

Соединенные Штаты Америки
Комиссия по ценным бумагам и биржам
Вашингтон, округ Колумбия 20549

ФОРМА 10-Q

(Выбрать один)

- ЕЖЕКВАРТАЛЬНЫЙ ОТЧЕТ В СООТВЕТСТВИИ С РАЗДЕЛАМИ 13 или 15(d) ЗАКОНА О ТОРГОВЛЕ ЦЕННЫМИ БУМАГАМИ 1934 ГОДА** За кварталный период, закончившийся
30 июня 2022 года
ИЛИ
- ПЕРЕХОДНЫЙ ОТЧЕТ В СООТВЕТСТВИИ С РАЗДЕЛОМ 13 ИЛИ 15(d) ЗАКОНА ОБ ЭКСПЕРТИЗЕ ЦЕННЫХ БУМАГ 1934 ГОДА** На переходный период с по
Номер дела комиссии: 001-11307-01



Freeport-McMoRan Inc.

(Точное название компании-регистратора, указанное в ее уставе)

Делавэр
(Штат или другая юрисдикция
регистрации или организации)

74-2480931

(Идентификационный номер
работодателя I.R.S.)

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(Адрес главного исполнительного офиса)

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(602) 366-8100

(Номер телефона регистранта, включая код города)

Ценные бумаги, зарегистрированные в соответствии с разделом 12(b) Закона:

Название каждого занятия	Торговый символ(ы)	Название каждой биржи, на которой зарегистрирована
Обыкновенные акции, номинальная стоимость \$0,10 за акцию	FCX	The New York Stock Exchange

Отметьте галочкой, подавал ли регистрант (1) все отчеты, обязательные к подаче в соответствии с Разделом 13 или 15(d) Закона о ценных бумагах и биржах от 1934 года в течение предшествующих 12 месяцев (или в течение более короткого периода, когда регистрант был обязан подавать такие отчеты), и (2) подчинился ли он требованиям о подаче таких отчетов в течение последних 90 дней. Да Нет

Укажите галочкой, представил ли регистрант в электронном виде все интерактивные файлы данных, которые должны быть представлены в соответствии с Правилем 405 Положения S-T (§ 232.405 данной главы) в течение предшествующих 12 месяцев (или за более короткий период, в течение которого регистрант был обязан представлять такие файлы). Да Нет

Отметьте галочкой, является ли регистрант крупным ускоренным филером, ускоренным филером, не ускоренным филером, малой отчетной компанией или компанией с развивающейся экономикой. См. определения понятий "крупный ускоренный филер", "ускоренный филер", "меньшая отчетывающаяся компания" и "развивающаяся компания" в Правиле 12b-2 Закона о биржах.

Крупный ускоренный филер

Ускоренная компания

Не ускоренный филер

Малая отчетная компания

Малая отчетная компания

Если компания является компанией с развивающейся экономикой, отметьте галочкой, решила ли компания-регистратор не использовать продленный переходный период для соблюдения любых новых или пересмотренных стандартов финансового учета, предусмотренных в соответствии с разделом 13(a) Закона о биржах.

Укажите галочкой, является ли компания-регистратор подставной компанией (как определено в Правиле 12b-2 Закона о биржах). Yes No

На 29 июля 2022 года в обращении находилось 1 429 270 314 обыкновенных акций компании-регистратора номинальной стоимостью \$0,10 за акцию.

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Часть I. ФИНАНСОВАЯ ИНФОРМАЦИЯ

Пункт 1. Финансовая отчетность.

Freeport-McMoRan Inc.
 КОНСОЛИДИРОВАННЫЕ БАЛАНСОВЫЕ ЛИСТЫ
 (неаудированные)

	30 июня, 2022	31 декабря, 2021
	(В миллионах)	
АКТИВЫ		
Текущие активы:		
Денежные средства и их эквиваленты	\$ 9,492	\$ 8,068
Торговая дебиторская задолженность	977	1,168
Дебиторская задолженность по подоходному и прочим налогам	435	574
Запасы:		
Материалы и принадлежности, нетто	1,776	1,669
Запасы для мельниц и выщелачивания	1,387	1,170
Продукция	1,507	1,658
Прочие оборотные активы	608	523
Итого текущие активы	<u>16,182</u>	<u>14,830</u>
Основные средства и затраты на разработку месторождения, нетто	31,200	30,345
Долгосрочные запасы на мельницах и выщелачивании	1,230	1,387
Прочие активы	1,501	1,460
Итого активы	<u>\$ 50,113</u>	<u>\$ 48,022</u>
ОБЯЗАТЕЛЬСТВА И КАПИТАЛ		
Текущие обязательства:		
Кредиторская задолженность и начисленные обязательства	\$ 3,853	\$ 3,495
Текущая часть долга	1,038	372
Начисленные налоги на прибыль	507	1,541
Текущая часть обязательств по охране окружающей среды и выбытию активов	317	264
Дивиденды к выплате	217	220
Итого текущие обязательства	<u>5,932</u>	<u>5,892</u>
Долгосрочная задолженность, за вычетом текущей части	10,054	9,078
Отложенные налоги на прибыль	4,297	4,234
Обязательства по охране окружающей среды и выбытию активов, за вычетом текущей части	4,170	4,116
Прочие обязательства	1,613	1,683
Итого обязательства	<u>26,066</u>	<u>25,003</u>
Эквивалент:		
Акционерный капитал:		
Простые акции	161	160
Капитал сверх номинальной стоимости	25,661	25,875
Накопленный дефицит	(5,008)	(7,375)
Накопленный прочий совокупный убыток	(386)	(388)
Обыкновенные акции, выкупленные у акционеров	(5,539)	(4,292)
Итого акционерный капитал	<u>14,889</u>	<u>13,980</u>
Неконтрольные доли участия	9,158	9,039
Итого капитал	<u>24,047</u>	<u>23,019</u>
Итого обязательства и капитал	<u>\$ 50,113</u>	<u>\$ 48,022</u>

Прилагаемые примечания являются неотъемлемой частью данной консолидированной финансовой отчетности.

