October 23, 2019

Cleveland-Cliffs Inc. Reports Third-Quarter 2019 Results

- Net income of $91 million, or $0.33 per diluted share
- Adjusted EBITDA[1] of $144 million

CLEVELAND--(BUSINESS WIRE)-- Cleveland-Cliffs Inc. **(NYSE: CLF)** today reported third-quarter results for the period ended September 30, 2019.

The Company reported consolidated revenues of $556 million, compared to the prior year's third-quarter consolidated revenues of $742 million. Cost of goods sold was $401 million compared to $480 million reported in the third quarter of 2018.

The Company recorded net income of $91 million, or $0.33 per diluted share. This compares to net income of $438 million, or $1.41 per diluted share recorded in the prior-year quarter, which included a one-time gain of $228 million related to historical changes in foreign currency translation. For the nine months ended September 30, 2019, net income was $230 million, compared to $519 million during the same period in 2018.

For the third quarter of 2019, the Company reported adjusted EBITDA[1] of $144 million.

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Adjusted EBITDA[1]				
Mining and Pelletizing	**$ 182.7**	$ 279.5	**$ 510.7**	$ 657.9
Metallics	**(2.1)**	(1.0)	**(4.0)**	(2.5)
Corporate	**(36.5)**	(28.2)	**(93.0)**	(77.1)
Total Adjusted EBITDA[1]	**$ 144.1**	$ 250.3	**$ 413.7**	$ 578.3

“This past quarter was a story of continued execution at both the operational level and at our HBI site under construction in Toledo. While irrational behavior by one major supplier in the pellet marketplace has dampened the Atlantic Basin pellet premium, our business remains on solid footing with a very strong balance sheet supporting our world-class operations in Minnesota and in Michigan." Mr. Goncalves concluded, "We believe the currently weak steel prices in the United States are temporary, and the cyclicality associated with our business should be largely mitigated as we start-up HBI next year. With that, Cliffs is well-positioned to become an even stronger free-cash-flow generating enterprise, with limited cash needs and the ability to return even more capital to our shareholders."

Mining and Pelletizing

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Volumes - In Thousands of Long Tons				
Sales volume	**5,750**	6,481	**13,527**	14,060
Production volume	**5,159**	4,719	**14,737**	14,731
Sales Margin - In Millions				
Revenues from product sales and services	**$ 590.6**	$ 741.8	**$ 1,494.8**	$ 1,636.1
Cost of goods sold	**(424.8)**	(480.2)	**(1,033.5)**	(1,028.5)
Sales margin	**$ 165.8**	$ 261.6	**$ 461.3**	$ 607.6
Sales Margin - Per Long Ton				
Revenues from product sales and services*	**$ 95.65**	$ 105.65	**$ 103.26**	$ 108.53
Cash cost of goods sold rate[2]	**63.20**	62.54	**64.80**	61.81
Depreciation, depletion and amortization	**3.62**	2.75	**4.35**	3.50
Cost of goods sold*	**66.82**	65.29	**69.15**	65.31
Sales margin	**$ 28.83**	$ 40.36	**$ 34.11**	$ 43.22

*Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin.

Mining and Pelletizing pellet sales volume in the third quarter of 2019 was 5.8 million long tons, an 11 percent decrease from the prior-year quarter on reduced customer nominations, partially offset by intercompany sales to the Toledo HBI plant.

Realized revenues were $96 per long ton in the third quarter of 2019. The quarter's results were negatively impacted by an unfavorable true-up of previously sold volumes due to lower pellet premiums and HRC prices.

Outlook

	2019 Outlook Summary
Per Long Ton Information	**Mining and Pelletizing**
Cost of goods sold rate	$73 - $78
Less:	
Freight expense rate (A)	$7
Depreciation, depletion & amortization rate	$4
Cash cost of goods sold rate[2]	$62 - $67
Sales volume (million long tons)	19.5
Production volume (million long tons)	20.0

(A) Freight has an offsetting amount in revenue and has no impact on sales margin.

Mining and Pelletizing Outlook (Long Tons)

Based on the assumption that relevant pricing indices will average for the remainder of 2019 their respective year-to-date averages, Cliffs would expect to realize Mining and Pelletizing revenue rates in the range of $101 to $106 per long ton. Assuming spot prices as of October 22, 2019, including an iron ore price of $86 per metric ton, a hot-rolled coil steel price of $479 per short ton, and a pellet premium of $36 per metric ton, will average these levels for the remainder of 2019, Cliffs would expect to realize Mining and Pelletizing revenue rates in the range of $97 to $102 per long ton for the full-year 2019.

