October 22, 2021

Cleveland-Cliffs Reports Record Third-Quarter 2021 Results

- Record quarterly revenue of $6.0 billion
- Record quarterly net income of $1.3 billion
- Record quarterly adjusted EBITDA[1] of $1.9 billion

CLEVELAND--(BUSINESS WIRE)-- Cleveland-Cliffs Inc. **(NYSE: CLF)** today reported third-quarter results for the period ended September 30, 2021.

Third-quarter 2021 consolidated revenues were $6.0 billion, compared to the prior-year third-quarter revenues of $1.6 billion.

For the third quarter of 2021, the Company recorded net income of $1.3 billion, or $2.33 per diluted share. In the prior-year third quarter, the Company recorded net income of $2 million.

For the first nine months of 2021, the Company recorded revenues of $15.1 billion and net income of $2.1 billion, or $3.69 per diluted share. In the first nine months of 2020, the Company recorded revenues of $3.1 billion and a net loss of $155 million, or a loss of $0.51 per diluted share.

Third-quarter 2021 adjusted EBITDA[1] was $1.9 billion, compared to adjusted EBITDA[1] of $126 million in the third quarter of 2020.

	(In Millions)			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2021	2020	**2021**	2020
Adjusted EBITDA[1]				
Steelmaking	**$ 1,969**	$ 127	**$ 3,901**	$ 117
Other Businesses	**6**	18	**25**	22
Corporate and Eliminations	**(42)**	(19)	**(120)**	(72)
Total Adjusted EBITDA[1]	**$ 1,933**	$ 126	**$ 3,806**	$ 67

Lourenco Goncalves, Cliffs' Chairman, President, and CEO said: “In a short period of less than two years, we went from $2 billion annual revenues in 2019 to expected revenues of $21 billion in 2021. Also, the $1.9 billion of Q3 adjusted EBITDA we have just reported is equivalent to half of our year-to-date adjusted EBITDA of $3.8 billion, showing that our profitability continues to increase, as we continue to implement our way of doing business, and take advantage of - and extract synergies from - our modern, efficient and unique footprint.”

Mr. Goncalves continued: "Our record free cash flow generated this quarter was used to retire the entirety of our outstanding preferred shares, equating to a 10% share buyback, a meaningful reduction in share count to the benefit of our shareholders. This month, we agreed to acquire Ferrous Processing and Trading Company, the leading prime scrap processor in the United States. The integration of FPT into our Cleveland-Cliffs footprint as a premier flat-rolled steel producer should allow us to utilize more prime scrap in our BOFs, further reducing both our utilization of coke and our carbon emissions. We are looking forward to closing this acquisition in the fourth quarter and capturing more value from our scrap right away. This is real growth; profitable growth; environmentally friendly growth.”

Mr. Goncalves concluded: “The Cleveland-Cliffs business model is based on a significant amount of contract sales. We have already concluded the renewal of several annual fixed price sales contracts with a significant number of our most important customers, and we are pleased with the successful results of these negotiations. Differently from other steel companies more exposed to spot prices, we believe that our average sales price next year should be higher than in 2021, allowing us to continue to grow our already strong profitability and to further strengthen our balance sheet."

Steelmaking

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
External Sales Volumes				
Steel Products (net tons)	**4,153**	1,115	**12,502**	1,926
Operating Results - In Millions				
Revenues	**$ 5,869**	$ 1,506	**$ 14,710**	$ 2,866
Cost of goods sold	**(4,098)**	(1,405)	**(11,472)**	(2,882)
Selling Price - Per Net Ton				
Average net selling price per net ton of steel products	**$ 1,334**	$ 1,000	**$ 1,122**	$ 1,011

Third-quarter 2021 steel product volume of 4.2 million net tons consisted of 32% hot-rolled, 31% coated, 18% cold-rolled, 6% plate, 4% stainless and electrical, and 9% other, including slabs and rail.

Steelmaking revenues of $5.9 billion included $2.5 billion, or 42%, of sales to the distributors and converters market; $1.6 billion, or 27%, of sales to the infrastructure and manufacturing market; $1.1 billion, or 20%, of sales to the automotive market; and $670 million, or 11%, of sales to steel producers.