Freeport-McMoRan Inc.
 КОНСОЛИДИРОВАННЫЕ СТАТЕМАТЫ ДОХОДОВ
 (неаудированные)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In millions, except per share amounts)			
Revenues	\$ 5,416	\$ 5,748	\$ 12,019	\$ 10,598
Cost of sales:				
Production and delivery	3,003	3,067	6,153	5,853
Depreciation, depletion and amortization	507	483	996	902
Metals inventory adjustments	18	—	18	1
Total cost of sales	3,528	3,550	7,167	6,756
Selling, general and administrative expenses	100	87	215	187
Mining exploration and research expenses	25	14	49	21
Environmental obligations and shutdown costs	29	33	45	38
Net gain on sales of assets	(2)	(3)	(2)	(3)
Total costs and expenses	3,680	3,681	7,474	6,999
Operating income	1,736	2,067	4,545	3,599
Interest expense, net	(156)	(148)	(283)	(293)
Net gain on early extinguishment of debt	8	—	8	—
Other income, net	11	9	42	20
Income before income taxes and equity in affiliated companies' net earnings	1,599	1,928	4,312	3,326
Provision for income taxes	(571)	(603)	(1,395)	(1,046)
Equity in affiliated companies' net earnings	10	6	25	4
Net income	1,038	1,331	2,942	2,284
Net income attributable to noncontrolling interests	(198)	(248)	(575)	(483)
Net income attributable to common stockholders	\$ 840	\$ 1,083	\$ 2,367	\$ 1,801
Net income per share attributable to common stockholders:				
Basic	\$ 0.58	\$ 0.74	\$ 1.63	\$ 1.23
Diluted	\$ 0.57	\$ 0.73	\$ 1.61	\$ 1.21
Weighted-average shares of common stock outstanding:				
Basic	1,447	1,467	1,451	1,465
Diluted	1,457	1,483	1,463	1,480
Dividends declared per share of common stock	\$ 0.15	\$ 0.075	\$ 0.30	\$ 0.15

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(In millions)			
Net income	\$ 1,038	\$ 1,331	\$ 2,942	\$ 2,284
Other comprehensive income, net of taxes:				
Defined benefit plans:				
Actuarial losses arising during the period	—	—	—	(1)
Prior service costs arising during the period	—	—	(1)	—
Amortization of unrecognized amounts included in net periodic benefit costs	2	4	4	8
Foreign exchange losses	(1)	—	(1)	(1)
Other comprehensive income	1	4	2	6
Total comprehensive income	1,039	1,335	2,944	2,290
Total comprehensive income attributable to noncontrolling interests	(198)	(248)	(575)	(482)
Total comprehensive income attributable to common stockholders	\$ 841	\$ 1,087	\$ 2,369	\$ 1,808

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,	
	2022	2021
	(In millions)	
Cash flow from operating activities:		
Net income	\$ 2,942	\$ 2,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	996	902
Metals inventory adjustments	18	1
Net gain on sales of assets	(2)	(3)
Stock-based compensation	62	56
Net charges for environmental and asset retirement obligations, including accretion	119	94
Payments for environmental and asset retirement obligations	(120)	(110)
Net charges for defined pension and postretirement plans	20	1
Pension plan contributions	(50)	(42)
Net gain on early extinguishment of debt	(8)	—
Deferred income taxes	63	79
Charges for Cerro Verde royalty dispute	—	9
Payments for Cerro Verde royalty dispute	—	(65)
Other, net	(17)	77
Changes in working capital and other:		
Accounts receivable	314	(279)
Inventories	(40)	(299)
Other current assets	(99)	(12)
Accounts payable and accrued liabilities	185	272
Accrued income taxes and timing of other tax payments	(1,071)	505
Net cash provided by operating activities	3,312	3,470
Cash flow from investing activities:		
Capital expenditures:		
North America copper mines	(276)	(95)
South America	(124)	(47)
Indonesia mining	(759)	(576)
Indonesia smelter projects	(344)	(48)
Molybdenum mines	(9)	(3)
Other	(74)	(34)
Proceeds from sales of assets	96	16
Loans to PT Smelting for expansion	(34)	—
Acquisition of minority interest in PT Smelting	—	(33)
Other, net	(6)	(13)
Net cash used in investing activities	(1,530)	(833)
Cash flow from financing activities:		
Proceeds from debt	4,666	160
Repayments of debt	(2,993)	(179)
Cash dividends and distributions paid:		
Common stock	(438)	(111)
Noncontrolling interests	(513)	(93)
Treasury stock purchases	(1,185)	—
Contributions from noncontrolling interests	94	88
Proceeds from exercised stock options	106	184
Payments for withholding of employee taxes related to stock-based awards	(55)	(19)
Debt financing costs and other, net	(33)	(1)
Net cash (used in) provided by financing activities	(351)	29
Net increase in cash, cash equivalents, restricted cash and restricted cash equivalents	1,431	2,666
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year	8,314	3,903
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 9,745	\$ 6,569

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 Deficit	Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value			Number of Shares	At Cost			
	(In millions)									
Balance at March 31, 2022	1,612	\$ 161	\$ 25,835	\$ (5,848)	\$ (387)	160	\$ (4,895)	\$ 14,866	\$ 9,176	\$ 24,042
Exercised and issued stock-based awards	—	—	5	—	—	—	—	5	—	5
Stock-based compensation, including the tender of shares	—	—	15	—	—	—	—	15	(1)	14
Treasury stock purchases	—	—	—	—	—	17	(644)	(644)	—	(644)
Dividends	—	—	(217)	—	—	—	—	(217)	(239)	(456)
Contributions from noncontrolling interests	—	—	23	—	—	—	—	23	24	47
Net income attributable to common stockholders	—	—	—	840	—	—	—	840	—	840
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	198	198
Other comprehensive income	—	—	—	—	1	—	—	1	—	1
Balance at June 30, 2022	<u>1,612</u>	<u>\$ 161</u>	<u>\$ 25,661</u>	<u>\$ (5,008)</u>	<u>\$ (386)</u>	<u>177</u>	<u>\$ (5,539)</u>	<u>\$ 14,889</u>	<u>\$ 9,158</u>	<u>\$ 24,047</u>

