onshore California oil and gas properties).

h. Includes net tax credits of $53 million ($0.04 per share) in second-quarter 2020, $18 million ($0.01 per share) in second-quarter 2019, $52 million ($0.04 per share) for the first six months of 2020 and $24 million ($0.02 per share) for the first six months of 2019. Refer to “Income Taxes” for further discussion of these net tax credits.

i. We defer recognizing profits on intercompany sales until final sales to third parties occur. Refer to “Operations – Smelting and Refining” for a summary of net impacts from changes in these deferrals.

j. Includes after-tax net losses on early extinguishment of debt totaling $9 million ($0.01 per share) in second-quarter 2020, $41 million ($0.03 per share) for the first six months of 2020 and $5 million (less than $0.01 per share) for the first six months of 2019 (refer to Note 5).

k. Includes other net credits (charges) totaling $10 million ($0.01 per share) in second quarter 2020, $2 million (less than $0.01 per share) for the first six months of 2020 and $(10) million ($(0.01) per share) for the first six months of 2019.

l. Working capital and other sources totaled $22 million in second-quarter 2020, $304 million in second-quarter 2019, $141 million for the first six months of 2020 and $248 million for the first six months of 2019.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
SUMMARY OPERATING DATA				
Copper (millions of recoverable pounds)				
Production	767	776	1,498	1,556
Sales, excluding purchases	759	807	1,488	1,591
Average realized price per pound	$ 2.55 [a]	$ 2.75	$ 2.53 [a]	$ 2.78
Site production and delivery costs per pound[b]	$ 1.82	$ 2.26	$ 2.00	$ 2.21
Unit net cash costs per pound[b]	$ 1.47	$ 1.92	$ 1.68	$ 1.85
Gold (thousands of recoverable ounces)				
Production	191	160	347	326
Sales, excluding purchases	184	189	328	431
Average realized price per ounce	$ 1,749	$ 1,351	$ 1,709	$ 1,315
Molybdenum (millions of recoverable pounds)				
Production	19	25	38	48
Sales, excluding purchases	18	24	39	46
Average realized price per pound	$ 10.53	$ 13.15	$ 10.84	$ 12.93

a. Includes reductions to average realized prices of $0.03 per pound of copper in second-quarter 2020 and $0.02 per pound of copper for the first six months of 2020 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 (refer to Note 6). There are no remaining forward sales contracts.

b. 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 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 $3.1 billion in second-quarter 2020, $3.5 billion in second-quarter 2019, $5.9 billion for the first six months of 2020 and $7.3 billion for the first six months of 2019. Revenues from our mining operations primarily include the sale of copper concentrate, copper cathode, copper rod, gold in concentrate and molybdenum. Refer to Note 9 for a summary of product revenues.

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

	Three Months Ended June 30	Six Months Ended June 30
Consolidated revenues - 2019 period	$ 3,546	$ 7,338
Lower sales volumes:		
Copper	(132)	(287)
Gold	(8)	(135)
Molybdenum	(85)	(90)
(Lower) higher average realized prices:		
Copper	(152)	(372)
Gold	73	129
Molybdenum	(46)	(82)
Adjustments for prior period provisionally priced copper sales	138	(160)
Lower Atlantic Copper revenues	(80)	(216)
Lower revenues from purchased copper	(158)	(261)
Lower cobalt revenues	(84)	(180)
Lower treatment charges	25	50
(Higher) lower royalties and export duties	(13)	10
Other, including intercompany eliminations	30	108
Consolidated revenues - 2020 period	$ 3,054	$ 5,852

Sales Volumes. Consolidated copper and gold sales volumes decreased in the 2020 periods, compared to the 2019 periods, primarily reflecting lower operating rates at Cerro Verde associated with COVID-19 restrictions and timing of shipments. 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. Average realized prices for second-quarter 2020, compared with second-quarter 2019, were 7 percent lower for copper, 29 percent higher for gold and 20 percent lower for molybdenum, and average realized prices for the first six months of 2020, compared with the first six months of 2019, were 9 percent lower for copper, 30 percent higher for gold and 16 percent lower for molybdenum.

Average realized copper prices include net favorable (unfavorable) adjustments to current period provisionally priced copper sales totaling $107 million in second-quarter 2020, $(39) million in second-quarter 2019, $26 million for the first six months of 2020 and $(58) million for the first six months of 2019. As discussed in Note 6, 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 prices. 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 for the second quarter and first six months of 2020 also included reductions totaling $24 million related to forward sales contracts (refer to Note 6).

Prior Period Provisionally Priced Copper Sales. Net favorable (unfavorable) adjustments to prior periods’ provisionally priced copper sales (*i.e.*, provisionally priced sales at March 31, 2020 and 2019, and December 31, 2019 and 2018) recorded in consolidated revenues totaled $55 million in second-quarter 2020 and $(83) million in second-quarter 2019, $(102) million for the first six months of 2020 and $58 million for the first six months of 2019. Refer to Notes 6 and 9 for a summary of total adjustments to prior period and current period provisionally priced sales.

At June 30, 2020, we had provisionally priced copper sales totaling 183 million pounds of copper (net of intercompany sales and noncontrolling interests) recorded at an average of $2.73 per pound, subject to final pricing over the next several months. We estimate that each $0.05 change in the price realized from the June 30, 2020,

provisional price recorded would have an approximate $6 million effect on our 2020 net income attributable to common stock. The LME copper price settled at $2.92 per pound on July 31, 2020.

Atlantic Copper Revenues. Atlantic Copper revenues totaled $466 million in second-quarter 2020 and $906 million for the first six months of 2020, compared with $546 million in second-quarter 2019 and $1.1 billion for the first six months of 2019. Lower revenues in the 2020 periods, compared with the 2019 periods, primarily reflect lower copper prices.

Purchased Copper. We purchase copper cathode primarily for processing by our Rod & Refining operations. The volumes of copper purchases vary depending on cathode production from our operations and totaled 71 million pounds in second-quarter 2020, 114 million pounds in second-quarter 2019, 159 million pounds for the first six months of 2020 and 231 million pounds for the first six months of 2019.

Cobalt Revenues. Cobalt revenues totaled $47 million in second-quarter 2020 and $112 million for the first six months of 2020, compared with $131 million in second-quarter 2019 and $292 million for the first six months of 2019. Lower revenues in the 2020 periods, compared with the 2019 periods, primarily reflect the sale of our cobalt refinery and related cobalt cathode precursor business in fourth-quarter 2019.

Treatment 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 on PT-FI sales 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. Refer to “Operations – Indonesia Mining” for further discussion of the new smelter in Indonesia and to Note 9 for a summary of royalty expense and export duties.

Production and Delivery Costs

Consolidated production and delivery costs totaled $2.4 billion in second-quarter 2020, $3.0 billion in second-quarter 2019, $4.9 billion for the first six months of 2020 and $5.9 billion for the first six months of 2019. Lower consolidated production and delivery costs in the 2020 periods primarily reflects lower mining costs in Indonesia (reflecting lower mining and milling rates associated with the completion of mining the Grasberg open pit) and in South America (reflecting lower operating rates associated with COVID-19 restrictions). The 2020 periods also included charges totaling $153 million in second-quarter 2020 and $173 million for the first six months of 2020 associated with the COVID-19 pandemic and revised operating plans, including employee separation costs.

Site Production and Delivery Costs Per Pound. 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 site production and delivery costs (before net noncash and other costs) for our copper mines averaged $1.82 per pound of copper in second-quarter 2020, $2.26 per pound of copper in second-quarter 2019, $2.00 per pound of copper for the first six months of 2020 and $2.21 per pound of copper for the first six months of 2019. Lower consolidated site production and delivery costs per pound in the 2020 periods, compared with the 2019 periods, primarily reflect lower costs in Indonesia 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.

Depreciation, Depletion and Amortization

Depreciation will vary under the unit-of-production (UOP) method as a result of changes in sales volumes and the related UOP rates at our mining operations. Consolidated depreciation, depletion and amortization (DD&A) totaled $358 million in second-quarter 2020, $352 million in second-quarter 2019 and $699 million for each of the first six months of 2020 and 2019.

Metals Inventory Adjustments

Net realizable value metals inventory adjustments totaled a net credit of $139 million in second-quarter 2020 (primarily related to the reversal of net realizable value adjustments recorded on long-term copper inventories in first-quarter 2020), and charges of $2 million in second-quarter 2019, $83 million for the first six months of 2020 and $59 million for the first six months of 2019. Metals inventory adjustments in the 2020 periods were related to

volatility in copper and molybdenum prices. Charges for the first six months of 2019 were mostly related to decreases in cobalt prices.

Selling, general and administrative expenses
Selling, general and administrative expenses totaled $91 million in second-quarter 2020, $92 million in second-quarter 2019, $201 million for the first six months of 2020 and $199 million for the first six months of 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. Cost savings initiatives included a temporary reduction in certain employee benefits, the initiation of furloughs and an employee separation program, and reductions in third party service costs, facilities costs, travel and other expenses. Selling, general and administrative expenses include charges totaling $15 million associated with the employee separation program. Selling, general and administrative expense, excluding charges for the employee separation program, are expected to approximate $355 million for the year 2020.

Mining Exploration and Research Expenses
Consolidated exploration and research expenses for our mining operations totaled $18 million in second-quarter 2020, $31 million in second-quarter 2019, $34 million for the first six months of 2020 and $58 million for the first six months of 2019. Mining exploration and research expenses included employee separation charges totaling $7 million for each of the second quarter and first six months of 2020. Our April 2020 revised operating plans prioritize existing mine operations. Exploration expenditures for the year 2020 are expected to approximate $30 million, approximately 60 percent below 2019 expenditures.

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. 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 $11 million in second-quarter 2020, $23 million in second-quarter 2019, $37 million for the first six months of 2020 and $65 million for the first six months of 2019.

Interest Expense, Net
Consolidated interest costs (before capitalization) totaled $159 million in second-quarter 2020, $167 million in second-quarter 2019, $330 million for the first six months of 2020 and $345 million for the first six months of 2019. Refer to Note 5 for further discussion of our 2020 debt transactions.

Capitalized interest varies with the level of expenditures for our development projects and average interest rates on our borrowings, and totaled $44 million in second-quarter 2020, $35 million in second-quarter 2019, $88 million for the first six months of 2020 and $67 million for the first six months of 2019. Refer to “Capital Resources and Liquidity - Investing Activities” for discussion of capital expenditures associated with our major development projects.

Income Taxes
Following is a summary of the approximate amounts used in the calculation of our consolidated income tax (provision) benefit (in millions, except percentages):

	Six Months Ended June 30,					
	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]	$ (581)	10%	$ 58 [c]	$ (183)	10%	$ 19 [d]
South America	(57)	58%	33	294	40%	(117)
Indonesia	169	54%	(91) [e]	(13)	69%	9 [f]
Eliminations and other	74	N/A	(16)	(9)	N/A	(10)
Rate adjustment[g]	—	N/A	(20)	—	N/A	9
Consolidated FCX	$ (395)	(9)% [h]	$ (36)	$ 89	101%	$ (90)

a. Represents income (loss) from continuing operations 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 a tax credit of $53 million associated with the reversal of a year-end 2019 tax charge related to the sale of our interest in the lower zone of the Timok exploration project in Serbia. Also includes a tax credit of $6 million associated with the removal of a valuation allowance on deferred tax assets.
d. Includes tax credits totaling $18 million primarily associated with state law changes.
e. Includes a tax charge of $8 million ($7 million net of noncontrolling interest) associated with an unfavorable 2012 Indonesia Supreme Court ruling.
f. Includes a tax credit of $8 million ($6 million net of noncontrolling interest) associated with the reduction in PT-FI's statutory tax rates in accordance with its special mining license (IUPK).
g. In accordance with applicable accounting rules, we adjust our interim provision for income taxes to equal our consolidated tax rate.
h. 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. Because our U.S. jurisdiction generated net losses in the first six months of 2020 that will not result in a realized tax benefit, applicable accounting rules require us to adjust our estimated annual effective tax rate to exclude the impact of U.S. net losses.

Assuming achievement of current sales volume and cost estimates and average prices of $2.85 per pound for copper, $1,800 per ounce for gold and $7.00 per pound for molybdenum for the second half of 2020, we estimate our consolidated effective tax rate for the year 2020 would approximate 60 percent. Changes in sales volumes and average prices during 2020 would incur tax impacts at estimated effective rates of 38 percent for Indonesia, 37 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.

OPERATIONS

North America Copper Mines

We operate seven open-pit copper mines in North America – Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico. In addition to copper, certain of these mines produce molybdenum concentrate, gold and silver. 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. The April 2020 revised operating plans were effectively implemented across our North America operating sites and production, costs and capital management were in line or better than the April 2020 estimates. The Lone Star project is substantially complete and on track to produce approximately 200 million pounds of copper per year beginning in the second half of 2020.

The April 2020 revised operating plans take into account the impact of currently suspended operations at the Chino mine. We are currently assessing options and future timing of the restart of the Chino mine, which will take into account public health and market conditions.