Third-quarter 2021 Steelmaking cost of goods sold included depreciation, depletion, and amortization of $229 million and amortization of inventory step-up of $11 million. Steelmaking Segment adjusted EBITDA of $2.0 billion included $66 million of SG&A expense.

Liquidity

As of October 19, 2021, the Company had total liquidity of approximately $2.2 billion.

Conference Call Information

Cleveland-Cliffs Inc. will host a conference call this morning, October 22, 2021, at 10 a.m. ET. The call will be broadcast live and archived on Cliffs' website: www.clevelandcliffs.com.

About Cleveland-Cliffs Inc.

Cleveland-Cliffs is the largest flat-rolled steel producer in North America. Founded in 1847 as a mine operator, Cliffs also is the largest manufacturer of iron ore pellets in North America. The Company is vertically integrated from mined raw materials and direct reduced iron to primary steelmaking and downstream finishing, stamping, tooling, and tubing. The Company serves a diverse range of markets due to its comprehensive offering of flat-rolled steel products and is the largest supplier of steel to the automotive industry in North America. Headquartered in Cleveland, Ohio, Cleveland-Cliffs employs approximately 25,000 people across its mining, steel and downstream manufacturing operations in the United States and Canada.

Forward-Looking Statements

This release contains statements that constitute "forward-looking statements" within the meaning of the federal securities laws. All statements other than historical facts, including, without limitation, statements regarding our current expectations, estimates and projections about our industry or our businesses, are forward-looking statements. We caution investors that any forward-looking statements are subject to risks and uncertainties that may cause actual results and future trends to differ materially from those matters expressed in or implied by such forward-looking statements. Investors are cautioned not to place undue reliance on forward-looking statements. Among the risks and uncertainties that could cause actual results to differ from those described in forward-looking statements are the following: our ability to successfully complete the acquisition (the "FPT Acquisition") of Ferrous Processing and Trading Company ("FPT"); disruptions to our operations relating to the COVID-19 pandemic, including the heightened risk that a significant portion of our workforce or on-site contractors may suffer illness or otherwise be unable to perform their ordinary work functions; continued volatility of steel and iron ore market prices, which directly and indirectly impact the prices of the products that we sell to our customers; uncertainties associated with the highly competitive and cyclical steel industry and our reliance on the demand for steel from the automotive industry, which has been experiencing a trend toward light weighting and supply chain disruptions, such as the microchip shortage, that could result in lower steel volumes being consumed; potential weaknesses and uncertainties in global economic conditions, excess global steelmaking capacity, oversupply of iron ore, prevalence of steel imports and reduced market demand, including as a result of the COVID-19 pandemic; severe financial hardship, bankruptcy, temporary or permanent shutdowns or operational challenges, due to the COVID-19 pandemic or otherwise, of one or more of our major customers, including customers in the automotive market, key suppliers or contractors, which, among other adverse effects, could lead to reduced demand for our products, increased difficulty collecting receivables, and customers and/or suppliers asserting force majeure or other reasons for not performing their contractual obligations to us; our ability to reduce our indebtedness or return capital to shareholders within the expected timeframes or at all, depending on market and other conditions; 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, tariffs, treaties or policies, as well as the uncertainty of obtaining and maintaining effective antidumping and countervailing duty orders to counteract the harmful effects of unfairly traded imports; impacts of existing and increasing governmental regulation, including climate change and other environmental regulation that may be proposed under the Biden Administration, and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorizations of, or from, any governmental or regulatory authority and costs related to implementing improvements to ensure compliance with regulatory changes, including potential financial assurance requirements; potential impacts to the environment or exposure to hazardous substances resulting from our operations; our ability to maintain adequate liquidity, our level of indebtedness and the availability of capital could limit cash flow necessary to fund working capital, planned capital expenditures, acquisitions, and other general corporate purposes or ongoing needs of our business; adverse changes in credit ratings, interest rates, foreign currency rates and tax laws; limitations on our ability to realize some or all of our deferred tax assets, including our net operating loss carryforwards; our ability to realize the anticipated synergies and benefits of the FPT Acquisition and to successfully integrate the business of FPT into our existing businesses, including uncertainties associated with maintaining relationships with customers, vendors and employees; additional debt we will incur in connection with the FPT Acquisition, as well as additional debt we incurred in connection with enhancing our liquidity during the COVID-19 pandemic, the merger with AK Steel Holding Corporation and the acquisition of ArcelorMittal USA LLC, may negatively impact our credit profile and limit our financial flexibility; known and unknown liabilities we will assume in connection with the FPT Acquisition; 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; supply chain disruptions or changes in the cost or quality of energy sources or critical raw materials and supplies, including iron ore, industrial gases, graphite electrodes, scrap, chrome, zinc, coke and coal; liabilities and costs arising in connection with any business decisions to temporarily idle or permanently close a mine or production facility, which could adversely impact the carrying value of associated assets and give rise to impairment charges or closure and reclamation obligations, as well as uncertainties associated with restarting any previously idled mine or production facility; problems or disruptions associated with transporting products to our customers, moving products internally among our facilities or suppliers transporting raw materials to us; uncertainties associated with natural or human-caused disasters, adverse weather conditions, unanticipated geological conditions, critical equipment failures, infectious disease outbreaks, tailings dam failures and other unexpected events; our level of self-insurance and our ability to obtain sufficient third-party insurance to adequately cover potential adverse events and business risks; disruptions in, or failures of, our information technology systems, including those related to cybersecurity; our ability to successfully identify and consummate any strategic investments or development projects, cost-effectively achieve planned production rates or levels, and diversify our product mix and add new customers; our actual economic iron ore and coal reserves or reductions in current mineral estimates, including whether we are able to replace depleted reserves with additional mineral bodies to support the long-term viability of our operations; the outcome of any contractual disputes with our customers, joint venture partners, lessors, or significant energy, raw material or service providers, or any other litigation or arbitration; our ability to maintain our social license to operate with our stakeholders, including by fostering a strong reputation and consistent operational and safety track record; our ability to maintain satisfactory labor relations with unions and employees; availability of workers to fill critical operational positions and potential labor shortages caused by the COVID-19 pandemic, as well as our ability to attract, hire, develop and retain key personnel; unanticipated or higher costs associated with pension and other postretirement benefit obligations resulting from changes in the value of plan assets or contribution increases required for unfunded obligations; and potential significant deficiencies or material weaknesses in our internal control over financial reporting. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