	Stockholders' Equity									
	Common Stock			Accumulated Deficit	Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Number of Shares	At Par Value	Capital in Excess of Par Value			Number of Shares	At Cost			
	(In millions)									
Balance at March 31, 2021	1,597	\$ 160	\$ 26,080	\$ (10,963)	\$ (580)	133	\$ (3,777)	\$ 10,920	\$ 8,653	\$ 19,573
Exercised and issued stock-based awards	4	—	78	—	—	—	—	78	—	78
Stock-based compensation, including the tender of shares	—	—	14	—	—	—	—	14	(1)	13
Dividends	—	—	(111)	—	—	—	—	(111)	—	(111)
Contributions from noncontrolling interests	—	—	23	—	—	—	—	23	24	47
Net income attributable to common stockholders	—	—	—	1,083	—	—	—	1,083	—	1,083
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	248	248
Other comprehensive income	—	—	—	—	4	—	—	4	—	4
Balance at June 30, 2021	<u>1,601</u>	<u>\$ 160</u>	<u>\$ 26,084</u>	<u>\$ (9,880)</u>	<u>\$ (576)</u>	<u>133</u>	<u>\$ (3,777)</u>	<u>\$ 12,011</u>	<u>\$ 8,924</u>	<u>\$ 20,935</u>

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

	Stockholders' Equity									
	Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Number of Shares	At Par Value				Number of Shares	At Cost			
	(In millions)									
Balance at December 31, 2021	1,603	\$ 160	\$ 25,875	\$ (7,375)	\$ (388)	146	\$ (4,292)	\$ 13,980	\$ 9,039	\$ 23,019
Exercised and issued stock-based awards	9	1	112	—	—	—	—	113	—	113
Stock-based compensation, including the tender of shares	—	—	63	—	—	2	(62)	1	(11)	(10)
Treasury stock purchases	—	—	—	—	—	29	(1,185)	(1,185)	—	(1,185)
Dividends	—	—	(435)	—	—	—	—	(435)	(493)	(928)
Contributions from noncontrolling interests	—	—	46	—	—	—	—	46	48	94
Net income attributable to common stockholders	—	—	—	2,367	—	—	—	2,367	—	2,367
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	575	575
Other comprehensive income	—	—	—	—	2	—	—	2	—	2
Balance at June 30, 2022	<u>1,612</u>	<u>\$ 161</u>	<u>\$ 25,661</u>	<u>\$ (5,008)</u>	<u>\$ (386)</u>	<u>177</u>	<u>\$ (5,539)</u>	<u>\$ 14,889</u>	<u>\$ 9,158</u>	<u>\$ 24,047</u>

	Stockholders' Equity									
	Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Common Stock Held in Treasury		Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Number of Shares	At Par Value				Number of Shares	At Cost			
	(In millions)									
Balance at December 31, 2020	1,590	\$ 159	\$ 26,037	\$ (11,681)	\$ (583)	132	\$ (3,758)	\$ 10,174	\$ 8,494	\$ 18,668
Exercised and issued stock-based awards	11	1	183	—	—	—	—	184	—	184
Stock-based compensation, including the tender of shares	—	—	43	—	—	1	(19)	24	(4)	20
Dividends	—	—	(222)	—	—	—	—	(222)	(93)	(315)
Contributions from noncontrolling interests	—	—	43	—	—	—	—	43	45	88
Net income attributable to common stockholders	—	—	—	1,801	—	—	—	1,801	—	1,801
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	483	483
Other comprehensive income (loss)	—	—	—	—	7	—	—	7	(1)	6
Balance at June 30, 2021	<u>1,601</u>	<u>\$ 160</u>	<u>\$ 26,084</u>	<u>\$ (9,880)</u>	<u>\$ (576)</u>	<u>133</u>	<u>\$ (3,777)</u>	<u>\$ 12,011</u>	<u>\$ 8,924</u>	<u>\$ 20,935</u>

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 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, 2021 (2021 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, 2022, are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

Sale of Investments. In second-quarter 2022, Koblotti Chemicals Holdings Limited (KCHL), a 56-percent-owned subsidiary of FCX, sold all of the shares it owned in Jervois Global Limited for proceeds of \$60 million. The shares were received in connection with the 2021 sale of KCHL's remaining cobalt business.

Subsequent Events. FCX evaluated events after June 30, 2022, and through the date the consolidated financial statements were issued, and determined any events and transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these consolidated financial statements.

NOTE 2. EARNINGS PER SHARE

FCX calculates its basic net income per share of common stock under the two-class method and calculates its diluted net income per share of common stock using the more dilutive of the two-class method or the treasury-stock method. Basic net income per share of common stock was computed by dividing net income 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 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 antidilutive.

Reconciliations of net income and weighted-average shares of common stock outstanding for purposes of calculating basic and diluted net income per share follow (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 1,038	\$ 1,331	\$ 2,942	\$ 2,284
Net income attributable to noncontrolling interests	(198)	(248)	(575)	(483)
Undistributed dividends and earnings allocated to participating securities	(4)	(4)	(5)	(4)
Net income attributable to common stockholders	<u>\$ 836</u>	<u>\$ 1,079</u>	<u>\$ 2,362</u>	<u>\$ 1,797</u>
Basic weighted-average shares of common stock outstanding	1,447	1,467	1,451	1,465
Add shares issuable upon exercise or vesting of dilutive stock options and restricted stock units (RSUs)	10	16	12	15
Diluted weighted-average shares of common stock outstanding	<u>1,457</u>	<u>1,483</u>	<u>1,463</u>	<u>1,480</u>
Basic net income per share attributable to common stockholders	<u>\$ 0.58</u>	<u>\$ 0.74</u>	<u>\$ 1.63</u>	<u>\$ 1.23</u>
Diluted net income per share attributable to common stockholders	<u>\$ 0.57</u>	<u>\$ 0.73</u>	<u>\$ 1.61</u>	<u>\$ 1.21</u>

Outstanding stock options with exercise prices greater than the average market price of FCX's common stock during the period are excluded from the computation of diluted net income per share of common stock. There were no shares of common stock excluded in second-quarter 2022. Excluded shares of common stock totaled 4 million shares in second-quarter 2021, 1 million shares for the first six months of 2022 and 7 million shares for the first six months of 2021.