Operating Data. Following is summary consolidated operating data for the North America copper mines:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating Data, Net of Joint Venture Interests				
Copper (millions of recoverable pounds)				
Production	368	370	714	706
Sales, excluding purchases	368	369	723	689
Average realized price per pound	$ 2.42 [a]	$ 2.78	$ 2.50 [a]	$ 2.80
Molybdenum (millions of recoverable pounds)				
Production[b]	9	9	17	16
100% Operating Data				
Leach operations				
Leach ore placed in stockpiles (metric tons per day)	744,000	797,600	736,100	751,600
Average copper ore grade (percent)	0.28	0.23	0.28	0.23
Copper production (millions of recoverable pounds)	265	245	500	471
Mill operations				
Ore milled (metric tons per day)	286,200	320,300	309,800	317,900
Average ore grade (percent):				
Copper	0.37	0.36	0.34	0.34
Molybdenum	0.02	0.02	0.02	0.02
Copper recovery rate (percent)	84.6	87.4	85.8	87.6
Copper production (millions of recoverable pounds)	176	195	354	371

a. Includes reductions to average realized prices of $0.06 per pound of copper in second-quarter 2020 and $0.03 per pound of copper for the first six months of 2020 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.

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

North America’s consolidated copper sales volumes totaled 368 million pounds in second-quarter 2020, 369 million pounds in second-quarter 2019, 723 million pounds for the first six months of 2020 and 689 million pounds for the first six months of 2019. Higher sales volumes for the first six months of 2020, compared with the first six months of 2019, primarily reflect timing of shipments. North America copper sales are estimated to approximate 1.4 billion pounds for the year 2020, similar to the year 2019.

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

	Three Months Ended June 30,					
	2020			2019		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molybdenum[a]		Copper	Molybdenum[a]
Revenues, excluding adjustments	$ 2.42[b]	$ 2.42	$ 8.33	$ 2.78	$ 2.78	$ 12.39
Site production and delivery, before net noncash and other costs shown below	1.85	1.73	6.76	2.05	1.88	9.53
By-product credits	(0.17)	—	—	(0.26)	—	—
Treatment charges	0.10	0.10	—	0.11	0.10	—
Unit net cash costs	1.78	1.83	6.76	1.90	1.98	9.53
DD&A	0.24	0.22	0.55	0.24	0.22	0.77
Metals inventory adjustments	(0.24)	(0.24)	—	—	—	—
Noncash and other costs, net	0.09[c]	0.09	0.08	0.03	0.02	0.23
Total unit costs	1.87	1.90	7.39	2.17	2.22	10.53
Revenue adjustments, primarily for pricing on prior period open sales	0.02	0.02	—	(0.04)	(0.04)	—
Gross profit per pound	$ 0.57	$ 0.54	$ 0.94	$ 0.57	$ 0.52	$ 1.86
Copper sales (millions of recoverable pounds)	368	368		369	369	
Molybdenum sales (millions of recoverable pounds)[a]			9			9

	Six Months Ended June 30,					
	2020			2019		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molybdenum[a]		Copper	Molybdenum[a]
Revenues, excluding adjustments	$ 2.50[b]	$ 2.50	$ 8.99	$ 2.80	$ 2.80	$ 12.06
Site production and delivery, before net noncash and other costs shown below	2.00	1.85	7.81	2.05	1.87	9.69
By-product credits	(0.19)	—	—	(0.26)	—	—
Treatment charges	0.10	0.10	—	0.11	0.11	—
Unit net cash costs	1.91	1.95	7.81	1.90	1.98	9.69
DD&A	0.25	0.23	0.64	0.25	0.22	0.75
Metals inventory adjustments	0.08	0.07	—	—	—	—
Noncash and other costs, net	0.09[c]	0.09	0.15	0.05	0.04	0.22
Total unit costs	2.33	2.34	8.60	2.20	2.24	10.66
Other revenue adjustments, primarily for pricing on prior period open sales	(0.03)	(0.03)	—	0.01	0.01	—
Gross profit per pound	$ 0.14	$ 0.13	$ 0.39	$ 0.61	$ 0.57	$ 1.40
Copper sales (millions of recoverable pounds)	722	722		689	689	
Molybdenum sales (millions of recoverable pounds)[a]			17			16

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 $0.06 per pound of copper in second-quarter 2020 and $0.03 per pound of copper for the first six months of 2020 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.

c. Includes charges totaling $0.06 per pound of copper in second-quarter 2020 and $0.03 per pound of copper for the first six months of 2020, primarily associated with the April 2020 revised operating plans (including employee separation costs) and the COVID-19 pandemic.

Our North America copper mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-product credits and other factors. Average unit net cash costs (net of by-product credits) of $1.78 per pound of copper in second-quarter 2020 were lower than unit net cash costs of $1.90 per pound of copper in second-quarter 2019, primarily reflecting lower mining costs and cost reductions associated with the April 2020 revised operating plans. Average unit net cash costs of $1.91 per pound for the first six months of 2020 approximated unit net cash costs of $1.90 per pound of copper for the first six months of 2019.

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

Average unit net cash costs (net of by-product credits) for our North America copper mines are expected to approximate $1.81 per pound of copper for the year 2020, based on achievement of current sales volume and cost estimates and assuming an average molybdenum price of $7.00 per pound for the second half of 2020. North America's average unit net cash costs for the year 2020 would change by approximately $0.02 per pound of copper for each $2 per pound change in the average price of molybdenum for the second half of 2020.

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. Cerro Verde achieved significant progress during second-quarter 2020 to restore operations following COVID-19 restrictions imposed by the Peruvian government in March 2020. Strict health protocols have been implemented and a plan for Cerro Verde to restore operations was approved by the Peruvian government in second-quarter 2020. Cerro Verde's operating rates averaged 251,800 metric tons of ore per day in second-quarter 2020, including an average of 316,800 metric tons of ore per day in June 2020 (which is approximately 80 percent of the 2019 annual average). We currently expect operations during the second half of 2020 to average approximately 350,000 metric tons of ore per day. We are continuing to operate El Abra consistent with the April 2020 revised operating plans while closely monitoring public health conditions in Chile.

Operating Data. Following is summary consolidated operating data for South America mining:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Copper (millions of recoverable pounds)				
Production	218	281	463	580
Sales	219	287	466	577
Average realized price per pound	$ 2.67	$ 2.72	$ 2.57	$ 2.75
Molybdenum (millions of recoverable pounds)				
Production[a]	4	7	8	15
Leach operations				
Leach ore placed in stockpiles (metric tons per day)	141,900	187,000	162,200	178,400
Average copper ore grade (percent)	0.33	0.38	0.35	0.36
Copper production (millions of recoverable pounds)	62	63	125	122
Mill operations				
Ore milled (metric tons per day)	251,800 [b]	407,700	300,700 [b]	397,200
Average ore grade (percent):				
Copper	0.39	0.34	0.36	0.36
Molybdenum	0.01	0.02	0.01	0.02
Copper recovery rate (percent)	83.9	81.7	80.8	84.5
Copper production (millions of recoverable pounds)	156	218	338	458

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.

South America’s consolidated copper sales volumes totaled 219 million pounds in second-quarter 2020, 287 million pounds in second-quarter 2019, 466 million pounds for the first six months of 2020 and 577 million pounds for the first six months of 2019. Lower sales volumes for the 2020 periods, compared to the 2019 periods, primarily reflect lower operating rates at Cerro Verde associated with COVID-19 restrictions.

Copper sales from South America mines are expected to approximate 950 million pounds for the year 2020, compared with 1.2 billion pounds of copper for the year 2019.

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 (Loss) per Pound of Copper
The following table summarizes unit net cash costs and gross profit (loss) per pound of copper at our South America mining operations. 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.

	Three Months Ended June 30,			
	2020		2019	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	$ 2.67	$ 2.67	$ 2.72	$ 2.72
Site production and delivery, before net noncash and other costs shown below	1.64	1.57	1.92	1.74
By-product credits	(0.11)	—	(0.28)	—
Treatment charges	0.15	0.15	0.18	0.18
Royalty on metals	—	—	0.01	0.01
Unit net cash costs	1.68	1.72	1.83	1.93
DD&A	0.47	0.44	0.41	0.37
Metals inventory adjustments	(0.26) [a]	(0.26)	—	—
Noncash and other costs, net	0.32	0.30	0.07	0.07
Total unit costs	2.21	2.20	2.31	2.37
Revenue adjustments, primarily for pricing on prior period open sales	0.20	0.20	(0.20)	(0.20)
Gross profit per pound	$ 0.66	$ 0.67	$ 0.21	$ 0.15
Copper sales (millions of recoverable pounds)	219	219	287	287

	Six Months Ended June 30,			
	2020		2019	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	$ 2.57	$ 2.57	$ 2.75	$ 2.75
Site production and delivery, before net noncash and other costs shown below	1.84	1.72	1.82	1.64
By-product credits	(0.14)	—	(0.31)	—
Treatment charges	0.15	0.15	0.19	0.19
Royalty on metals	—	—	0.01	0.01
Unit net cash costs	1.85	1.87	1.71	1.84
DD&A	0.45	0.42	0.40	0.35
Metals inventory adjustments	0.01	0.01	—	—
Noncash and other costs, net	0.21 [a]	0.20	0.08	0.08
Total unit costs	2.52	2.50	2.19	2.27
Other revenue adjustments, primarily for pricing on prior period open sales	(0.15)	(0.15)	0.06	0.06
Gross (loss) profit per pound	$ (0.10)	$ (0.08)	$ 0.62	$ 0.54
Copper sales (millions of recoverable pounds)	466	466	577	577

a. Includes charges totaling $0.30 per pound of copper in second-quarter 2020 and $0.18 per pound of copper for the first six months of 2020, primarily associated with idle facility (Cerro Verde) and contract cancellation costs related to the COVID-19 pandemic, and employee separation costs associated with the 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. Average unit net cash costs (net of by-product credits) of $1.68 per pound of copper in second-quarter 2020 were lower than unit net cash costs of $1.83 per pound of copper in second-quarter 2019, primarily reflecting reduced mining and milling activities at Cerro Verde, partly offset by lower sales volumes and lower by-product credits. Average unit net cash costs (net of by-product credits) of $1.85 per pound for the first six months of 2020 were higher than unit net cash costs of $1.71 per pound for the first six months of 2019, primarily reflecting lower sales volumes and lower by-product credits, partly offset by reduced mining and milling activities at Cerro Verde.

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.

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 South America mining are expected to approximate $1.92 per pound of copper for the year 2020, based on current sales volume and cost estimates and assuming an average price of $7.00 per pound of molybdenum for the second half of 2020.

Indonesia Mining

PT-FI operates one of the world's largest copper and gold mines 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 of our 2019 Form 10-K, 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 the first six months of 2020, 70 percent of PT-FI's concentrate production was sold to PT Smelting (PT-FI's 25-percent-owned smelter and refinery in Gresik, Indonesia).

Operating and Development Activities. The ramp-up of underground production at the Grasberg minerals district in Indonesia continues to advance on schedule. During second-quarter 2020, a total of 46 new drawbells were added at the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) underground mines, bringing cumulative open drawbells to 261. Combined average daily production from Grasberg Block Cave and DMLZ mines totaled 54,800 metric tons of ore per day during second-quarter 2020, approximately 9 percent above the April 2020 estimate and 46 percent above the first-quarter 2020 average (and increased to a combined daily production average of approximately 70,000 metric tons of ore per day at the end of June 2020). PT-FI expects its 2021 copper and gold production to approximate 1.4 billion pounds of copper and 1.4 million ounces of gold, nearly double projected 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 average unit net cash cost of approximately $0.20 per pound of copper assuming an average price of $1,400 per ounce of gold and achievement of projected sales volumes and cost estimates.

PT-FI's estimated annual capital spending on underground mine development projects is expected to average approximately $0.9 billion per year for the three-year period 2020 through 2022, net of scheduled contributions from PT Indonesia Asahan Aluminium (Persero) (PT Inalum). In accordance with applicable accounting guidance, aggregate costs (before scheduled contributions from PT Inalum), which are expected to average $1.0 billion per year for the three-year period 2020 through 2022, will be reflected as an investing activity in our cash flow statement, and contributions from PT Inalum will be reflected as a financing activity.

Indonesian Smelter. As a result of disruptions to work and travel schedules of international contractors and current restrictions on access to the proposed physical site in Gresik, Indonesia associated with COVID-19 mitigation measures, PT-FI has notified the Indonesian government of delays in achieving the completion timeline of December 2023. PT-FI continues to discuss with the Indonesian government a deferred schedule for the project as well as other alternatives in light of COVID-19 and global economic conditions.

Operating Data. Following is summary consolidated operating data for Indonesia mining:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating Data				
Copper (millions of recoverable pounds)				
Production	181	125	321	270
Sales	172	151	299	325
Average realized price per pound	$ 2.67	$ 2.71	$ 2.54	$ 2.77
Gold (thousands of recoverable ounces)				
Production	189	154	341	316
Sales	180	185	319	420
Average realized price per ounce	$ 1,748	$ 1,350	$ 1,709	$ 1,314
Operating Data				
Ore extracted and milled (metric tons per day):				
Grasberg open pit[a]	—	54,000	3,600	78,300
DOZ underground mine[b]	21,600	21,100	20,900	25,700
Grasberg Block Cave underground mine[b]	27,200	7,400	23,100	6,200
DMLZ underground mine[b]	27,600	7,700	23,100	7,200
Big Gossan underground mine[b]	5,900	5,400	6,300	5,500
Total	81,900	95,600	77,000	122,900
Average ore grades:				
Copper (percent)	1.27	0.80	1.21	0.69
Gold (grams per metric ton)	1.04	0.79	1.02	0.66
Recovery rates (percent):				
Copper	91.7	88.3	91.7	86.3
Gold	78.3	74.9	77.6	71.6

a. Includes ore from the Grasberg open-pit stockpile.

b. Reflects ore extracted, including ore from development activities that result in metal production.
c. Does not foot because of rounding.