The 2019 sales volume expectation was revised to 19.5 million long tons, driven by seaborne export economics and timing. Cliffs' full-year 2019 Mining and Pelletizing cash cost

of goods sold rate[2] expectation is maintained at $62 to $67 per long ton.

Other Outlook

Cliffs' full-year 2019 SG&A expense expectation of $120 million is being maintained. Cliffs also notes that of the $120 million expectation, approximately $20 million is considered non-cash. The Company's full-year 2019 net interest expense expectation is maintained at $100 million. Full-year 2019 depreciation, depletion and amortization is expected to be approximately $85 million.

The Company has lowered its effective tax rate expectation for 2019 to approximately 10 percent, from its previous expectation of 12-14 percent. Due to the Company's NOL position, its cash tax payments are expected to be zero.

Cliffs' 2019 total capital expenditures expectation was reduced to approximately $625-$675 million, from its previous expectation of $650-$700 million.

Conference Call Information

Cleveland-Cliffs Inc. will host a conference call this morning, October 23, 2019, at 9 a.m. ET. The call will be broadcast live and archived on Cliffs' website: www.clevelandcliffs.com.

About Cleveland-Cliffs Inc.

Founded in 1847, Cleveland-Cliffs Inc. is the largest and oldest independent iron ore mining company in the United States. The company is a major supplier of iron ore pellets to the North American steel industry from our mines and pellet plants located in Michigan and Minnesota. By 2020, Cliffs expects to be the sole producer of hot briquetted iron (HBI) in the Great Lakes region with the development of its first production plant in Toledo, Ohio. Driven by the core values of safety, social, environmental and capital stewardship, Cliffs' employees endeavor to provide all stakeholders with operating and financial transparency. For more information, visit http://www.clevelandcliffs.com.

Forward-Looking Statements

This report contains statements that constitute "forward-looking statements" within the meaning of the federal securities laws. As a general matter, forward-looking statements relate to anticipated trends and expectations rather than historical matters. Forward-looking statements are subject to uncertainties and factors relating to our operations and business environment that are difficult to predict and may be beyond our control. Such uncertainties and factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These statements speak only as of the date of this report, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. Uncertainties and risk factors that could affect our future performance and cause results to differ from the forward-looking statements in this report include, but are not limited to: uncertainty and weaknesses in global economic conditions, including downward pressure on prices caused by oversupply or imported products, reduced market demand and risks related to U.S. government actions with respect to Section 232 of the Trade Expansion Act (as amended by the Trade Act of 1974), the United States-Mexico-Canada Agreement and/or other trade agreements, treaties or policies; continued volatility of iron ore and steel

prices and other trends, which may impact the price-adjustment calculations under our sales contracts; our ability to successfully diversify our product mix and add new customers beyond our traditional blast furnace clientele; our ability to cost-effectively achieve planned production rates or levels, including at our HBI plant; our ability to successfully identify and consummate any strategic investments or development projects, including our HBI plant; the impact of our customers reducing their steel production due to increased market share of steel produced using other methods or lighter-weight steel alternatives; our actual economic iron ore reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve; the outcome of any contractual disputes with our customers, joint venture partners or significant energy, material or service providers or any other litigation or arbitration; problems or uncertainties with sales volume or mix, productivity, tons mined, transportation, mine closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry; impacts of existing and increasing governmental regulation and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity and costs related to implementing improvements to ensure compliance with regulatory changes; our ability to maintain adequate liquidity, our level of indebtedness and the availability of capital could limit cash flow available to fund working capital, planned capital expenditures, acquisitions and other general corporate purposes or ongoing needs of our business; our ability to continue to pay cash dividends, and the amount and timing of any cash dividends; our ability to maintain appropriate relations with unions and employees; the ability of our customers, joint venture partners and third party service providers to meet their obligations to us on a timely basis or at all; events or circumstances that could impair or adversely impact the viability of a mine or production plant and the carrying value of associated assets, as well as any resulting impairment charges; uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events; adverse changes in interest rates and tax laws; and the potential existence of significant deficiencies or material weakness in our internal control over financial reporting.

For additional factors affecting the business of Cliffs, refer to Part II – Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2018. You are urged to carefully consider these risk factors.