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

The components of inventories follow (in millions):

	June 30, 2022	December 31, 2021
Current inventories:		
Total materials and supplies, net ^a	\$ 1,776	\$ 1,669
Mill stockpiles	\$ 196	\$ 193
Leach stockpiles	1,191	977
Total current mill and leach stockpiles	\$ 1,387	\$ 1,170
Raw materials (primarily concentrate)	\$ 436	\$ 536
Work-in-process	155	195
Finished goods	916	927
Total product	\$ 1,507	\$ 1,658
Long-term inventories:		
Mill stockpiles	\$ 201	\$ 226
Leach stockpiles	1,029	1,161
Total long-term mill and leach stockpiles ^b	\$ 1,230	\$ 1,387

- a. Materials and supplies inventory was net of obsolescence reserves totaling \$39 million at June 30, 2022, and \$36 million at December 31, 2021.
- b. Estimated metals in stockpiles not expected to be recovered within the next 12 months.

FCX recorded metals inventory adjustments totaling \$18 million in the second quarter and first six months of 2022, associated with a stockpile write-off at Cerro Verde (\$9 million) and net realizable value adjustments related to lower market prices for copper (\$9 million). Refer to Note 9 for metals inventory adjustments by business segment.

El Abra Stockpile Recoveries. As discussed in FCX's 2021 Form 10-K, processes and recovery rates for mill and leach stockpiles are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes. Adjustments to recovery rates will typically result in a future impact to the value of the material removed from the stockpiles at a revised weighted-average cost per pound of recoverable copper.

Following an analysis of recent recovery data and column testing results, El Abra revised its estimated recovery rate assumptions for specific ore types expected to be processed from its existing leach stockpile. The revised estimates resulted in a 135 million pound reduction in future estimated recoverable copper from this leach stockpile which is being phased out. This revision had an unfavorable impact on El Abra's costs but did not have a significant impact on consolidated site production and delivery costs in second-quarter 2022 or the first six months of 2022.

NOTE 4. INCOME TAXES

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

	Six Months Ended June 30,	
	2022	2021
U.S. operations	\$ (5)	\$ (4)
International operations	(1,390)	(1,042)
Total	\$ (1,395)	\$ (1,046)

FCX's consolidated effective income tax rate was 32 percent for the first six months of 2022 and 31 percent for the first six months of 2021. Variations in the relative proportions of jurisdictional income result in fluctuations to FCX's consolidated effective income tax rate. Because of its U.S. tax position, FCX does not record a financial statement impact for income or losses generated in the U.S.

NOTE 5. DEBT AND EQUITY

The components of debt follow (in millions):

	June 30, 2022	December 31, 2021
Senior notes and debentures:		
Issued by FCX	\$ 7,697	\$ 8,268
Issued by PT-FI	2,976	—
Issued by Freeport Minerals Corporation	355	355
PT-FI Term Loan	—	432
Cerro Verde Term Loan	—	325
Other	64	70
Total debt	<u>11,092</u>	<u>9,450</u>
Less current portion of debt	<u>(1,038)</u>	<u>(372)</u>
Long-term debt	<u>\$ 10,054</u>	<u>\$ 9,078</u>

FCX Revolving Credit Facility. At June 30, 2022, FCX had no borrowings outstanding and \$8 million in letters of credit issued under its unsecured 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 \$3.3 billion maturing April 2024 and \$0.2 billion maturing April 2023. At June 30, 2022, FCX was in compliance with its revolving credit facility covenants.

Cerro Verde Credit Facility. In second-quarter 2022, Cerro Verde entered into a new \$350 million, five-year, unsecured revolving credit facility and repaid the \$325 million outstanding balance of its term loan. At June 30, 2022, Cerro Verde had no borrowings outstanding under its revolving credit facility and was in compliance with its revolving credit facility covenants.

Senior Notes issued by PT-FI. In April 2022, PT-FI completed the sale of \$3.0 billion aggregate principal amount of unsecured senior notes, consisting of \$750 million of 4.763% Senior Notes due 2027, \$1.5 billion of 5.315% Senior Notes due 2032 and \$750 million of 6.200% Senior Notes due 2052. PT-FI used \$0.6 billion of the net proceeds to repay the borrowings under its term loan and expects to use the remaining net proceeds to finance its smelter projects.

PT-FI Credit Facility. In second-quarter 2022, PT-FI amended its five-year, unsecured revolving credit facility to, among other things, increase the availability to \$1.3 billion. At June 30, 2022, PT-FI had no borrowings under its revolving credit facility and was in compliance with its revolving credit facility covenants.

As noted above, in second-quarter 2022, PT-FI repaid the principal balance of the term loan portion of its credit facility, which cannot be redrawn, and recorded a loss on early extinguishment of debt of \$10 million.

Purchases of Senior Notes. In second-quarter 2022, FCX purchased certain of its senior notes in open-market transactions. A summary of these debt extinguishments follows:

	Principal Amount	Discounts/Deferred Issuance Costs	Book Value	Redemption Value	Gain/(Loss)
5.00% Senior Note due 2027	\$ 85	\$ 1	\$ 84	\$ 85	\$ (1)
4.125% Senior Note due 2028	90	1	89	85	4
4.375% Senior Note due 2028	106	1	105	102	3
5.25% Senior Note due 2029	85	1	84	82	2
4.25% Senior Note due 2030	17	—	17	16	1
4.625% Senior Note due 2030	66	1	65	62	3
5.40% Senior Note due 2034	15	—	15	15	—
5.450% Senior Note due 2043	118	1	117	111	6
	<u>\$ 582</u>	<u>\$ 6</u>	<u>\$ 576</u>	<u>\$ 558</u>	<u>\$ 18</u>

From July 1, 2022, through August 5, 2022, FCX purchased an additional \$291 million aggregate principal amount of its senior notes in open-market transactions, for a total redemption value of \$273 million.