PT-FI's consolidated copper sales of 172 million pounds in second-quarter 2020 were higher than second-quarter 2019 consolidated copper sales of 151 million pounds, primarily reflecting higher ore grades, partly offset by anticipated lower mill rates as PT-FI continues to ramp-up production from its underground ore bodies. PT-FI's consolidated copper sales of 299 million pounds for the first six months of 2020 were lower than consolidated copper sales of 325 million pounds for first six months of 2019, primarily reflecting timing of shipments, partly offset by higher ore grades.

PT-FI's consolidated gold sales of 180 thousand ounces of gold in second-quarter 2020 and 319 thousand ounces of gold for the first six months of 2020 were lower than second-quarter 2019 consolidated sales of 185 thousand ounces of gold and 420 thousand ounces of gold for the first six months of 2019, primarily reflecting timing of shipments, partly offset by higher ore grades.

Consolidated sales volumes from PT-FI are expected to approximate 770 million pounds of copper and 0.8 million ounces of gold in 2020. As PT-FI continues to ramp-up production from its underground ore bodies, metal production is expected to improve significantly 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 metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit (Loss) per Pound of Copper and per Ounce of Gold
The following table summarizes the unit net cash costs and gross profit (loss) per pound of copper and per ounce of gold at our Indonesia mining operations. 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.

	Three Months Ended June 30,					
	2020			2019		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, excluding adjustments	$ 2.67	$ 2.67	$ 1,748	$ 2.71	$ 2.71	$ 1,350
Site production and delivery, before net noncash and other costs shown below	2.00	1.17	766	3.40	2.09	1,041
Gold and silver credits	(1.95)	—	—	(1.69)	—	—
Treatment charges	0.27	0.16	105	0.26	0.16	80
Export duties	0.09	0.05	35	0.07	0.04	20
Royalty on metals	0.15	0.08	65	0.11	0.08	28
Unit net cash costs	0.56	1.46	971	2.15	2.37	1,169
DD&A	0.72	0.42	276	0.65	0.40	199
Noncash and other costs, net	0.05 [a]	0.03	17	0.30 [b]	0.18	91
Total unit costs	1.33	1.91	1,264	3.10	2.95	1,459
Revenue adjustments, primarily for pricing on prior period open sales	0.07	0.07	41	(0.13)	(0.13)	(7)
PT Smelting intercompany (loss) profit	(0.15)	(0.09)	(57)	0.06	0.03	16
Gross profit (loss) per pound/ounce	$ 1.26	$ 0.74	$ 468	$ (0.46)	$ (0.34)	$ (100)
Copper sales (millions of recoverable pounds)	172	172		151	151	
Gold sales (thousands of recoverable ounces)			180			185

	Six Months Ended June 30,					
	2020			2019		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, excluding adjustments	$ 2.54	$ 2.54	$ 1,709	$ 2.77	$ 2.77	$ 1,314
Site production and delivery, before net noncash and other costs shown below	2.29	1.31	884	3.24	1.99	944
Gold and silver credits	(1.91)	—	—	(1.75)	—	—
Treatment charges	0.28	0.17	110	0.28	0.17	81
Export duties	0.07	0.04	25	0.08	0.05	24
Royalty on metals	0.15	0.08	58	0.14	0.09	38
Unit net cash costs	0.88	1.60	1,077	1.99	2.30	1,087
DD&A	0.75	0.43	289	0.63	0.38	183
Noncash and other costs, net	0.12 [a]	0.06	45	0.14 [b]	0.09	43
Total unit costs	1.75	2.09	1,411	2.76	2.77	1,313
Other revenue adjustments, primarily for pricing on prior period open sales	(0.07)	(0.07)	14	0.05	0.05	5
PT Smelting intercompany profit	—	—	—	0.04	0.02	10
Gross profit per pound/ounce	$ 0.72	$ 0.38	$ 312	$ 0.10	$ 0.07	$ 16
Copper sales (millions of recoverable pounds)	299	299		325	325	
Gold sales (thousands of recoverable ounces)			319			420

a. Includes COVID-19 related costs of $0.03 per pound of copper in second-quarter 2020 and $0.01 per pound of copper for the first six months of 2020.

b. Includes charges of $0.18 per pound of copper in second-quarter 2019 and $0.09 per pound of copper for the first six months of 2019 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 $0.56 per pound of copper in second-quarter 2020 and $0.88 per pound for the first six months of 2020 were lower than unit net cash costs of $2.15 per pound of copper in second-quarter 2019 and $1.99 per pound for the first six months of 2019, primarily reflecting reduced site production costs and higher gold prices. The decrease in unit net cash costs in second-quarter 2020 also reflected higher copper sales volumes.

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 will continue to pay export duties until development progress for the new smelter in Indonesia exceeds 50 percent.

PT-FI's export duties totaled $16 million in second-quarter 2020, $10 million in second-quarter 2019, $20 million for the first six months of 2020 and $27 million for the first six months of 2019.

PT-FI's royalties totaled $25 million in second-quarter 2020, $17 million in second-quarter 2019, $44 million for the first six months of 2020 and $45 million for the first six months of 2019.

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 per pound in second-quarter 2020, $0.65 per pound in second-quarter 2019, $0.75 for the first six months of 2020 and $0.63 per pound for the first six months of 2019. The increase in the 2020 periods, compared with the 2019 periods, primarily reflects underground development assets placed in service.

Revenue adjustments primarily result from changes in prices on provisionally priced copper sales recognized in prior periods.

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

Assuming an average gold price of $1,800 per ounce for the second half of 2020 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 $0.54 per pound of copper for the year 2020 (including $0.34 per pound of copper for the second half of 2020). The impact of price changes during the second half of 2020 on PT-FI's average unit net cash costs for the year 2020 would approximate $0.03 per pound of copper for each $50 per ounce change in the average price of gold.

PT-FI's projected sales volumes and unit net cash costs for the year 2020 are dependent on a number of factors, including underground development progress, operational performance and timing of shipments. In March 2020, PT-FI received a one-year extension of its export license through March 15, 2021.

Molybdenum Mines

We operate 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.

Production from the Molybdenum mines totaled 6 million pounds of molybdenum in second-quarter 2020, 9 million pounds in second-quarter 2019, 13 million pounds for the first six months of 2020 and 17 million pounds for the first six months of 2019. The decrease in the 2020 periods, compared with the 2019 periods, primarily reflects lower production 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. Refer to "Outlook" for projected consolidated molybdenum sales volumes.

Operating and Development Activities. The April 2020 revised operating plans for our molybdenum business have been effectively implemented, with site production and delivery costs declining by approximately 20 percent compared to first-quarter 2020.

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.

Average unit net cash costs for our Molybdenum mines of $8.97 per pound of molybdenum in second-quarter 2020 were lower than unit net cash costs of $9.15 per pound in second-quarter 2019, primarily reflecting lower operating costs associated with the April 2020 revised operating plans. Average unit net cash costs of $9.52 per pound of molybdenum for the first six months of 2020 were higher than unit net cash costs of $9.45 per pound for the first six months of 2019, primarily reflecting lower sales volumes, partly offset by lower operating costs associated with the 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 $1.00 per pound of molybdenum in second-quarter 2020 and $0.48 per pound of molybdenum for the first six months of 2020, primarily associated with the 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 $10.20 per pound of molybdenum for the year 2020.

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 and 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). 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.

Atlantic Copper smelts and refines copper concentrate and markets refined copper and precious metals in slimes. During the first six months of 2020, Atlantic Copper's concentrate purchases include 20 percent from our copper mining operations and 80 percent from third parties.

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. During the first six months of 2020, PT-FI supplied substantially all of PT Smelting's concentrate requirements. In March 2020, PT Smelting received a one-year extension of its anode slimes export license through March 10, 2021.

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 (loss) totaling $(17) million ($(6) million to net income attributable to common stock) in second-quarter 2020, $11 million ($(2) million to net loss attributable to common stock) in second-quarter 2019, $(6) million ($1 million to net loss attributable to common stock) for the first six months of 2020 and $(20) million ($(15) million to net loss attributable to common stock) for the first six months of 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 $28 million at June 30, 2020.

CAPITAL RESOURCES AND LIQUIDITY

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. We believe that we have a high-quality portfolio of long-lived copper assets positioned to generate long-term value. 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 and we have substantially completed a project to develop the Lone Star leachable ores near our Safford operation in eastern Arizona. 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.

In April 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 are focused on maximizing cash flow and protecting liquidity in a weak and uncertain economic environment and to preserve asset values for anticipated improved copper prices as economic conditions recover. As presented in "Outlook," projected operating cash flows for the year 2020 of $2.6 billion are expected to exceed projected capital expenditures for the year 2020 by $0.6 billion. The increase in expected operating cash flows for the year 2020, compared to the April 2020 estimate, primarily reflects an increase in copper prices. A large portion of the capital expenditures relate to projects that are expected to add significant production and cash flow in future periods. We have cash on hand and the financial flexibility to fund these expenditures and will continue to be disciplined in deploying capital.

At June 30, 2020, we had $5.0 billion in liquidity, comprised of $1.5 billion in consolidated cash and $3.5 billion of availability under our revolving credit facility. With continued successful execution of the revised operating plans, we expect operating cash flows to improve significantly in 2021.

In March 2020, we completed the sale of $1.3 billion in new 8-year and 10-year senior notes and used the net proceeds to purchase and redeem a portion of certain existing senior notes. In July 2020, we completed the sale of $1.5 billion in new 8-year and 10-year senior notes. We used the net proceeds from the July offering to purchase $1.3 billion of certain existing senior notes in connection with the early settlement of our tender offers. Depending on our final tender results, we may use all or a portion of the remaining net proceeds from the offering to purchase more of certain senior notes in the tender offers. Any net proceeds not used for the tender offers will be used for general corporate purposes, which may include repurchases or redemptions of our senior notes. Refer to Note 5 and below for further discussion. These transactions will further enhance financial flexibility and extend debt maturities.

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 June 30, 2020 (in billions):

Cash at domestic companies	$	0.8
Cash at international operations		0.7
Total consolidated cash and cash equivalents		1.5
Noncontrolling interests' share		(0.3)
Cash, net of noncontrolling interests' share		1.2
Withholding taxes		— [a]
Net cash available	$	1.2

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 repayment, working capital and other tax payments, 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 June 30, 2020, our consolidated debt totaled $9.9 billion, with a weighted-average interest rate of 4.5 percent and no senior note maturities until 2022. At June 30, 2020, we had no borrowings, $13 million in letters of credit issued and $3.5 billion of availability under our revolving credit facility and were in compliance with our revolving credit facility covenants.

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. We retained the option to revert to the previous covenant requirements (which would, among other things, remove the dividend restriction) if we determine additional flexibility is no longer needed.

In March 2020, we completed the sale of $1.3 billion of senior notes, consisting of $700 million of 4.125% Senior Notes due 2028 and $600 million of 4.25% Senior Notes due 2030. We used a portion of the net proceeds from these senior notes to purchase a portion of our 4.00% Senior Notes due 2021 and 3.55% Senior Notes due 2022. In April 2020, we used the remaining net proceeds to fund the make-whole redemption of all of our remaining 4.00% Senior Notes due 2021.

In July 2020, we completed the sale of $1.5 billion of senior notes, consisting of $650 million of 4.375% Senior Notes due 2028 and $850 million of 4.625% Senior Notes due 2030. We used $1.3 billion of the net proceeds from these senior notes to purchase a portion of our 3.55% Senior Notes due 2022, 3.875% Senior Notes due 2023 and 4.55% Senior Notes due 2024 in connection with the early settlement of our previously announced tender offers. Depending on the final tender results, we may use all or a portion of the remaining net proceeds from the offering to purchase more of such series of notes in the tender offers. Any net proceeds not used for the tender offers will be used for general corporate purposes, which may include repurchases or redemptions of our senior notes.

Refer to Note 5 for further discussion of debt. For additional information regarding our debt arrangements, refer to Note 8 included in our 2019 Form 10-K.

Operating Activities

We generated consolidated operating cash flows of $453 million (including $141 million of working capital and other sources) for the first six months of 2020 and $1.1 billion (including $248 million in working capital and other sources) for the first six months of 2019. Lower operating cash flows for the first six months of 2020 compared with

the first six months of 2019, primarily reflect lower copper prices and sales volumes, partly offset by reduced site production costs.

Investing Activities

Capital Expenditures. Capital expenditures, including capitalized interest, totaled $1.1 billion for the first six months of 2020, including approximately $0.6 billion for major projects primarily associated with underground development activities in the Grasberg minerals district and the Lone Star copper leach project. Capital expenditures, including capitalized interest, totaled $1.25 billion for the first six months of 2019, including approximately $0.7 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 generate operating cash flows exceeding capital expenditures in future years. Refer to “Outlook” for further discussion of projected capital expenditures for the year 2020.

Proceeds from Sales of Assets. Proceeds from sales of assets totaled $116 million for the first six months of 2020, primarily related to $60 million of contingent consideration associated with the 2016 sale of the Tenke Fungurume Mining assets in the Democratic Republic of Congo and the collection of $45 million related to the 2019 sale of the Timok exploration assets in Serbia.