FINANCIAL TABLES FOLLOW

CLEVELAND-CLIFFS INC. AND SUBSIDIARIES
STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED OPERATIONS

	(In Millions, Except Per Share Amounts)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
REVENUES FROM PRODUCT SALES AND SERVICES				
Product	**$ 515.0**	$ 684.7	**$ 1,357.8**	$ 1,525.9
Freight	**40.6**	57.1	**98.0**	110.2
	555.6	741.8	**1,455.8**	1,636.1
COST OF GOODS SOLD	**(400.7)**	(480.2)	**(1,007.0)**	(1,028.5)
SALES MARGIN	**154.9**	261.6	**448.8**	607.6
OTHER OPERATING EXPENSE				
Selling, general and administrative expenses	**(25.5)**	(29.1)	**(82.2)**	(78.9)
Miscellaneous – net	**(7.8)**	(7.0)	**(19.0)**	(18.7)
	(33.3)	(36.1)	**(101.2)**	(97.6)
OPERATING INCOME	**121.6**	225.5	**347.6**	510.0
OTHER INCOME (EXPENSE)				
Interest expense, net	**(25.3)**	(29.5)	**(76.5)**	(93.1)
Gain (loss) on extinguishment of debt	**—**	—	**(18.2)**	0.2
Other non-operating income	**0.3**	4.3	**1.3**	13.1
	(25.0)	(25.2)	**(93.4)**	(79.8)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**96.6**	200.3	**254.2**	430.2
INCOME TAX EXPENSE	**(4.8)**	(0.5)	**(23.1)**	(14.4)
INCOME FROM CONTINUING OPERATIONS	**91.8**	199.8	**231.1**	415.8
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	**(0.9)**	238.0	**(1.5)**	102.8
NET INCOME	**$ 90.9**	$ 437.8	**$ 229.6**	$ 518.6
EARNINGS (LOSS) PER COMMON SHARE – BASIC				
Continuing operations	**$ 0.34**	$ 0.67	**$ 0.83**	$ 1.40
Discontinued operations	**—**	0.80	**(0.01)**	0.35
	$ 0.34	$ 1.47	**$ 0.82**	$ 1.75
EARNINGS (LOSS) PER COMMON SHARE – DILUTED				
Continuing operations	**$ 0.33**	$ 0.64	**$ 0.80**	$ 1.37
Discontinued operations	**—**	0.77	**—**	0.34
	$ 0.33	$ 1.41	**$ 0.80**	$ 1.71
AVERAGE NUMBER OF SHARES (IN THOUSANDS)				
Basic	**269,960**	297,878	**278,418**	297,587
Diluted	**276,578**	310,203	**287,755**	303,518

CLEVELAND-CLIFFS INC. AND SUBSIDIARIES
STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL POSITION

	(In Millions)	
	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 399.3**	$ 823.2
Accounts receivable, net	**164.9**	226.7
Finished goods inventories	**162.2**	77.8
Work-in-process inventories	**55.2**	10.1
Supplies and other inventories	**110.8**	93.2
Derivative assets	**72.8**	91.5
Income tax receivable, current	**58.7**	117.3
Other current assets	**40.7**	39.8
TOTAL CURRENT ASSETS	**1,064.6**	1,479.6
PROPERTY, PLANT AND EQUIPMENT, NET	**1,769.9**	1,286.0
OTHER ASSETS		
Deposits for property, plant and equipment	**41.6**	83.0
Income tax receivable, non-current	**62.7**	121.3
Deferred income taxes	**437.5**	464.8
Other non-current assets	**114.9**	94.9
TOTAL OTHER ASSETS	**656.7**	764.0
TOTAL ASSETS	**$ 3,491.2**	$ 3,529.6
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	**$ 212.8**	$ 186.8
Accrued employment costs	**57.3**	74.0
Accrued interest	**34.1**	38.4
Derivative liabilities	**32.6**	3.7
Partnership distribution payable	**—**	43.5
Other current liabilities	**121.7**	121.8
TOTAL CURRENT LIABILITIES	**458.5**	468.2
PENSION AND POSTEMPLOYMENT BENEFIT LIABILITIES	**233.2**	248.7
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	**179.1**	172.0
LONG-TERM DEBT	**2,109.1**	2,092.9
OTHER LIABILITIES	**151.4**	123.6
TOTAL LIABILITIES	**3,131.3**	3,105.4
EQUITY		
TOTAL EQUITY	**359.9**	424.2
TOTAL LIABILITIES AND EQUITY	**$ 3,491.2**	$ 3,529.6