Interest Expense, Net. Consolidated interest costs (before capitalization) totaled \$189 million in second-quarter 2022, \$165 million in second-quarter 2021, \$342 million for the first six months of 2022 and \$325 million for the first six months of 2021. The increase in consolidated interest costs (before capitalization) for the 2022 periods is primarily related to the senior notes issued by PT-FI in April 2022.

Capitalized interest added to property, plant, equipment and mine development costs, net, totaled \$33 million in second-quarter 2022, \$17 million in second-quarter 2021, \$59 million for the first six months of 2022 and \$32 million for the first six months of 2021. The increase in capitalized interest costs for the 2022 periods resulted from increased construction and development projects in process.

Share Repurchase Program and Dividends. In second-quarter 2022, FCX acquired 17.1 million shares of its common stock under its share repurchase program for a total cost of \$645 million (\$37.66 average cost per share). For the first six months of 2022, FCX acquired 29.4 million shares of its common stock under its share repurchase program for a total cost of \$1.2 billion (\$40.32 average cost per share).

In July 2022, FCX's Board of Directors (Board) authorized an increase in the share repurchase program from up to \$3.0 billion to up to \$5.0 billion. Through August 5, 2022, FCX has acquired 47.9 million shares of its common stock for a total cost of \$1.8 billion (\$38.35 average cost per share), and \$3.2 billion remains available for repurchases under the program.

On June 22, 2022, FCX declared quarterly cash dividends totaling \$0.15 per share (\$0.075 per share base dividend and \$0.075 per share variable dividend) on its common stock, which were paid on August 1, 2022, to common stockholders of record as of July 15, 2022.

The declaration and payment of dividends (base or variable) and timing and amount of any share repurchases is at the discretion of the Board and management, respectively, and is subject to a number of factors, including maintaining FCX's net debt target, capital availability, FCX's financial results, cash requirements, business prospects, global economic conditions, changes in laws, contractual restrictions and other factors deemed relevant by FCX's Board or management, as applicable. FCX's share repurchase program may be modified, increased, suspended or terminated at any time at the Board's discretion.

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.

A discussion of FCX’s derivative contracts and programs follows:

Derivatives Designated as Hedging Instruments – Fair Value Hedges

Copper Futures and Swap Contracts. Some of FCX’s U.S. copper rod and cathode 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, 2022 and 2021. At June 30, 2022, FCX held copper futures and swap contracts that qualified for hedge accounting for 103 million pounds at an average contract price of \$4.36 per pound, with maturities through March 2024.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Copper futures and swap contracts:				
Unrealized (losses) gains:				
Derivative financial instruments	\$ (89)	\$ (11)	\$ (78)	\$ (8)
Hedged item – firm sales commitments	89	11	78	8
Realized (losses) gains:				
Matured derivative financial instruments	(12)	28	2	52

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 (London) gold price at the time of shipment as specified in the contract. FCX receives market prices based on prices in the specified future month, which results in price fluctuations recorded in revenues until the date of settlement. FCX records revenues and invoices customers at the time of shipment based on then-current LME or COMEX copper prices and the London gold prices as specified in the contracts, which results in an embedded derivative (*i.e.*, a pricing mechanism that is finalized after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale of the metals contained in the concentrate or cathode at the then-current LME or COMEX copper price, and the London gold price. FCX applies the normal purchases and normal sales scope exception in accordance with derivatives and hedge accounting guidance to the host contract in its concentrate or cathode sales agreements since these contracts do not allow for net settlement and always result in physical delivery. The embedded derivative does not qualify for hedge accounting and is adjusted to fair value through earnings each period, using the period-end LME or COMEX copper forward prices and the adjusted London gold 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, 2022, follows:

	Open Positions	Average Price Per Unit		Maturities Through
		Contract	Market	
Embedded derivatives in provisional sales contracts:				
Copper (millions of pounds)	703	\$ 4.41	\$ 3.75	December 2022
Gold (thousands of ounces)	236	1,848	1,821	October 2022
Embedded derivatives in provisional purchase contracts:				
Copper (millions of pounds)	59	4.39	3.75	October 2022

Copper Forward Contracts. Atlantic Copper, FCX's wholly owned smelting and refining unit in Spain, enters into copper forward contracts designed to hedge its copper price risk whenever its physical purchases and sales pricing periods do not match. These economic hedge transactions are intended to hedge against changes in copper prices, with the mark-to-market hedging gains or losses recorded in production and delivery costs. At June 30, 2022, Atlantic Copper held net copper forward sales contracts for 34 million pounds at an average contract price of \$4.06 per pound, with maturities through August 2022.

Summary of (Losses) Gains. A summary of the realized and unrealized (losses) gains 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,	
	2022	2021	2022	2021
Embedded derivatives in provisional sales contracts: ^a				
Copper	\$ (720)	\$ 118	\$ (502)	\$ 325
Gold and other metals	(33)	15	(11)	(13)
Copper forward contracts ^b	22	(5)	26	(13)

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, 2022	December 31, 2021
Commodity Derivative Assets:		
<u>Derivatives designated as hedging instruments:</u>		
Copper futures and swap contracts	\$ —	\$ 12
<u>Derivatives not designated as hedging instruments:</u>		
Embedded derivatives in provisional sales/purchase contracts	38	64
Copper forward contracts	15	1
Total derivative assets	<u>\$ 53</u>	<u>\$ 77</u>
Commodity Derivative Liabilities:		
<u>Derivatives designated as hedging instruments:</u>		
Copper futures and swap contracts	\$ 66	\$ —
<u>Derivatives not designated as hedging instruments:</u>		
Embedded derivatives in provisional sales/purchase contracts	\$ 476	\$ 27
Copper forward contracts	4	1
Total derivative liabilities	<u>\$ 546</u>	<u>\$ 28</u>