Proceeds from sales of assets totaled $94 million for the first six months of 2019, primarily associated with sales of oil and gas properties, including $50 million in contingent consideration associated with the 2016 sale of onshore California oil and gas properties.

Financing Activities

Debt Transactions. Net borrowings of debt for the first six months of 2020 totaled $58 million. During first-quarter 2020, we completed the sale of $1.3 billion in senior notes and used the net proceeds to purchase a portion of our senior notes due 2021 and 2022. On April 3, 2020, we used the remaining net proceeds to redeem the remainder of our senior notes due 2021.

Net repayments of debt for the first six months of 2019 totaled $1.2 billion, consisting of the redemption of $1.0 billion aggregate principal amount of our 3.100% Senior Notes due 2020 and the repayment of $200 million under Cerro Verde’s credit facility.

Cash Dividends and Distributions Paid. We paid cash dividends on our common stock totaling $73 million for the first six months of 2020 (associated with the $0.05 per share of common stock cash dividend declared in December 2019), and $146 million for the first six months of 2019.

The Board does not expect to declare common stock dividends during 2020. The declaration and payment of future dividends 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. See Note 5 for further discussion of the suspension of our quarterly dividends and the current restriction on payment of dividends under our revolving credit facility.

There were no cash dividends or distributions paid to noncontrolling interests for the first six months of 2020 and $79 million for the first six months of 2019. Cash dividends and distributions to noncontrolling interests vary based on the operating results and cash requirements of our consolidated subsidiaries.

Contributions from Noncontrolling Interests. During the first six months of 2020, we received equity contributions totaling $74 million from PT Inalum for their share of capital spending on PT-FI underground mine development projects and costs for the new smelter in Indonesia.

CONTRACTUAL OBLIGATIONS

During the first six-months of 2020, we completed the sale of $1.3 billion in new 8-year and 10-year senior notes at a weighted-average interest rate of 4.2 percent. In July 2020, we completed the sale of $1.5 billion in new 8-year and 10-year senior notes at a weighted-average interest rate of 4.5 percent. The net proceeds from these transactions were used or are expected to be used to purchase and redeem a portion of certain existing senior notes. Any net proceeds not used for the tender offers will be used for general corporate purposes, which may include repurchases or redemptions of our senior notes. Refer to Note 5 for further discussion of these transactions.

There have been no other material changes in our contractual obligations since December 31, 2019. Refer to Part II, Items 7. and 7A. in our 2019 Form 10-K, for information regarding our contractual obligations.

CONTINGENCIES

Environmental and Asset Retirement Obligations

Our current and historical operating activities are subject to stringent laws and regulations governing the protection of the environment. We perform a comprehensive annual review of our environmental and asset retirement obligations and also review changes in facts and circumstances associated with these obligations at least quarterly.

There have been no material changes to our environmental and asset retirement obligations since December 31, 2019. Updated cost assumptions, including increases and decreases to cost estimates, changes in the anticipated scope and timing of remediation activities, and settlement of environmental matters may result in additional revisions to certain of our environmental obligations. Refer to Note 12 in our 2019 Form 10-K, for further information regarding our environmental and asset retirement obligations. In addition, as discussed in Note 8, we are moving toward implementing a new standard on tailings management. Compliance with the standard will require incremental future costs.

Litigation and Other Contingencies

Other than as discussed in Note 8, there have been no material changes to our contingencies associated with legal proceedings, environmental and other matters since December 31, 2019. Refer to Note 12 and “Legal Proceedings” contained in Part I, Item 3. of our 2019 Form 10-K, as updated by Note 8, for further information regarding legal proceedings, environmental and other matters.

NEW ACCOUNTING STANDARD

Refer to Note 10 for a summary of a recently adopted accounting standard.

PRODUCT REVENUES AND PRODUCTION 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 (loss) 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 (loss) 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 and (iv) it is the method used by our management and Board to monitor our mining 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 a separate line item. 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, inventory adjustments, long-lived asset impairments, idle facility costs, 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.

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

Three Months Ended June 30, 2020 (In millions)	By-Product Method	Co-Product Method Copper	Molybdenum[a]	Other[b]	Total
Revenues, excluding adjustments	$ 888 [c]	$ 888	$ 71	$ 18	$ 977
Site production and delivery, before net noncash and other costs shown below	678	636	57	10	703
By-product credits	(64)	—	—	—	—
Treatment charges	37	36	—	1	37
Net cash costs	651	672	57	11	740
DD&A	88	82	5	1	88
Metals inventory adjustments	(89)	(89)	—	—	(89)
Noncash and other costs, net	36 [d]	34	1	1	36
Total costs	686	699	63	13	775
Other revenue adjustments, primarily for pricing on prior period open sales	6	6	—	—	6
Gross profit	$ 208	$ 195	$ 8	$ 5	$ 208
Copper sales (millions of recoverable pounds)	368	368			
Molybdenum sales (millions of recoverable pounds)[a]			9		
Gross profit per pound of copper/molybdenum:					
Revenues, excluding adjustments	$ 2.42 [c]	$ 2.42	$ 8.33		
Site production and delivery, before net noncash and other costs shown below	1.85	1.73	6.76		
By-product credits	(0.17)	—	—		
Treatment charges	0.10	0.10	—		
Unit net cash costs	1.78	1.83	6.76		
DD&A	0.24	0.22	0.55		
Metals inventory adjustments	(0.24)	(0.24)	—		
Noncash and other costs, net	0.09 [d]	0.09	0.08		
Total unit costs	1.87	1.90	7.39		
Other revenue adjustments, primarily for pricing on prior period open sales	0.02	0.02	—		
Gross profit per pound	$ 0.57	$ 0.54	$ 0.94		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	$ 977	$ 703	$ 88	$ (89)
Treatment charges	(2)	35	—	—
Noncash and other costs, net	—	36	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	6	—	—	—
Eliminations and other	7	13	1	—
North America copper mines	988	787	89	(89)
Other mining[e]	2,985	2,461	254	(55)
Corporate, other & eliminations	(919)	(854)	15	5
As reported in our consolidated financial statements	$ 3,054	$ 2,394	$ 358	$ (139)

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 ($0.06 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 $22 million ($0.06 per pound of copper) primarily associated with the April 2020 revised operating plans (including employee separation costs) and the COVID-19 pandemic.

e. Represents the combined total for our other segments, as presented in Note 9.

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

Three Months Ended June 30, 2019 (In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenum[a]	Other[b]	Total
Revenues, excluding adjustments	$ 1,026	$ 1,026	$ 103	$ 20	$ 1,149
Site production and delivery, before net noncash and other costs shown below	758	692	79	13	784
By-product credits	(97)	—	—	—	—
Treatment charges	40	39	—	1	40
Net cash costs	701	731	79	14	824
DD&A	88	79	7	2	88
Metals inventory adjustments	1	1	—	—	1
Noncash and other costs, net	9	7	2	—	9
Total costs	799	818	88	16	922
Other revenue adjustments, primarily for pricing on prior period open sales	(16)	(16)	—	—	(16)
Gross profit	$ 211	$ 192	$ 15	$ 4	$ 211
Copper sales (millions of recoverable pounds)	369	369			
Molybdenum sales (millions of recoverable pounds)[a]			9		
Gross profit per pound of copper/molybdenum:					
Revenues, excluding adjustments	$ 2.78	$ 2.78	$ 12.39		
Site production and delivery, before net noncash and other costs shown below	2.05	1.88	9.53		
By-product credits	(0.26)	—	—		
Treatment charges	0.11	0.10	—		
Unit net cash costs	1.90	1.98	9.53		
DD&A	0.24	0.22	0.77		
Metals inventory adjustments	—	—	—		
Noncash and other costs, net	0.03	0.02	0.23		
Total unit costs	2.17	2.22	10.53		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.04)	(0.04)	—		
Gross profit per pound	$ 0.57	$ 0.52	$ 1.86		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	$ 1,149	$ 784	$ 88	$ 1
Treatment charges	(19)	21	—	—
Noncash and other costs, net	—	9	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	(16)	—	—	—
Eliminations and other	6	10	(1)	—
North America copper mines	1,120	824	87	1
Other mining[c]	3,173	2,899	246	—
Corporate, other & eliminations	(747)	(718)	19	1
As reported in our consolidated financial statements	$ 3,546	$ 3,005	$ 352	$ 2

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 segments, as presented in Note 9.

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

Six Months Ended June 30, 2020 (In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenum[a]	Other[b]	Total
Revenues, excluding adjustments	$ 1,799	[c] $ 1,799	$ 147	$ 44	$ 1,990
Site production and delivery, before net noncash and other costs shown below	1,439	1,333	128	28	1,489
By-product credits	(141)	—	—	—	—
Treatment charges	76	73	—	3	76
Net cash costs	1,374	1,406	128	31	1,565
DD&A	180	166	10	4	180
Metals inventory adjustments	56	54	—	2	56
Noncash and other costs, net	69	[d] 65	2	2	69
Total costs	1,679	1,691	140	39	1,870
Other revenue adjustments, primarily for pricing on prior period open sales	(22)	(22)	—	—	(22)
Gross profit	$ 98	$ 86	$ 7	$ 5	$ 98
Copper sales (millions of recoverable pounds)	722	722			
Molybdenum sales (millions of recoverable pounds)[a]			17		
Gross profit per pound of copper/molybdenum:					
Revenues, excluding adjustments	$ 2.50	[c] $ 2.50	$ 8.99		
Site production and delivery, before net noncash and other costs shown below	2.00	1.85	7.81		
By-product credits	(0.19)	—	—		
Treatment charges	0.10	0.10	—		
Unit net cash costs	1.91	1.95	7.81		
DD&A	0.25	0.23	0.64		
Metals inventory adjustments	0.08	0.07	—		
Noncash and other costs, net	0.09	[d] 0.09	0.15		
Total unit costs	2.33	2.34	8.60		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.03)	(0.03)	—		
Gross profit per pound	$ 0.14	$ 0.13	$ 0.39		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	$ 1,990	$ 1,489	$ 180	$ 56
Treatment charges	(10)	66	—	—
Noncash and other costs, net	—	69	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	(22)	—	—	—
Eliminations and other	15	23	1	—
North America copper mines	1,973	1,647	181	56
Other mining[e]	5,576	4,934	488	9
Corporate, other & eliminations	(1,697)	(1,642)	30	18
As reported in our consolidated financial statements	$ 5,852	$ 4,939	$ 699	$ 83

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 ($0.03 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 $22 million ($0.03 per pound of copper) primarily associated with the April 2020 revised operating plans (including employee separation costs) and the COVID-19 pandemic.

e. Represents the combined total for our other segments, as presented in Note 9.

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

Six Months Ended June 30, 2019 (In millions)	By-Product Method	Co-Product Method			
		Copper	Molybdenum[a]	Other[b]	Total
Revenues, excluding adjustments	$ 1,931	$ 1,931	$ 190	$ 43	$ 2,164
Site production and delivery, before net noncash and other costs shown below	1,416	1,288	153	28	1,469
By-product credits	(180)	—	—	—	—
Treatment charges	76	73	—	3	76
Net cash costs	1,312	1,361	153	31	1,545
DD&A	170	155	12	3	170
Metals inventory adjustments	1	1	—	—	1
Noncash and other costs, net	32	28	3	1	32
Total costs	1,515	1,545	168	35	1,748
Other revenue adjustments, primarily for pricing on prior period open sales	4	4	—	—	4
Gross profit	$ 420	$ 390	$ 22	$ 8	$ 420
Copper sales (millions of recoverable pounds)	689	689			
Molybdenum sales (millions of recoverable pounds)[a]			16		
Gross profit per pound of copper/molybdenum:					
Revenues, excluding adjustments	$ 2.80	$ 2.80	$ 12.06		
Site production and delivery, before net noncash and other costs shown below	2.05	1.87	9.69		
By-product credits	(0.26)	—	—		
Treatment charges	0.11	0.11	—		
Unit net cash costs	1.90	1.98	9.69		
DD&A	0.25	0.22	0.75		
Metals inventory adjustments	—	—	—		
Noncash and other costs, net	0.05	0.04	0.22		
Total unit costs	2.20	2.24	10.66		
Other revenue adjustments, primarily for pricing on prior period open sales	0.01	0.01	—		
Gross profit per pound	$ 0.61	$ 0.57	$ 1.40		

Reconciliation to Amounts Reported	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	$ 2,164	$ 1,469	$ 170	$ 1
Treatment charges	(32)	44	—	—
Noncash and other costs, net	—	32	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	4	—	—	—
Eliminations and other	18	22	—	—
North America copper mines	2,154	1,567	170	1
Other mining[c]	6,688	5,750	490	—
Corporate, other & eliminations	(1,504)	(1,388)	39	58
As reported in our consolidated financial statements	$ 7,338	$ 5,929	$ 699	$ 59

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 segments, as presented in Note 9.