CLEVELAND-CLIFFS INC. AND SUBSIDIARIES
STATEMENTS OF UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS

	(In Millions)	
	Nine Months Ended September 30,	
	2019	2018
OPERATING ACTIVITIES		
Net income	**$229.6**	$518.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	**63.1**	68.6
Deferred income taxes	**22.7**	—
Loss (gain) on extinguishment of debt	**18.2**	(0.2)
Change in derivatives	**48.4**	(136.4)
Gain on foreign currency translation	**—**	(228.1)
Other	**49.4**	5.7
Changes in operating assets and liabilities:		
Receivables and other assets	**156.5**	96.2
Inventories	**(129.4)**	(57.1)
Payables, accrued expenses and other liabilities	**(70.4)**	(78.6)
Net cash provided by operating activities	**388.1**	188.7
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(447.9)**	(111.4)
Deposits for property, plant and equipment	**(12.8)**	(83.3)
Other investing activities	**11.2**	21.0
Net cash used by investing activities	**(449.5)**	(173.7)
FINANCING ACTIVITIES		
Repurchase of common shares	**(252.9)**	—
Dividends paid	**(45.1)**	—
Proceeds from issuance of debt	**720.9**	—
Debt issuance costs	**(6.8)**	(1.5)
Repurchase of debt	**(729.3)**	(16.3)
Distributions of partnership equity	**(44.2)**	(44.2)
Other financing activities	**(9.5)**	(45.7)
Net cash used by financing activities	**(366.9)**	(107.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**—**	(2.3)
DECREASE IN CASH AND CASH EQUIVALENTS, INCLUDING CASH CLASSIFIED WITHIN OTHER CURRENT ASSETS RELATED TO DISCONTINUED OPERATIONS	**(428.3)**	(95.0)
LESS: DECREASE IN CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS, CLASSIFIED WITHIN OTHER CURRENT ASSETS	**(4.4)**	(13.8)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(423.9)**	(81.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**823.2**	978.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$399.3**	$897.1

[1] CLEVELAND-CLIFFS INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATION - EBITDA AND ADJUSTED EBITDA

In addition to the consolidated financial statements presented in accordance with U.S. GAAP, the Company has presented EBITDA and adjusted EBITDA on a consolidated basis. EBITDA and Adjusted EBITDA are non-GAAP financial measures that management uses in evaluating operating performance. The presentation of these measures is not intended to be considered in isolation from, as a substitute for, or as superior to, the financial information prepared and presented in accordance with U.S. GAAP. The presentation of these measures may be different from non-GAAP financial measures used by other companies. A reconciliation of these consolidated measures to their most directly comparable GAAP measures is provided in the table below.

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Net income	**$ 90.9**	$ 437.8	**$ 229.6**	$ 518.6
Less:				
Interest expense, net	**(25.4)**	(29.7)	**(76.8)**	(95.5)
Income tax expense	**(4.8)**	(0.5)	**(23.1)**	(14.4)
Depreciation, depletion and amortization	**(22.2)**	(19.2)	**(63.1)**	(68.6)
EBITDA	**$ 143.3**	$ 487.2	**$ 392.6**	$ 697.1
Less:				
Impact of discontinued operations	**$ (0.8)**	$ 238.2	**$ (1.2)**	$ 120.4
Gain (loss) on extinguishment of debt	**—**	—	**(18.2)**	0.2
Severance costs	**—**	—	**(1.7)**	—
Foreign exchange remeasurement	**—**	(0.2)	**—**	(0.7)
Impairment of long-lived assets	**—**	(1.1)	**—**	(1.1)
Adjusted EBITDA	**$ 144.1**	$ 250.3	**$ 413.7**	$ 578.3

[2] CLEVELAND-CLIFFS INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATION EXPLANATIONS

The Company presents cash cost of goods sold rate per long ton, which is a non-GAAP financial measure that management uses in evaluating operating performance. Cliffs believes the presentation of non-GAAP cash cost of goods sold is useful to investors because it excludes depreciation, depletion and amortization, which are non-cash, and freight, which has no impact on sales margin, thus providing a more accurate view of the cash outflows related to the sale of iron ore. The presentation of this measure is not intended to be considered in isolation from, as a substitute for, or as superior to, the financial information prepared and presented in accordance with U.S. GAAP. The presentation of this measure may be different from non-GAAP financial measures used by other companies. Below is a reconciliation in dollars of this non-GAAP financial measure to the Mining and Pelletizing segment cost of goods sold.

	(In Millions)			
	Mining and Pelletizing			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Cost of goods sold	**$ 424.8**	$ 480.2	**$ 1,033.5**	$ 1,028.5
Less:				
Freight	**40.6**	57.1	**98.0**	110.2
Depreciation, depletion & amortization	**20.8**	17.8	**58.9**	49.2
Cash cost of goods sold	**$ 363.4**	$ 405.3	**$ 876.6**	$ 869.1

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