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, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Gross amounts recognized:				
Embedded derivatives in provisional sales/purchase contracts	\$ 38	\$ 64	\$ 476	\$ 27
Copper derivatives	15	13	70	1
	<u>53</u>	<u>77</u>	<u>546</u>	<u>28</u>
Less gross amounts of offset:				
Embedded derivatives in provisional sales/purchase contracts	—	3	—	3
Copper derivatives	4	1	4	1
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Net amounts presented in balance sheet:				
Embedded derivatives in provisional sales/purchase contracts	38	61	476	24
Copper derivatives	11	12	66	—
	<u>\$ 49</u>	<u>\$ 73</u>	<u>\$ 542</u>	<u>\$ 24</u>
Balance sheet classification:				
Trade accounts receivable	\$ 6	\$ 51	\$ 231	\$ 14
Other current assets	11	12	—	—
Accounts payable and accrued liabilities	32	10	308	10
Other liabilities	—	—	3	—
	<u>\$ 49</u>	<u>\$ 73</u>	<u>\$ 542</u>	<u>\$ 24</u>

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. As of June 30, 2022, the maximum amount of credit exposure associated with derivative transactions was \$53 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, accrued income taxes, dividends payable and debt. The carrying value for these financial instruments classified as current assets or liabilities 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 debt.

In addition, as of June 30, 2022, 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, 2022	December 31, 2021
Balance sheet components:		
Cash and cash equivalents ^a	\$ 9,492	\$ 8,068
Restricted cash and restricted cash equivalents included in:		
Other current assets	119	114
Other assets	134	132
Total cash, cash equivalents, restricted cash and restricted cash equivalents presented in the consolidated statements of cash flows	<u>\$ 9,745</u>	<u>\$ 8,314</u>

a. Includes time deposits of \$0.2 billion at each of June 30, 2022, and December 31, 2021.

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 2022.

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, accrued income taxes and dividends payable (refer to Note 6) follows (in millions):

	At June 30, 2022					
	Carrying Amount	Fair Value				
		Total	NAV	Level 1	Level 2	Level 3
Assets						
Investment securities: ^{a,b}						
U.S. core fixed income fund	\$ 26	\$ 26	\$ 26	\$ —	\$ —	\$ —
Equity securities	5	5	—	5	—	—
Total	31	31	26	5	—	—
Legally restricted funds: ^a						
U.S. core fixed income fund	56	56	56	—	—	—
Government bonds and notes	39	39	—	—	39	—
Corporate bonds	36	36	—	—	36	—
Government mortgage-backed securities	28	28	—	—	28	—
Asset-backed securities	16	16	—	—	16	—
Money market funds	8	8	—	8	—	—
Collateralized mortgage-backed securities	3	3	—	—	3	—
Total	186	186	56	8	122	—
Derivatives: ^c						
Embedded derivatives in provisional sales/purchase contracts in a gross asset position	38	38	—	—	38	—
Copper forward contracts	15	15	—	8	7	—
Total	53	53	—	8	45	—
Contingent consideration for the sale of the Deepwater GOM oil and gas properties ^a	79	67	—	—	—	67
Liabilities						
Derivatives: ^c						
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	476	476	—	—	476	—
Copper futures and swap contracts	66	66	—	61	5	—
Copper forward contracts	4	4	—	3	1	—
Total	546	546	—	64	482	—
Long-term debt, including current portion ^d	11,092	10,601	—	—	10,601	—

	At December 31, 2021					
	Carrying Amount	Fair Value				
		Total	NAV	Level 1	Level 2	Level 3
Assets						
Investment securities: ^{a,b}						
Equity securities	\$ 50	\$ 50	\$ —	\$ 50	\$ —	\$ —
U.S. core fixed income fund	29	29	29	—	—	—
Total	79	79	29	50	—	—
Legally restricted funds: ^a						
U.S. core fixed income fund	64	64	64	—	—	—
Government bonds and notes	53	53	—	—	53	—
Corporate bonds	45	45	—	—	45	—
Government mortgage-backed securities	20	20	—	—	20	—
Asset-backed securities	18	18	—	—	18	—
Money market funds	8	8	—	8	—	—
Municipal bonds	1	1	—	—	1	—
Total	209	209	64	8	137	—
Derivatives: ^c						
Embedded derivatives in provisional sales/purchase contracts in a gross asset position	64	64	—	—	64	—
Copper futures and swap contracts	12	12	—	9	3	—
Copper forward contracts	1	1	—	1	—	—
Total	77	77	—	10	67	—
Contingent consideration for the sale of the Deepwater GOM oil and gas properties ^a	90	81	—	—	—	81
Liabilities						
Derivatives: ^c						
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	27	27	—	—	27	—
Copper forward contracts	1	1	—	1	—	—
Total	28	28	—	1	27	—
Long-term debt, including current portion ^d	9,450	10,630	—	—	10,630	—

- Current portion included in other current assets and long-term portion included in other assets.
- Excludes time deposits (which approximated fair value) included in (i) other current assets of \$119 million at June 30, 2022, and \$114 million at December 31, 2021, and (ii) other assets of \$134 million at June 30, 2022, and \$132 million at December 31, 2021, primarily associated with an assurance bond to support PT-FI's commitment for additional domestic smelter development in Indonesia and PT-FI's closure and reclamation guarantees.
- Refer to Note 6 for further discussion and balance sheet classifications.
- Recorded at cost except for debt assumed in acquisitions, which are recorded at fair value at the respective acquisition dates.

Valuation Techniques. 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.

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).

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 London 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 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 is being received over time as 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 \$20 million at June 30, 2022, and December 31, 2021, and (ii) other assets totaled \$59 million at June 30, 2022, and \$70 million at December 31, 2021. 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, 2022, as compared with those techniques used at December 31, 2021.