For additional factors affecting the business of Cliffs, refer to Part I – Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2020, and other filings with the SEC.

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,	
	2021	2020	**2021**	2020
Revenues	**$ 6,004**	$ 1,646	**$ 15,098**	$ 3,098
Operating costs:				
Cost of goods sold	**(4,229)**	(1,525)	**(11,838)**	(3,089)
Selling, general and administrative expenses	**(112)**	(59)	**(311)**	(149)
Acquisition-related costs	**(4)**	(7)	**(18)**	(68)
Miscellaneous – net	**(10)**	(17)	**(38)**	(41)
Total operating costs	**(4,355)**	(1,608)	**(12,205)**	(3,347)
Operating income (loss)	**1,649**	38	**2,893**	(249)
Other income (expense):				
Interest expense, net	**(81)**	(68)	**(258)**	(168)
Gain (loss) on extinguishment of debt	**—**	—	**(88)**	133
Net periodic benefit credits other than service cost component	**46**	9	**139**	30
Other non-operating income	**1**	1	**5**	1
Total other expense	**(34)**	(58)	**(202)**	(4)
Income (loss) from continuing operations before income taxes	**1,615**	(20)	**2,691**	(253)
Income tax benefit (expense)	**(334)**	22	**(559)**	98
Income (loss) from continuing operations	**1,281**	2	**2,132**	(155)
Income from discontinued operations, net of tax	**1**	—	**2**	—
Net income (loss)	**1,282**	2	**2,134**	(155)
Income attributable to noncontrolling interest	**(8)**	(12)	**(39)**	(31)