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

Three Months Ended June 30, 2020 (In millions)	By-Product Method	Co-Product Method		
		Copper	Other[a]	Total
Revenues, excluding adjustments	$ 586	$ 586	$ 32	$ 618
Site production and delivery, before net noncash and other costs shown below	360	343	24	367
By-product credits	(25)	—	—	—
Treatment charges	32	32	—	32
Royalty on metals	1	1	—	1
Net cash costs	368	376	24	400
DD&A	103	98	5	103
Metals inventory adjustments	(57)	(57)	—	(57)
Noncash and other costs, net[b]	71	67	4	71
Total costs	485	484	33	517
Other revenue adjustments, primarily for pricing on prior period open sales	44	44	—	44
Gross profit (loss)	$ 145	$ 146	$ (1)	$ 145
Copper sales (millions of recoverable pounds)	219	219		
Gross profit per pound of copper:				
Revenues, excluding adjustments	$ 2.67	$ 2.67		
Site production and delivery, before net noncash and other costs shown below	1.64	1.57		
By-product credits	(0.11)	—		
Treatment charges	0.15	0.15		
Royalty on metals	—	—		
Unit net cash costs	1.68	1.72		
DD&A	0.47	0.44		
Metals inventory adjustments	(0.26)	(0.26)		
Noncash and other costs, net[b]	0.32	0.30		
Total unit costs	2.21	2.20		
Other revenue adjustments, primarily for pricing on prior period open sales	0.20	0.20		
Gross profit per pound	$ 0.66	$ 0.67		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	$ 618	$ 367	$ 103	$ (57)
Treatment charges	(32)	—	—	—
Royalty on metals	(1)	—	—	—
Noncash and other costs, net	—	71	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	44	—	—	—
Eliminations and other	—	—	(1)	—
South America mining	629	438	102	(57)
Other mining[c]	3,344	2,810	241	(87)
Corporate, other & eliminations	(919)	(854)	15	5
As reported in our consolidated financial statements	$ 3,054	$ 2,394	$ 358	$ (139)

a. Includes silver sales of 0.6 million ounces ($14.55 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 $66 million ($0.30 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 the April 2020 revised operating plans.

c. Represents the combined total for our other segments, as presented in Note 9.

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

Three Months Ended June 30, 2019 (In millions)	By-Product Method	Co-Product Method Copper	Co-Product Method Other[a]	Co-Product Method Total
Revenues, excluding adjustments	$ 781	$ 781	$ 92	$ 873
Site production and delivery, before net noncash and other costs shown below	550	498	64	562
By-product credits	(80)	—	—	—
Treatment charges	52	52	—	52
Royalty on metals	2	2	—	2
Net cash costs	524	552	64	616
DD&A	119	107	12	119
Noncash and other costs, net	21	20	1	21
Total costs	664	679	77	756
Other revenue adjustments, primarily for pricing on prior period open sales	(57)	(57)	—	(57)
Gross profit	$ 60	$ 45	$ 15	$ 60
Copper sales (millions of recoverable pounds)	287	287		
Gross profit per pound of copper:				
Revenues, excluding adjustments	$ 2.72	$ 2.72		
Site production and delivery, before net noncash and other costs shown below	1.92	1.74		
By-product credits	(0.28)	—		
Treatment charges	0.18	0.18		
Royalty on metals	0.01	0.01		
Unit net cash costs	1.83	1.93		
DD&A	0.41	0.37		
Noncash and other costs, net	0.07	0.07		
Total unit costs	2.31	2.37		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.20)	(0.20)		
Gross profit per pound	$ 0.21	$ 0.15		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A
Totals presented above	$ 873	$ 562	$ 119
Treatment charges	(52)	—	—
Royalty on metals	(2)	—	—
Noncash and other costs, net	—	21	—
Other revenue adjustments, primarily for pricing on prior period open sales	(57)	—	—
Eliminations and other	(1)	(2)	—
South America mining	761	581	119
Other mining[b]	3,532	3,142	214
Corporate, other & eliminations	(747)	(718)	19
As reported in our consolidated financial statements	$ 3,546	$ 3,005	$ 352

a. Includes silver sales of 1.2 million ounces ($15.39 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 segments, as presented in Note 9.

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

Six Months Ended June 30, 2020 (In millions)	By-Product Method	Co-Product Method Copper	Co-Product Method Other[a]	Co-Product Method Total
Revenues, excluding adjustments	$ 1,199	$ 1,199	$ 86	$ 1,285
Site production and delivery, before net noncash and other costs shown below	853	800	73	873
By-product credits	(66)	—	—	—
Treatment charges	72	72	—	72
Royalty on metals	2	2	—	2
Net cash costs	861	874	73	947
DD&A	210	195	15	210
Metals inventory adjustments	3	3	—	3
Noncash and other costs, net	100 [b]	95	5	100
Total costs	1,174	1,167	93	1,260
Other revenue adjustments, primarily for pricing on prior period open sales	(70)	(70)	—	(70)
Gross loss	$ (45)	$ (38)	$ (7)	$ (45)
Copper sales (millions of recoverable pounds)	466	466		
Gross loss per pound of copper:				
Revenues, excluding adjustments	$ 2.57	$ 2.57		
Site production and delivery, before net noncash and other costs shown below	1.84	1.72		
By-product credits	(0.14)	—		
Treatment charges	0.15	0.15		
Royalty on metals	—	—		
Unit net cash costs	1.85	1.87		
DD&A	0.45	0.42		
Metals inventory adjustments	0.01	0.01		
Noncash and other costs, net	0.21 [b]	0.20		
Total unit costs	2.52	2.50		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.15)	(0.15)		
Gross loss per pound	$ (0.10)	$ (0.08)		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	$ 1,285	$ 873	$ 210	$ 3
Treatment charges	(72)	—	—	—
Royalty on metals	(2)	—	—	—
Noncash and other costs, net	—	100	—	—
Other revenue adjustments, primarily for pricing on prior period open sales	(70)	—	—	—
Eliminations and other	—	(1)	—	—
South America mining	1,141	972	210	3
Other mining[c]	6,408	5,609	459	62
Corporate, other & eliminations	(1,697)	(1,642)	30	18
As reported in our consolidated financial statements	$ 5,852	$ 4,939	$ 699	$ 83

a. Includes silver sales of 1.5 million ounces ($16.37 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 $86 million ($0.18 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 the April 2020 revised operating plans.

c. Represents the combined total for our other segments, as presented in Note 9.

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

Six Months Ended June 30, 2019 (In millions)	By-Product Method	Co-Product Method		
		Copper	Other[a]	Total
Revenues, excluding adjustments	$ 1,584	$ 1,584	$ 204	$ 1,788
Site production and delivery, before net noncash and other costs shown below	1,053	949	129	1,078
By-product credits	(179)	—	—	—
Treatment charges	108	108	—	108
Royalty on metals	3	3	—	3
Net cash costs	985	1,060	129	1,189
DD&A	233	207	26	233
Noncash and other costs, net	46	45	1	46
Total costs	1,264	1,312	156	1,468
Other revenue adjustments, primarily for pricing on prior period open sales	37	37	—	37
Gross profit	$ 357	$ 309	$ 48	$ 357
Copper sales (millions of recoverable pounds)	577	577		
Gross profit per pound of copper:				
Revenues, excluding adjustments	$ 2.75	$ 2.75		
Site production and delivery, before net noncash and other costs shown below	1.82	1.64		
By-product credits	(0.31)	—		
Treatment charges	0.19	0.19		
Royalty on metals	0.01	0.01		
Unit net cash costs	1.71	1.84		
DD&A	0.40	0.35		
Noncash and other costs, net	0.08	0.08		
Total unit costs	2.19	2.27		
Other revenue adjustments, primarily for pricing on prior period open sales	0.06	0.06		
Gross profit per pound	$ 0.62	$ 0.54		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A
Totals presented above	$ 1,788	$ 1,078	$ 233
Treatment charges	(108)	—	—
Royalty on metals	(3)	—	—
Noncash and other costs, net	—	46	—
Other revenue adjustments, primarily for pricing on prior period open sales	37	—	—
Eliminations and other	(2)	(4)	—
South America mining	1,712	1,120	233
Other mining[b]	7,130	6,197	427
Corporate, other & eliminations	(1,504)	(1,388)	39
As reported in our consolidated financial statements	$ 7,338	$ 5,929	$ 699

a. Includes silver sales of 2.5 million ounces ($15.58 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 segments, as presented in Note 9.

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

Three Months Ended June 30, 2020 (In millions)	By-Product Method	Co-Product Method			
		Copper	Gold	Silver[a]	Total
Revenues, excluding adjustments	$ 458	$ 458	$ 315	$ 13	$ 786
Site production and delivery, before net noncash and other costs shown below	345	201	138	6	345
Gold and silver credits	(336)	—	—	—	—
Treatment charges	47	27	19	1	47
Export duties	16	10	6	—	16
Royalty on metals	25	13	12	—	25
Net cash costs	97	251	175	7	433
DD&A	124	72	50	2	124
Noncash and other costs, net	8 [b]	5	3	—	8
Total costs	229	328	228	9	565
Other revenue adjustments, primarily for pricing on prior period open sales	12	12	7	1	20
PT Smelting intercompany loss	(25)	(15)	(10)	—	(25)
Gross profit	$ 216	$ 127	$ 84	$ 5	$ 216
Copper sales (millions of recoverable pounds)	172	172			
Gold sales (thousands of recoverable ounces)			180		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	$ 2.67	$ 2.67	$ 1,748		
Site production and delivery, before net noncash and other costs shown below	2.00	1.17	766		
Gold and silver credits	(1.95)	—	—		
Treatment charges	0.27	0.16	105		
Export duties	0.09	0.05	35		
Royalty on metals	0.15	0.08	65		
Unit net cash costs	0.56	1.46	971		
DD&A	0.72	0.42	276		
Noncash and other costs, net	0.05 [b]	0.03	17		
Total unit costs	1.33	1.91	1,264		
Other revenue adjustments, primarily for pricing on prior period open sales	0.07	0.07	41		
PT Smelting intercompany loss	(0.15)	(0.09)	(57)		
Gross profit per pound/ounce	$ 1.26	$ 0.74	$ 468		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A
Totals presented above	$ 786	$ 345	$ 124
Treatment charges	(47)	—	—
Export duties	(16)	—	—
Royalty on metals	(25)	—	—
Noncash and other costs, net	—	8	—
Other revenue adjustments, primarily for pricing on prior period open sales	20	—	—
PT Smelting intercompany loss	—	25	—
Indonesia mining	718	378	124
Other mining[c]	3,255	2,870	219
Corporate, other & eliminations	(919)	(854)	15
As reported in our consolidated financial statements	$ 3,054	$ 2,394	$ 358

a. Includes silver sales of 0.8 million ounces ($17.09 per ounce average realized price).

b. Includes COVID-19 related costs totaling $4 million ($0.03 per pound of copper).

c. Represents the combined total for our other segments, as presented in Note 9.

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

Three Months Ended June 30, 2019 (In millions)	By-Product Method	Co-Product Method Copper	Gold	Silver[a]	Total
Revenues, excluding adjustments	$ 412	$ 412	$ 250	$ 8	$ 670
Site production and delivery, before net noncash and other costs shown below	516	317	193	6	516
Gold and silver credits	(256)	—	—	—	—
Treatment charges	40	25	14	1	40
Export duties	10	6	4	—	10
Royalty on metals	17	12	5	—	17
Net cash costs	327	360	216	7	583
DD&A	99	61	37	1	99
Noncash and other costs, net[b]	45	28	17	—	45
Total costs	471	449	270	8	727
Other revenue adjustments, primarily for pricing on prior period open sales	(19)	(19)	(2)	—	(21)
PT Smelting intercompany profit	7	4	3	—	7
Gross loss	$ (71)	$ (52)	$ (19)	$ —	$ (71)
Copper sales (millions of recoverable pounds)	151	151			
Gold sales (thousands of recoverable ounces)			185		
Gross loss per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	$ 2.71	$ 2.71	$ 1,350		
Site production and delivery, before net noncash and other costs shown below	3.40	2.09	1,041		
Gold and silver credits	(1.69)	—	—		
Treatment charges	0.26	0.16	80		
Export duties	0.07	0.04	20		
Royalty on metals	0.11	0.08	28		
Unit net cash costs	2.15	2.37	1,169		
DD&A	0.65	0.40	199		
Noncash and other costs, net[b]	0.30	0.18	91		
Total unit costs	3.10	2.95	1,459		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.13)	(0.13)	(7)		
PT Smelting intercompany profit	0.06	0.03	16		
Gross loss per pound/ounce	$ (0.46)	$ (0.34)	$ (100)		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A
Totals presented above	$ 670	$ 516	$ 99
Treatment charges	(40)	—	—
Export duties	(10)	—	—
Royalty on metals	(17)	—	—
Noncash and other costs, net	—	45	—
Other revenue adjustments, primarily for pricing on prior period open sales	(21)	—	—
PT Smelting intercompany profit	—	(7)	—
Indonesia mining	582	554	99
Other mining[c]	3,711	3,169	234
Corporate, other & eliminations	(747)	(718)	19
As reported in our consolidated financial statements	$ 3,546	$ 3,005	$ 352

a. Includes silver sales of 0.5 million ounces ($14.57 per ounce average realized price).

b. Includes charges totaling $28 million ($0.18 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 segments, as presented in Note 9.