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 2022 follows (in millions):

Fair value at January 1, 2022	\$	81
Net unrealized loss related to assets still held at the end of the period		(3)
Settlements		(11)
Fair value at June 30, 2022	<u>\$</u>	<u>67</u>

NOTE 8. CONTINGENCIES AND COMMITMENTS

Asset Retirement Obligations (ARO)

Arizona Environmental and Reclamation Programs. FCX's Arizona operations are subject to regulatory oversight by the Arizona Department of Environmental Quality (ADEQ). ADEQ has adopted regulations for its aquifer protection permit (APP) program that require permits for, among other things, certain facilities, activities and structures used for mining, leaching, concentrating and smelting, and require compliance with aquifer water quality standards during operations and closure. An application for an APP requires a proposed closure strategy that will meet applicable groundwater protection requirements following cessation of operations and an estimate of the implementation cost, with a more detailed closure plan required at the time operations cease. A permit applicant must demonstrate its financial ability to meet the closure costs approved by ADEQ. Closure costs for facilities covered by APPs are required to be updated approximately every six years and financial assurance mechanisms are required to be updated every two years. During the first six months of 2022, FCX's Bagdad mine increased its ARO liability and asset retirement cost asset by \$62 million, associated with its updated closure plan that was submitted to ADEQ for approval. Morenci is also preparing an update to its closure plan for submission to ADEQ, which is expected to result in increased costs that could be significant. FCX will continue updating its closure plans and closure cost estimates at other Arizona sites, and any such updates may also result in increased costs that could be significant.

Litigation

There were no significant updates to previously reported legal proceedings included in Note 12 of FCX's 2021 Form 10-K, other than the matter discussed below.

Asbestos and Talc Claims. As previously disclosed, in 2021, Imerys obtained an injunction temporarily staying approximately 950 talc-related lawsuits against Cyprus Amax Minerals Company (CAMC), an indirect wholly owned subsidiary of FCX, and Cyprus Mines Corporation (Cyprus Mines), a wholly owned subsidiary of CAMC, which has been extended through at least January 2023. The interim stay is a component of the global settlement but there can be no assurance that the bankruptcy court will continue to impose the interim stay. Mediation to resolve open issues in the Imerys and Cyprus Mines bankruptcy cases is ongoing and expected to continue through 2022.

Other Matters

Smelter Development Progress. On January 7, 2021, the Indonesia government levied an administrative fine of \$149 million for the period from March 30, 2020, through September 30, 2020, on PT-FI for failing to achieve physical development progress on its greenfield smelter as of July 31, 2020. On January 13, 2021, PT-FI responded to the Indonesia government objecting to the fine because of events outside of its control causing a delay of the greenfield smelter's development progress. PT-FI believes that its communications during 2020 with the Indonesia government were not properly considered before the administrative fine was levied.

In June 2021, the Indonesia government issued a ministerial decree for the calculation of an administrative fine for lack of smelter development in light of the COVID-19 pandemic. During 2021, PT-FI recorded charges totaling \$16 million for a potential settlement of the administrative fine. On January 25, 2022, the Indonesia government submitted a new estimate of the administrative fine totaling \$57 million. In March 2022, PT-FI paid the administrative fine and recorded a charge of \$41 million in first-quarter 2022. Based on PT-FI's revised smelter construction schedule, PT-FI does not believe any additional fines should be applied and will dispute any attempts by the Indonesia government to levy additional fines, which could be significant.

PT-FI Export License. Export licenses are valid for a one-year period, subject to review and approval by the Indonesia government every six months, depending on smelter construction progress. In March 2022, PT-FI obtained a one-year extension of its concentrate export license through March 19, 2023, for two million metric tons of concentrate, the approval of which was based on PT-FI's revised smelter construction schedule as modified to reflect impacts of the ongoing COVID-19 pandemic.

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

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 39.5 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 2022 and 2021 follow (in millions):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Copper:				
Concentrate	\$ 2,694	\$ 2,076	\$ 5,385	\$ 3,785
Cathode	1,183	1,535	2,618	2,769
Rod and other refined copper products	1,071	833	2,187	1,517
Purchased copper ^a	104	310	174	528
Gold	909	597	1,720	1,115
Molybdenum	377	288	755	532
Other	165	203	353	456
Adjustments to revenues:				
Treatment charges	(139)	(101)	(272)	(198)
Royalty expense ^b	(111)	(82)	(206)	(145)
Export duties ^c	(84)	(44)	(182) ^d	(73)
Revenues from contracts with customers	6,169	5,615	12,532	10,286
Embedded derivatives ^e	(753)	133	(513)	312
Total consolidated revenues	<u>\$ 5,416</u>	<u>\$ 5,748</u>	<u>\$ 12,019</u>	<u>\$ 10,598</u>