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

Six Months Ended June 30, 2020 (In millions)	By-Product Method	Co-Product Method			
		Copper	Gold	Silver[a]	Total
Revenues, excluding adjustments	$ 760	$ 760	$ 545	$ 22	$ 1,327
Site production and delivery, before net noncash and other costs shown below	686	393	282	11	686
Gold and silver credits	(572)	—	—	—	—
Treatment charges	85	49	35	1	85
Export duties	20	11	8	1	20
Royalty on metals	44	25	19	—	44
Net cash costs	263	478	344	13	835
DD&A	225	129	92	4	225
Noncash and other costs, net	35 [b]	20	14	1	35
Total costs	523	627	450	18	1,095
Other revenue adjustments, primarily for pricing on prior period open sales	(20)	(20)	5	—	(15)
Gross profit	$ 217	$ 113	$ 100	$ 4	$ 217
Copper sales (millions of recoverable pounds)	299	299			
Gold sales (thousands of recoverable ounces)			319		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	$ 2.54	$ 2.54	$ 1,709		
Site production and delivery, before net noncash and other costs shown below	2.29	1.31	884		
Gold and silver credits	(1.91)	—	—		
Treatment charges	0.28	0.17	110		
Export duties	0.07	0.04	25		
Royalty on metals	0.15	0.08	58		
Unit net cash costs	0.88	1.60	1,077		
DD&A	0.75	0.43	289		
Noncash and other costs, net	0.12 [b]	0.06	45		
Total unit costs	1.75	2.09	1,411		
Other revenue adjustments, primarily for pricing on prior period open sales	(0.07)	(0.07)	14		
Gross profit per pound/ounce	$ 0.72	$ 0.38	$ 312		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A
Totals presented above	$ 1,327	$ 686	$ 225
Treatment charges	(85)	—	—
Export duties	(20)	—	—
Royalty on metals	(44)	—	—
Noncash and other costs, net	—	35	—
Other revenue adjustments, primarily for pricing on prior period open sales	(15)	—	—
Indonesia mining	1,163	721	225
Other mining[c]	6,386	5,860	444
Corporate, other & eliminations	(1,697)	(1,642)	30
As reported in our consolidated financial statements	$ 5,852	$ 4,939	$ 699

a. Includes silver sales of 1.3 million ounces ($16.30 per ounce average realized price).

b. Includes COVID-19 related costs of $4 million ($0.01 per pound of copper).

c. Represents the combined total for our segments, as presented in Note 9.

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

Six Months Ended June 30, 2019 (In millions)	By-Product Method	Co-Product Method			
		Copper	Gold	Silver[a]	Total
Revenues, excluding adjustments	$ 900	$ 900	$ 552	$ 17	$ 1,469
Site production and delivery, before net noncash and other costs shown below	1,054	646	396	12	1,054
Gold and silver credits	(571)	—	—	—	—
Treatment charges	91	56	34	1	91
Export duties	27	17	10	—	27
Royalty on metals	45	28	16	1	45
Net cash costs	646	747	456	14	1,217
DD&A	204	125	77	2	204
Noncash and other costs, net	48 [b]	29	18	1	48
Total costs	898	901	551	17	1,469
Other revenue adjustments, primarily for pricing on prior period open sales	18	18	2	—	20
PT Smelting intercompany profit	11	7	4	—	11
Gross profit	$ 31	$ 24	$ 7	$ —	$ 31
Copper sales (millions of recoverable pounds)	325	325			
Gold sales (thousands of recoverable ounces)			420		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	$ 2.77	$ 2.77	$ 1,314		
Site production and delivery, before net noncash and other costs shown below	3.24	1.99	944		
Gold and silver credits	(1.75)	—	—		
Treatment charges	0.28	0.17	81		
Export duties	0.08	0.05	24		
Royalty on metals	0.14	0.09	38		
Unit net cash costs	1.99	2.30	1,087		
DD&A	0.63	0.38	183		
Noncash and other costs, net	0.14 [b]	0.09	43		
Total unit costs	2.76	2.77	1,313		
Other revenue adjustments, primarily for pricing on prior period open sales	0.05	0.05	5		
PT Smelting intercompany profit	0.04	0.02	10		
Gross profit per pound/ounce	$ 0.10	$ 0.07	$ 16		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	DD&A
Totals presented above	$ 1,469	$ 1,054	$ 204
Treatment charges	(72)	19	—
Export duties	(27)	—	—
Royalty on metals	(45)	—	—
Noncash and other costs, net	—	48	—
Other revenue adjustments, primarily for pricing on prior period open sales	20	—	—
PT Smelting intercompany profit	—	(11)	—
Indonesia mining	1,345	1,110	204
Other mining[c]	7,497	6,207	456
Corporate, other & eliminations	(1,504)	(1,388)	39
As reported in our consolidated financial statements	$ 7,338	$ 5,929	$ 699

a. Includes silver sales of 1.1 million ounces ($14.66 per ounce average realized price).

b. Includes charges totaling $28 million ($0.09 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 segments, as presented in Note 9.

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

(In millions)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Revenues, excluding adjustments[a]	$ 63	$ 117
Site production and delivery, before net noncash and other costs shown below	53	76
Treatment charges and other	5	8
Net cash costs	58	84
DD&A	15	18
Metals inventory adjustments	1	—
Noncash and other costs, net	8 [b]	2
Total costs	82	104
Gross (loss) profit	$ (19)	$ 13
Molybdenum sales (millions of recoverable pounds)[a]	6	9
Gross (loss) profit per pound of molybdenum:		
Revenues, excluding adjustments[a]	$ 9.69	$ 12.74
Site production and delivery, before net noncash and other costs shown below	8.12	8.31
Treatment charges and other	0.85	0.84
Unit net cash costs	8.97	9.15
DD&A	2.29	2.07
Metals inventory adjustments	0.16	—
Noncash and other costs, net	1.34 [b]	0.15
Total unit costs	12.76	11.37
Gross (loss) profit per pound	$ (3.07)	$ 1.37

Reconciliation to Amounts Reported

Three Months Ended June 30, 2020	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	$ 63	$ 53	$ 15	$ 1
Treatment charges and other	(5)	—	—	—
Noncash and other costs, net	—	8	—	—
Molybdenum mines	58	61	15	1
Other mining[c]	3,915	3,187	328	(145)
Corporate, other & eliminations	(919)	(854)	15	5
As reported in our consolidated financial statements	$ 3,054	$ 2,394	$ 358	$ (139)
Three Months Ended June 30, 2019				
Totals presented above	$ 117	$ 76	$ 18	$ —
Treatment charges and other	(8)	—	—	—
Noncash and other costs, net	—	2	—	—
Molybdenum mines	109	78	18	—
Other mining[c]	4,184	3,645	315	1
Corporate, other & eliminations	(747)	(718)	19	1
As reported in our consolidated financial statements	$ 3,546	$ 3,005	$ 352	$ 2

a. Reflects sales of the Molybdenum mines' production to our 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.

b. Includes charges totaling $6 million ($1.00 per pound of molybdenum) primarily associated with the April 2020 revised operating plans (including employee separation costs) and contract cancellation costs related to the COVID-19 pandemic.

c. Represents the combined total for our other segments, as presented in Note 9. Also includes amounts associated with our 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.

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

(In millions)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues, excluding adjustments[a]	$ 140	$ 215
Site production and delivery, before net noncash and other costs shown below	117	146
Treatment charges and other	11	15
Net cash costs	128	161
DD&A	31	34
Metals inventory adjustments	5	—
Noncash and other costs, net	10 [b]	3
Total costs	174	198
Gross (loss) profit	$ (34)	$ 17
Molybdenum sales (millions of recoverable pounds)[a]	13	17
Gross (loss) profit per pound of molybdenum:		
Revenues, excluding adjustments[a]	$ 10.36	$ 12.63
Site production and delivery, before net noncash and other costs shown below	8.67	8.60
Treatment charges and other	0.85	0.85
Unit net cash costs	9.52	9.45
DD&A	2.29	2.04
Metals inventory adjustments	0.35	—
Noncash and other costs, net	0.79 [b]	0.15
Total unit costs	12.95	11.64
Gross (loss) profit per pound	$ (2.59)	$ 0.99

Reconciliation to Amounts Reported

Six Months Ended June 30, 2020	Revenues	Production and Delivery	DD&A	Metals Inventory Adjustments
Totals presented above	$ 140	$ 117	$ 31	$ 5
Treatment charges and other	(11)	—	—	—
Noncash and other costs, net	—	10	—	—
Molybdenum mines	129	127	31	5
Other mining[c]	7,420	6,454	638	60
Corporate, other & eliminations	(1,697)	(1,642)	30	18
As reported in our consolidated financial statements	$ 5,852	$ 4,939	$ 699	$ 83
Six Months Ended June 30, 2019				
Totals presented above	$ 215	$ 146	$ 34	$ —
Treatment charges and other	(15)	—	—	—
Noncash and other costs, net	—	3	—	—
Molybdenum mines	200	149	34	—
Other mining[c]	8,642	7,168	626	1
Corporate, other & eliminations	(1,504)	(1,388)	39	58
As reported in our consolidated financial statements	$ 7,338	$ 5,929	$ 699	$ 59

a. Reflects sales of the Molybdenum mines' production to our 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.

b. Includes charges totaling $6 million ($0.48 per pound of molybdenum) primarily associated with the April 2020 revised operating plans (including employee separation costs) and contract cancellation costs related to the COVID-19 pandemic.

c. Represents the combined total for our other segments, as presented in Note 9. Also includes amounts associated with our 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 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 FCX's 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 a subsidiary or an affiliate of FCX; (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 obligations of FCX under the revolving credit facility or any other senior debt or, in each case, any refinancing thereof; or (iii) the discharge of FCX's obligations under the indentures in accordance with their terms.

The following summarized financial information includes information regarding FCX, as issuer, FM O&G LLC, as guarantor, and all other non-guarantor subsidiaries of FCX at June 30, 2020, and December 31, 2019, and for six months ended June 30, 2020.

	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
As of June 30, 2020					
Current assets	$ 249	$ 646	$ 6,921	$ (661)	$ 7,155
Noncurrent assets	1,427	6	33,027	(1,385)	33,075
Current liabilities	175	24	3,402	(695)	2,906
Noncurrent liabilities	9,211	11,073	15,964	(16,079)	20,169
As of 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
Six Months Ended June 30, 2020					
Revenues	$ —	$ 14	$ 5,838	$ —	$ 5,852
Operating loss	(18)	(22)	(103)	(9)	(152)
Net (loss) income	(438) [a]	(159) [a]	(494)	666	(425)

a. Net loss equals net loss attributable to common stockholders because net loss 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; forecasts or expectations regarding business outlook; production and sales volumes; unit net cash costs; cash flows; capital expenditures; liquidity; operating costs; operating plans; cost savings; the consummation of the tender offers; the use of proceeds from the notes offering; our expectations regarding our share of PT-FI's net income (loss) and future cash flows through 2022; PT-FI's development, financing, construction and completion of a new smelter in Indonesia; 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; reserve estimates; execution of the settlement agreement associated with the Louisiana coastal erosion cases; and future dividend payments, share purchases and sales. 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 of future dividends is at the discretion of the Board and will depend on our financial results, cash requirements, future prospects, 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.

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, our ability to consummate the tender offers; 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, which are evolving and beyond our control, 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 Indonesian 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 IUPK to extend mining rights from 2031 through 2041; the Indonesian 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; weather- and climate-related risks; environmental risks; litigation results; 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 low commodity prices; reductions in liquidity and access to capital; and other factors described in more detail as described further in “Risk Factors” contained in Part I, Item 1A. of our 2019 Form 10-K and Part II, Item 1A. herein.

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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our market risks during the six-month period ended June 30, 2020. In April 2020, FCX entered into copper forward sales contracts covering 150 million pounds of copper sales for May and June 2020 at a fixed price of $2.34 per pound of copper to hedge the market risk associated with fluctuations in the price of copper. As discussed in Note 6 of our financial statements included herein, our revenues for the first six months of 2020 were reduced by $24 million associated with these forward sales contracts. There are no remaining forward sales contracts.

For additional information on market risks, refer to “Disclosures About Market Risks” included in Part II, Items 7. and 7A. of our 2019 Form 10-K. For projected sensitivities of our operating cash flow to changes in commodity prices, refer to “Outlook” in Part I, Item 2. of this quarterly report on Form 10-Q for the period ended June 30, 2020; for projected sensitivities of our provisionally priced copper sales to changes in commodity prices refer to “Consolidated Results – Revenues” in Part I, Item 2. of this quarterly report on Form 10-Q for the period ended June 30, 2020.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures. Our chief executive officer and chief financial officer, with the participation of management, have evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report on Form 10-Q. Based on their evaluation, they have concluded that our disclosure controls and procedures were effective as of June 30, 2020.

(b) Changes in internal control over financial reporting. There has been no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in numerous legal proceedings that arise in the ordinary course of our business or are associated with environmental issues. We are also involved periodically in reviews, inquiries, investigations and other proceedings initiated by or involving government agencies, some of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

Management does not believe, based on currently available information, that the outcome of any legal proceeding reported in Part I, Item 3. “Legal Proceedings” and Note 12 of our 2019 Form 10-K, and Note 8 herein, will have a material adverse effect on our financial condition; although individual or cumulative outcomes could be material to our operating results for a particular period, depending on the nature and magnitude of the outcome and the operating results for the period.

There have been no material changes to legal proceedings previously disclosed in Part I, Item 3. “Legal Proceedings” and Note 12 of our 2019 Form 10-K, except as described in Note 8 herein.

Item 1A. Risk Factors.