- a. FCX purchases copper cathode primarily for processing by its Rod & Refining operations.
- b. Reflects royalties on sales from PT-FI and Cerro Verde that will vary with the volume of metal sold and prices.
- c. Reflects PT-FI export duties.
- d. Includes a charge of \$18 million associated with an adjustment to prior-period 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			Indonesia Mining	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Eliminations	FCX Total
	Morenci	Other	Total	Cerro Verde	Other	Total						
Three Months Ended June 30, 2022												
Revenues:												
Unaffiliated customers	\$ 17	\$ 30	\$ 47	\$ 702	\$ 180	\$ 882	\$ 1,920 ^a	\$ —	\$ 1,753	\$ 433	\$ 381 ^b	\$ 5,416
Intersegment	730	1,078	1,808	134	—	134	58	144	8	—	(2,152)	—
Production and delivery	397	720	1,117	565	177	742	564	80	1,765	463 ^c	(1,728)	3,003
Depreciation, depletion and amortization	44	58	102	91	11	102	262	18	1	6	16	507
Metals inventory adjustments	—	7	7	9	2	11	—	—	—	—	—	18
Selling, general and administrative expenses	1	—	1	2	—	2	30	—	—	5	62	100
Mining exploration and research expenses	—	1	1	—	—	—	—	—	—	—	24	25
Environmental obligations and shutdown costs	(13)	—	(13)	—	—	—	—	—	—	—	42	29
Net gain on sales of assets	—	—	—	—	—	—	—	—	—	—	(2)	(2)
Operating income (loss)	318	322	640	169	(10)	159	1,122	46	(5)	(41)	(185)	1,736
Interest expense, net	—	—	—	4	—	4	13	—	—	2	137	156
Provision for (benefit from) income taxes	—	—	—	68	(7)	61	434	—	—	—	76	571
Total assets at June 30, 2022	2,839	5,338	8,177	8,379	1,843	10,222	20,679	1,702	300	1,078	7,955	50,113
Capital expenditures	63	83	146	35	33	68	388	8	2	32	219 ^d	863
Three Months Ended June 30, 2021												
Revenues:												
Unaffiliated customers	\$ 57	\$ 55	\$ 112	\$ 825	\$ 188	\$ 1,013	\$ 1,753 ^a	\$ —	\$ 1,689	\$ 794	\$ 387 ^b	\$ 5,748
Intersegment	721	1,021	1,742	120	—	120	56	89	6	—	(2,013)	—
Production and delivery	351	574	925	494 ^e	106	600	528	56	1,691	775	(1,508) ^c	3,067
Depreciation, depletion and amortization	40	61	101	82	12	94	247	17	1	8	15	483
Selling, general and administrative expenses	1	—	1	2	—	2	27	—	—	5	52	87
Mining exploration and research expenses	—	—	—	—	—	—	—	—	—	—	14	14
Environmental obligations and shutdown costs	1	—	1	—	—	—	—	—	—	—	32	33
Net gain on sales of assets	—	—	—	—	—	—	—	—	—	—	(3)	(3)
Operating income (loss)	385	441	826	367	70	437	1,007	16	3	6	(228)	2,067
Interest expense, net	—	—	—	12	—	12	6	—	—	2	128	148
Provision for income taxes	—	—	—	145	17	162	404	—	—	—	37	603
Total assets at June 30, 2021	2,635	5,288	7,923	8,795	1,795	10,590	18,135	1,740	271	1,117	5,660	45,436
Capital expenditures	22	47	69	23	3	26	286	2	—	7	43 ^d	433

a. Includes PT-FI's sales to PT Smelting totaling \$827 million in second-quarter 2022 and \$756 million in second-quarter 2021.

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 charges associated with major maintenance turnarounds totaling \$40 million at Atlantic Copper in second-quarter 2022 and \$19 million at the Miami smelter in second-quarter 2021.

d. Includes capital expenditures for the greenfield smelter and precious metals refinery (collectively, the Indonesia smelter projects).

e. Includes nonrecurring charges totaling \$69 million associated with labor-related costs at Cerro Verde.

(In millions)

	North America Copper Mines			South America Mining			Indonesia Mining	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Corporate, Other & Eliminations	FCX Total
	Morenci	Other	Total	Cerro Verde	Other	Total						
Six Months Ended June 30, 2022												
Revenues:												
Unaffiliated customers	\$ 107	\$ 85	\$ 192	\$ 1,808	\$ 340	\$ 2,148	\$ 4,246 ^a	\$ —	\$ 3,496	\$ 1,151	\$ 786 ^b	\$12,019
Intersegment	1,441	2,173	3,614	242	—	242	136	272	17	—	(4,281)	—
Production and delivery	760	1,375	2,135	1,123	289	1,412	1,190	155	3,519	1,185 ^c	(3,443)	6,153
Depreciation, depletion and amortization	88	119	207	178	21	199	510	34	2	12	32	996
Metals inventory adjustments	—	7	7	9	2	11	—	—	—	—	—	18
Selling, general and administrative expenses	1	1	2	4	—	4	57	—	—	13	139	215
Mining exploration and research expenses	—	1	1	—	—	—	—	—	—	—	48	49
Environmental obligations and shutdown costs	(13)	—	(13)	—	—	—	—	—	—	—	58	45
Net gain on sales of assets	—	—	—	—	—	—	—	—	—	—	(2)	(2)
Operating income (loss)	712	755	1,467	736	28	764	2,625	83	(8)	(59)	(327)	4,545
Interest expense, net	—	—	—	7	—	7	15	—	—	4	257	283
Provision for income taxes	—	—	—	295	7	302	1,020	—	—	—	73	1,395
Capital expenditures	136	140	276	68	56	124	759	9	4	43	371 ^d	1,586
Six Months Ended June 30, 2021												
Revenues:												
Unaffiliated customers	\$ 61	\$ 83	\$ 144	\$ 1,742	\$ 363	\$ 2,105	\$ 3,136 ^a	\$ —	\$ 2,998	\$ 1,481	\$ 734 ^b	\$10,598
Intersegment	1,285	1,763	3,048	165	—	165	108	159	13	—	(3,493)	—
Production and delivery	620	1,054	1,674	930 ^e	209	1,139	983	113	3,007	1,448	(2,511) ^c	5,853
Depreciation, depletion and amortization	74	107	181	171	24	195	446	32	2	15	31	902
Metals inventory adjustments	—	—	—	—	—	—	—	1	—	—	—	1
Selling, general and administrative expenses	1	1	2	4	—	4	53	—	—	12	116	187
Mining exploration and research expenses	—	—	—	—	—	—	—	—	—	—	21	21
Environmental obligations and shutdown costs	1	—	1	—	—	—	—	—	—	—	37	38
Net gain on sales of assets	—	—	—	—	—	—	—	—	—	—	(3)	(3)
Operating income (loss)	650	684	1,334	802	130	932	1,762	13	2	6	(450)	3,599
Interest expense, net	—	—	—	25	—	25	7	—	—	3	258	293
Provision for (benefit from) income taxes	—	—	—	318	38	356	719	—	—	—	(29)	1,046
Capital expenditures	32	63	95	43	4	47	576	3	1	13	68 ^d	803

a. Includes PT-FI's sales to PT Smelting totaling \$1.7 billion for the first six months of 2022 and \$1.5 billion for the first six months of 2021.

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 charges associated with major maintenance turnarounds totaling \$40 million at Atlantic Copper for the first six months of 2022 and \$87 million at the Miami smelter for the first six months of 2021.

d. Primarily includes capital expenditures for the Indonesia smelter projects.

e. Includes nonrecurring charges totaling \$69 million associated with labor-related costs at Cerro Verde.