There have been no material changes to our risk factors previously disclosed in Part I, Item 1A. “Risk Factors” of our 2019 Form 10-K, except for the updated risk factors included below, which should be read in conjunction with the risk factors set forth in our 2019 Form 10-K. However, the risks and uncertainties that we face are not limited to those described in our 2019 Form 10-K or as updated below. Additional risks and uncertainties related to the impact of and attempts to contain the COVID-19 pandemic, but currently unknown or believed not to be material by us, may also adversely affect our business and the trading price of our securities.

The ongoing COVID-19 pandemic and resulting negative impact on the global economy and financial markets has had and will likely continue to have an adverse impact on our business and results of operations, the duration and extent of which is highly uncertain and could be material.

The ongoing COVID-19 pandemic continues to have an adverse impact on the global economy and is creating significant volatility in the financial markets, including the copper markets. The duration and scope of and uncertainties associated with the ongoing COVID-19 pandemic and the related impact on commodity prices, our business and the global economy are evolving and beyond our control. The extent and duration of adverse impacts that the pandemic may have on supply, demand and prices of the commodities we produce, on our suppliers, vendors, customers and employees and on global financial markets is unknown at this time, but could be both material and prolonged. Prolonged unfavorable economic conditions, and any resulting slowed global economic growth, including the current U.S. recession, may result in lower demand for the commodities we produce, as well as the inability of various customers, contractors, suppliers and other business partners to fulfill their obligations, which could have a material adverse effect on our business and results of operations.

On April 24, 2020, we announced revised operating plans in response to the global COVID-19 pandemic and resulting negative impact on the global economy. Our April 2020 revised operating plans continue to focus on safeguarding our business in an uncertain public health and economic environment, advancing the ramp-up of underground production at Grasberg to establish large-scale, low-cost copper and gold production, and advancing initiatives in North America and South America to position us for significant increases in cash flows in 2021 and beyond. For additional information, refer to Part 1, Item 2. herein and Note 1 to our financial statements included herein.

Our business and results of operations could be adversely affected if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions or other restrictions in connection with the COVID-19 pandemic. We have proactively implemented operating protocols at each of our operating sites to contain and mitigate the risk of spread of COVID-19, including but not limited to, physical distancing, travel restrictions, sanitizing, and frequent health screening and monitoring. A limited number of COVID-19 cases have been confirmed through testing at PT-FI’s remote operating site in Papua, Indonesia. Despite our efforts to manage these impacts, there can be no assurance that our actions will be effective in containing and mitigating the risk of spread or a major outbreak of COVID-19 at our operating sites. A major outbreak of COVID-19 at any of our operating sites, and particularly at PT-FI’s remote operating site, could have a material adverse effect on our business and results of operations.

Actions taken by governmental authorities and third parties to contain and mitigate the risk of spread of COVID-19 have had and will likely continue to have an adverse impact on our business. For example, in mid-March 2020, the Peruvian government issued a Supreme Decree and declaration of a National Emergency in its efforts to contain the outbreak of COVID-19, and subsequently extended the order through May 10, 2020. The Peruvian government also extended the quarantine measures instituted in mid-March 2020 through August 31, 2020, for certain cities in Peru (including Arequipa). To comply with the government’s requirements, we temporarily transitioned our Cerro Verde mine to care and maintenance status and adjusted operations to prioritize critical activities. Strict health protocols have been implemented and a plan for Cerro Verde to restore operations was approved by the Peruvian government in second-quarter 2020. Cerro Verde's operating rates averaged 251,800 metric tons of ore per day in second-quarter 2020, including an average of 316,800 metric tons of ore per day in June 2020. We currently expect operations during the second half of 2020 to average approximately 350,000 metric tons of ore per day.

These and other impacts of COVID-19 or other global or regional health pandemics, epidemics or similar public health threats could also have the effect of heightening many of the other risks described in Part I, Item 1A. “Risk Factors” of our 2019 Form 10-K. The ultimate impact of COVID-19 on our business is difficult to predict and depends on factors that are evolving and beyond our control, including the scope and duration of the outbreak and recovery as well as actions taken by governmental authorities and third parties to contain its spread and mitigate its public health effects. Any of these disruptions could continue to adversely impact our business and results of operations, and such adverse impacts could be material.

The following risk factors which were previously disclosed in Part I, Item 1A. “Risk Factors” of our 2019 Form 10-K, are amended and restated as follows:

Fluctuations in the market prices of the commodities we produce, primarily copper, gold and molybdenum, have caused and may continue to cause significant volatility in our financial performance and in the trading prices of our common stock and debt. Recent declines in the market prices of copper, and to a lesser extent, molybdenum, have had and extended declines in the market prices of the commodities we produce could have, an adverse effect on our earnings, cash flows and asset values and, if sustained, may adversely affect our ability to repay debt.

Our financial results vary with fluctuations in the market prices of the commodities we produce, primarily copper and gold, and to a lesser extent molybdenum. The COVID-19 pandemic and resulting negative impact on the global economy has created significant volatility in the financial markets, including the copper market. In second-quarter 2020, copper prices recovered from the sharp decline that occurred during first-quarter 2020, reflecting the combination of supply curtailments related to the COVID-19 pandemic and an improving economic outlook in second-quarter 2020. An extended decline in market prices of these commodities could have a material adverse effect on our financial results and the value of our assets and may depress the price of our common stock and may have a material adverse effect on our ability to comply with financial and other covenants in our debt agreements, repay our debt and meet our other obligations.

On April 24, 2020, we announced revised operating plans in response to the global COVID-19 pandemic and resulting negative impact on the global economy. Our April 2020 revised operating plans included reductions in (i) estimated operating costs, (ii) estimated capital expenditures, (iii) estimated exploration and administrative costs, and (iv) estimated sales volumes in our North America and South America operations, as well as a reduction in production of molybdenum by approximately 50 percent at our Climax open-pit mine in North America and discontinuing certain exploration and development programs. If market prices for our primary commodities decline again and remain low for a sustained period of time, we may have to further revise our operating plans. We may be unable to decrease our costs in an amount sufficient to offset reductions in revenues, in which case we may incur losses, and those losses may be material.

Fluctuations in commodities prices are caused by varied and complex factors beyond our control, including global supply, demand balances and inventory levels; global economic and political conditions; international regulatory, trade and tax policies, including national tariffs; commodities investment activity and speculation; interest rates; the strength of the U.S. dollar compared to foreign currencies; the price and availability of substitute products; and changes in technology. Volatility in global economic growth, particularly in developing economies, has the potential to adversely affect future demand and prices for commodities. Geopolitical uncertainty, including the United Kingdom’s recent exit from the European Union (commonly referred to as Brexit), and protectionism, have the potential to inhibit international trade and negatively impact business confidence, which creates the risk of constraints on our ability to trade in certain markets and has the potential to increase price volatility.

Copper prices may be affected by demand from China, which has become the largest consumer of refined copper in the world, and by changes in demand for industrial, commercial and residential products containing copper. China had a major economic shutdown during the first quarter of 2020 in connection with its efforts to contain and mitigate the spread of COVID-19, which resulted in the country’s first reported economic contraction in over 40 years. Although China has reported that its COVID-19 infection rate is under control and its industrial sector is ramping up to normal activity levels, weaker demand for Chinese exports could continue to affect China’s economic growth, which could adversely affect China’s demand for copper. Although our sales to date have not been significantly affected, a continued slowing in China’s economic growth, another widespread COVID-19 outbreak in China, the adoption and expansion of trade restrictions, changes in China-U.S. relations, or other governmental action related to tariffs or trade agreements or policies are difficult to predict and could adversely affect copper prices, demand for our products, our costs, our customers, our suppliers, and the U.S. economy, which in turn could have a material adverse effect on our business, results of operations, or financial condition.

Copper prices have fluctuated historically, with London Metal Exchange (LME) copper settlement prices ranging from $2.48 per pound to $3.29 per pound during the three years ended December 31, 2019. During the first six months of 2020, LME copper settlement prices ranged from a low of $2.09 per pound to a high of $2.86 per pound. The LME copper settlement price was $2.74 per pound on June 30, 2020, and $2.92 per pound on July 31, 2020.

Factors affecting gold prices may include the relative strength of the U.S. dollar to other currencies, inflation and interest rate expectations, purchases and sales of gold by governments and central banks, demand from China and India, two of the world's largest consumers of gold, and global demand for jewelry containing gold. The London PM gold price was $1,515 per ounce on December 30, 2019 (there was no London PM gold price quote on December 31, 2019), and $1,768 per ounce on June 30, 2020. During the first six months of 2020, London PM gold prices ranged from a low of $1,474 per ounce to a high of $1,772 per ounce. The London PM gold price was $1,965 per ounce on July 31, 2020.

During the first six months of 2020, the weekly average price of molybdenum ranged from a low of $7.65 per pound to a high of $10.79 per pound. The Metals Week Molybdenum Dealer Oxide weekly average price of $8.40 per pound on June 30, 2020, was 9 percent lower than the December 31, 2019, weekly average price of $9.23 per pound. The *Metals Week* Molybdenum Dealer Oxide weekly average price was $7.18 per pound on July 31, 2020.

Declines in prices of commodities we sell could result in metals inventory adjustments and impairment charges for our long-lived assets. During the first six months of 2020, we recorded unfavorable metals inventory adjustments totaling $83 million associated with lower market prices for copper and molybdenum. Refer to Note 3 for additional information regarding metals inventory adjustments. Other events that could result in impairment of our long-lived assets include, but are not limited to, decreases in estimated proven and probable mineral reserves and any event that might have a material adverse effect on current and future expected mine production costs.

Violence, including shooting incidents, civil and religious strife, activism and labor unrest could result in loss of life and/or disrupt our operations and may adversely affect our business, financial condition, results of operations and prospects.

Indonesia has long faced separatist movements and civil and religious strife in a number of provinces. Several separatist groups have sought increased political independence for the province of Papua, where our Grasberg minerals district is located. In Papua, there have been sporadic attacks on civilians by separatists and sporadic but highly publicized conflicts between separatists and the Indonesia military and police. In addition, illegal miners have periodically clashed with police who have attempted for years to move them away from our facilities. Social, economic and political instability in Papua could materially and adversely affect us if it results in damage to our property or interruption of our Indonesia operations.

Beginning in 2009, a series of shooting incidents occurred within the PT-FI project area, including along the road leading to our mining and milling operations. The shooting incidents continued on a sporadic basis through January 2015. During this time, there were 20 fatalities and more than 50 injuries to our employees, contractor employees, government security personnel and civilians. The next shooting incident occurred in August 2017, and a series of shooting incidents continued on a sporadic basis within the PT-FI project area and in nearby areas through January 2020, resulting in 2 fatalities and 25 injuries. In addition, in December 2018, a mass shooting incident targeting a highway construction crew occurred in a remote mountain area approximately 100 miles east of the PT-FI project area, resulting in at least 19 fatalities and several reported as missing. Separatist security incidents, including shootings, continue to be sporadically reported, and PT-FI continues to monitor the occurrence of incidents in the region.

During first-quarter 2020 and April 2020, there was an escalation in shooting incidents in PT-FI's area of operations. In late March 2020, a shooting incident occurred near PT-FI's administrative offices in the lowlands in Papua, Indonesia, resulting in the death of one PT-FI employee and injuries to two other workers. The safety of our workforce is a critical concern, and PT-FI continues to work with the Indonesia government to enhance security and address security issues within the PT-FI project area and in nearby areas. We continue to limit the use of the road leading to our mining and milling operations to secured convoys, including transport of personnel by armored vehicles in designated areas.

We cannot predict whether additional incidents will occur that could result in loss of life, disrupt or suspend our operations. If other disruptive incidents occur, they could adversely affect our results of operations and financial condition in ways that we cannot predict at this time.

South American countries have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and general economic and political instability. During 2019, both Peru and Chile experienced significant and prolonged civil unrest unrelated to our operations. Production and sales for the third

quarter and first nine months of 2019 were impacted by protests associated with an unaffiliated copper development project in Peru that blocked access to the shipping ports and main transportation routes. While the civil unrest did not significantly impact our results for 2019, if it continues, our South America operations could be materially impacted, and as a result, we may not be able to meet our production and sales targets. We cannot predict whether similar or more significant incidents of civil unrest will occur in the future in Peru or Chile.

As of December 31, 2019, approximately 37 percent of our global labor force was covered by collective bargaining agreements and approximately 21 percent of our global labor force was covered by agreements that have expired and are currently being negotiated or will expire during 2020.

Labor agreements are negotiated on a periodic basis, and may not be renewed on reasonably satisfactory terms to us or at all. If we do not successfully negotiate new collective bargaining agreements with our union workers, we may incur prolonged strikes and other work stoppages at our mining operations, which could adversely affect our financial condition and results of operations. Additionally, if we enter into a new labor agreement with any union that significantly increases our labor costs relative to our competitors, our ability to compete may be materially and adversely affected. Refer to Items 1. and 2. “Business and Properties” of our 2019 Form 10-K for additional information regarding labor matters, and expiration dates of such agreements.

We could experience labor disruptions such as work stoppages, work slowdowns, union organizing campaigns, strikes, or lockouts that could adversely affect our operations. For example, during third-quarter 2016, PT-FI experienced labor productivity issues and a 10-day work stoppage that began in late September 2016. These labor productivity issues continued during fourth-quarter 2016 and the first half of 2017. Beginning in mid-April 2017, PT-FI experienced a high level of worker absenteeism, which unfavorably impacted mining and milling rates. A significant number of employees and contractors elected to participate in an illegal strike action beginning in May 2017, and were subsequently deemed to have voluntarily resigned under existing Indonesia laws and regulations resulting in increased costs associated with employee severance.

We cannot predict whether additional labor disruptions will occur. Significant reductions in productivity or protracted work stoppages at one or more of our operations could significantly reduce our production and sales volumes or disrupt operations, which could adversely affect our cash flow, results of operations and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no unregistered sales of equity securities during the three months ended June 30, 2020.

There were no shares of common stock purchased by us during the three months ended June 30, 2020. On July 21, 2008, our Board of Directors approved an increase in our open-market share purchase program for up to 30 million shares. There have been no purchases under this program since 2008. This program does not have an expiration date. At June 30, 2020, there were 23.7 million shares that could still be purchased under the program.

Item 4. Mine Safety Disclosures.

The safety and health of all employees is our highest priority. Management believes that safety and health considerations are integral to, and compatible with, all other functions in the organization and that proper safety and health management will enhance production and reduce costs. Our approach towards the safety and health of our workforce is to continuously improve performance through implementing robust management systems and providing adequate training, safety incentive and occupational health programs. The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this quarterly report on Form 10-Q.

Item 5. Other Information.

On August 7, 2020, Freeport-McMoRan Inc. (FCX) announced the appointment of Joshua F. “Josh” Olmsted as President and Chief Operating Officer - Americas upon the retirement of Harry M. “Red” Conger, IV. Following a 33-year career with FCX, Red Conger (age 64) notified FCX on August 3, 2020, of his election to retire effective September 1, 2020.

Mr. Olmsted (age 49) currently serves as Senior Vice President - Americas. He has 28 years of experience in the FCX organization, including senior leadership roles at several operating sites in the United States and South America. He has served as Senior Vice President - Americas since 2015, and prior to that he served as Senior Vice President - Morenci (2012-2015), President - El Abra (2009-2012), Administrative General Manager - Morenci (2007-2009) and prior to 2007 served as Manager - Engineering and Geology, Candelaria, and Operations Superintendent - Chino.

There are no arrangements or understandings between Mr. Olmsted and any other person pursuant to which he was appointed as an officer. FCX is not aware of any transactions involving Mr. Olmsted or a related person that would require disclosure under Item 404(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Exhibit Title	Filed with this Form 10-Q	Incorporated by Reference		
			Form	File No.	Date Filed
2.1*	PTFI Divestment Agreement dated as of September 27, 2018 among FCX, International Support LLC, PT Freeport Indonesia, PT Indocopper Investama and PT Indonesia Asahan Aluminium (Persero).		10-Q	001-11307-01	11/9/2018
2.2	Supplemental and Amendment Agreement to the PT-FI Divestment Agreement, dated December 21, 2018, among FCX, PT Freeport Indonesia, PT Indonesia Papua Metal Dan Mineral (f/k/a PT Indocopper Investama), PT Indonesia Asahan Aluminium (Persero) and International Support LLC.		10-K	001-11307-01	2/15/2019
3.1	Amended and Restated Certificate of Incorporation of FCX, effective as of June 8, 2016.		8-K	001-11307-01	6/9/2016
3.2	Amended and Restated By-Laws of FCX, effective as of June 3, 2020.		8-K	001-11307-01	6/3/2020
4.1	Indenture dated as of February 13, 2012, between FCX and U.S. Bank National Association, as Trustee (relating to the 3.55% Senior Notes due 2022, the 4.00% Senior Notes due 2021, the 4.55% Senior Notes due 2024, and the 5.40% Senior Notes due 2034).		8-K	001-11307-01	2/13/2012
4.2	Third Supplemental Indenture dated as of February 13, 2012, between FCX and U.S. Bank National Association, as Trustee (relating to the 3.55% Senior Notes due 2022).		8-K	001-11307-01	2/13/2012
4.3	Fourth Supplemental Indenture dated as of May 31, 2013, among FCX, Freeport-McMoRan Oil & Gas LLC and U.S. Bank National Association, as Trustee (relating to the 3.55% Senior Notes due 2022, the 4.00% Senior Notes due 2021, the 4.55% Senior Notes due 2024, and the 5.40% Senior Notes due 2034).		8-K	001-11307-01	6/3/2013
4.4	Sixth Supplemental Indenture dated as of November 14, 2014 among FCX, Freeport-McMoRan Oil & Gas LLC and U.S. Bank National Association, as Trustee (relating to the 4.00% Senior Notes due 2021).		8-K	001-11307-01	11/14/2014
4.5	Seventh Supplemental Indenture dated as of November 14, 2014 among FCX, Freeport-McMoRan Oil & Gas LLC and U.S. Bank National Association, as Trustee (relating to the 4.55% Senior Notes due 2024).		8-K	001-11307-01	11/14/2014

Exhibit Number	Exhibit Title	Filed with this Form 10-Q	Incorporated by Reference		
			Form	File No.	Date Filed
4.6	Eighth Supplemental Indenture dated as of November 14, 2014 among FCX, Freeport-McMoRan Oil & Gas LLC and U.S. Bank National Association, as Trustee (relating to the 5.40% Senior Notes due 2034).		8-K	001-11307-01	11/14/2014
4.7	Indenture dated as of March 7, 2013, between FCX and U.S. Bank National Association, as Trustee (relating to the 3.875% Senior Notes due 2023, and the 5.450% Senior Notes due 2043).		8-K	001-11307-01	3/7/2013
4.8	Supplemental Indenture dated as of May 31, 2013, among FCX, Freeport-McMoRan Oil & Gas LLC, as guarantor, and U.S. Bank National Association, as Trustee (relating to the 3.875% Senior Notes due 2023 and the 5.450% Senior Notes due 2043).		8-K	001-11307-01	6/3/2013
4.9	Form of Indenture dated as of September 22, 1997, between Phelps Dodge Corporation and The Chase Manhattan Bank, as Trustee (relating to the 7.125% Senior Notes due 2027, the 9.50% Senior Notes due 2031, and the 6.125% Senior Notes due 2034).		S-3	333-36415	9/25/1997
4.10	Form of 7.125% Debenture due November 1, 2027 of Phelps Dodge Corporation issued on November 5, 1997, pursuant to the Indenture dated as of September 22, 1997, between Phelps Dodge Corporation and The Chase Manhattan Bank, as Trustee (relating to the 7.125% Senior Notes due 2027).		8-K	01-00082	11/3/1997
4.11	Form of 9.5% Note due June 1, 2031 of Phelps Dodge Corporation issued on May 30, 2001, pursuant to the Indenture dated as of September 22, 1997, between Phelps Dodge Corporation and First Union National Bank, as successor Trustee (relating to the 9.50% Senior Notes due 2031).		8-K	01-00082	5/30/2001
4.12	Form of 6.125% Note due March 15, 2034 of Phelps Dodge Corporation issued on March 4, 2004, pursuant to the Indenture dated as of September 22, 1997, between Phelps Dodge Corporation and First Union National Bank, as successor Trustee (relating to the 6.125% Senior Notes due 2034).		10-K	01-00082	3/7/2005
4.13	Supplemental Indenture dated as of April 4, 2007 to the Indenture dated as of September 22, 1997, among Phelps Dodge Corporation, as Issuer, Freeport-McMoRan Copper & Gold Inc., as Parent Guarantor, and U.S. Bank National Association, as Trustee (relating to the 7.125% Senior Notes due 2027, the 9.50% Senior Notes due 2031, and the 6.125% Senior Notes due 2034).		10-K	001-11307-01	2/26/2016
4.14	Indenture dated as of December 13, 2016, among FCX, Freeport-McMoRan Oil & Gas LLC, as guarantor, and U.S. Bank National Association, as Trustee (relating to the 6.875% Senior Notes due 2023).		8-K	001-11307-01	12/13/2016
4.15	Registration Rights Agreement dated as of December 13, 2016 among FCX, Freeport-McMoRan Oil & Gas LLC, as Guarantor, and J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Dealer Managers, relating to the 6.875% Senior Notes due 2023.		8-K	001-11307-01	12/13/2016
4.16	Form of Certificate representing shares of common stock, par value $0.10.		8-A/A	001-11307-01	8/10/2015
4.17	Indenture dated as of August 15, 2019, between FCX and U.S. Bank National Association, as Trustee (relating to the 5.00% Senior Notes due 2027, the 4.125% Senior Notes due 2028, the 4.375% Senior Notes due 2028, the 5.25% Senior Notes due 2029, the 4.25% Senior Notes due 2030 and the 4.625% Senior Notes due 2030).		8-K	001-11307-01	8/15/2019

Exhibit Number	Exhibit Title	Filed with this Form 10-Q	Incorporated by Reference		
			Form	File No.	Date Filed
4.18	First Supplemental Indenture dated as of August 15, 2019, among FCX, Freeport-McMoRan Oil & Gas LLC, as Guarantor, and U.S. Bank National Association, as Trustee (relating to the 5.00% Senior Notes due 2027).		8-K	001-11307-01	8/15/2019
4.19	Second Supplemental Indenture dated as of August 15, 2019, among FCX, Freeport-McMoRan Oil & Gas LLC, as Guarantor, and U.S. Bank National Association, as Trustee (relating to the 5.25% Senior Notes due 2029).		8-K	001-11307-01	8/15/2019
4.20	Third Supplemental Indenture dated as of March 4, 2020, among FCX, Freeport-McMoRan Oil & Gas LLC, as Guarantor, and U.S. Bank National Association, as Trustee (relating to the 4.125% Senior Notes due 2028).		8-K	001-11307-01	3/4/2020
4.21	Fourth Supplemental Indenture dated as of March 4, 2020, among FCX, Freeport-McMoRan Oil & Gas LLC, as Guarantor, and U.S. Bank National Association, as Trustee (relating to the 4.25% Senior Notes due 2030).		8-K	001-11307-01	3/4/2020
4.22	Form of 5.00% Senior Notes due 2027 (included in Exhibit 4.18).		8-K	001-11307-01	8/15/2019
4.23	Form of 5.25% Senior Notes due 2029 (included in Exhibit 4.19).		8-K	001-11307-01	8/15/2019
4.24	Form of 4.125% Senior Notes due 2028 (included in Exhibit 4.20).		8-K	001-11307-01	3/4/2020
4.25	Form of 4.25% Senior Notes due 2030 (included in Exhibit 4.21).		8-K	001-11307-01	3/4/2020
4.26	Fifth Supplemental Indenture dated as of March 31, 2020, among FCX, Freeport-McMoRan Oil & Gas LLC, as Guarantor, and U.S. Bank National Association, as Trustee (relating to the 4.125% Senior Notes due 2028 and the 4.25% Senior Notes due 2030).	X			
4.27	Sixth Supplemental Indenture dated as of July 27, 2020, among FCX, Freeport-McMoRan Oil & Gas LLC, as Guarantor, and U.S. Bank National Association, as Trustee (relating to the 4.375% Senior Notes due 2028).		8-K	001-11307-01	7/27/2020
4.28	Seventh Supplemental Indenture dated as of July 27, 2020, among FCX, Freeport-McMoRan Oil & Gas LLC, as Guarantor, and U.S. Bank National Association, as Trustee (relating to the 4.625% Senior Notes due 2030).		8-K	001-11307-01	7/27/2020
4.29	Form of 4.375% Senior Notes due 2028 (included in Exhibit 4.27).		8-K	001-11307-01	7/27/2020
4.30	Form of 4.625% Senior Notes due 2030 (included in Exhibit 4.28).		8-K	001-11307-01	7/27/2020
10.1+	Freeport-McMoRan Inc. Executive Change in Control Severance Plan, effective as of May 5, 2020.		10-Q	001-11307-01	5/7/2020
10.2	Third Amendment dated as of June 3, 2020 to the Revolving Credit Agreement dated as of April 20, 2018, as amended, among FCX, PT Freeport Indonesia, Freeport-McMoRan Oil & Gas LLC, JPMorgan Chase Bank, N.A., as administrative agent, and each of the lenders and issuing banks party thereto.		8-K	001-11307-01	6/3/2020
15.1	Letter from Ernst & Young LLP regarding unaudited interim financial statements.	X			
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d – 14(a).	X			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d – 14(a).	X			

Exhibit Number	Exhibit Title	Filed with this Form 10-Q	Incorporated by Reference		
			Form	File No.	Date Filed
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.	X			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350.	X			
95.1	Mine Safety and Health Administration Safety Data.	X			
101.INS	XBRL Instance Document- the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline	X			
101.SCH	Inline XBRL Taxonomy Extension Schema.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.	X			
104	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL.	X			

* The registrant agrees to furnish supplementally to the Securities and Exchange Commission (SEC) a copy of any omitted schedule or exhibit upon the request of the SEC in accordance with Item 601(a)(5) of Regulation S-K.

+ Indicates management contract or compensatory plan or arrangement.

Note: Certain instruments with respect to long-term debt of FCX have not been filed as exhibits to this Quarterly Report on Form 10-Q since the total amount of securities authorized under any such instrument does not exceed 10 percent of the total assets of FCX and its subsidiaries on a consolidated basis. FCX agrees to furnish a copy of each such instrument upon request of the SEC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Freeport-McMoRan Inc.

By: /s/ C. Donald Whitmire, Jr.
C. Donald Whitmire, Jr.
Vice President and
Controller - Financial Reporting
(authorized signatory
and Principal Accounting Officer)

Date: August 7, 2020