Net income (loss) attributable to Cliffs shareholders	**$ 1,274**	$ (10)	**$ 2,095**	$ (186)
Earnings (loss) per common share attributable to Cliffs shareholders - basic				
Continuing operations	**$ 2.46**	$ (0.02)	**$ 3.87**	$ (0.51)
Discontinued operations	**—**	—	**—**	—
	$ 2.46	$ (0.02)	**$ 3.87**	$ (0.51)
Earnings (loss) per common share attributable to Cliffs shareholders - diluted				
Continuing operations	**$ 2.33**	$ (0.02)	**$ 3.69**	$ (0.51)
Discontinued operations	**—**	—	**—**	—
	$ 2.33	$ (0.02)	**$ 3.69**	$ (0.51)

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

	(In Millions)	
	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 42**	$ 112
Accounts receivable, net	**2,348**	1,169
Inventories	**4,505**	3,828
Other current assets	**251**	189
Total current assets	**7,146**	5,298
Non-current assets:		
Property, plant and equipment, net	**8,974**	8,743
Goodwill	**1,072**	1,406
Deferred income taxes	**70**	537
Other non-current assets	**804**	787
TOTAL ASSETS	**$ 18,066**	$ 16,771
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 1,828**	$ 1,575
Accrued employment costs	**592**	460
Pension and OPEB liabilities, current	**151**	151
Other current liabilities	**708**	743
Total current liabilities	**3,279**	2,929
Non-current liabilities:		

Long-term debt	**5,350**	5,390
Pension and OPEB liabilities, non-current	**3,773**	4,113
Other non-current liabilities	**1,374**	1,260
TOTAL LIABILITIES	**13,776**	13,692
SERIES B PARTICIPATING REDEEMABLE PREFERRED STOCK	**—**	738
TOTAL EQUITY	**4,290**	2,341
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND EQUITY	**$ 18,066**	$ 16,771

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

	(In Millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	**2021**	2020
OPERATING ACTIVITIES				
Net income (loss)	**$ 1,282**	$ 2	**$ 2,134**	$ (155)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation, depletion and amortization	**239**	73	**664**	184
Amortization of inventory step-up	**11**	15	**129**	74
Changes in deferred revenue	**6**	(3)	**1**	(46)
Deferred income taxes	**332**	(17)	**557**	(90)
Pension and OPEB credits	**(18)**	(3)	**(59)**	(11)
Loss (gain) on extinguishment of debt	**—**	—	**88**	(133)
Gain on derivatives	**—**	(27)	**—**	(19)
Other	**20**	23	**79**	47
Changes in operating assets and liabilities, net of business combination:				
Receivables and other assets	**(283)**	(106)	**(1,175)**	260
Inventories	**(236)**	122	**(793)**	(4)
Pension and OPEB payments and contributions	**(56)**	(14)	**(279)**	(31)
Payables, accrued expenses and other liabilities	**219**	182	**302**	(127)
Net cash provided (used) by operating activities	**1,516**	247	**1,648**	(51)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(175)**	(96)	**(473)**	(379)
Acquisition of AK Steel, net of cash acquired	**—**	—	**—**	(869)

Acquisition of ArcelorMittal USA, net of cash acquired	**—**	—	**54**	—
Other investing activities	**3**	8	**5**	8
Net cash used by investing activities	**(172)**	(88)	**(414)**	(1,240)
FINANCING ACTIVITIES				
Series B Redeemable Preferred Stock redemption	**(1,343)**	—	**(1,343)**	—
Proceeds from issuance of common shares	**—**	—	**322**	—
Proceeds from issuance of debt	**—**	—	**1,000**	1,763
Debt issuance costs	**—**	—	**(17)**	(58)
Repayments of debt	**(7)**	—	**(1,346)**	(1,000)
Borrowings under credit facilities	**1,673**	—	**4,353**	800
Repayments under credit facilities	**(1,670)**	(150)	**(4,160)**	(400)
Repayments of leased liabilities	**(24)**	(4)	**(70)**	(9)
SunCoke Middletown distributions to noncontrolling interest owners	**(25)**	(24)	**(57)**	(48)
Other financing activities	**21**	1	**14**	(54)
Net cash provided (used) by financing activities	**(1,375)**	(177)	**(1,304)**	994
Net decrease in cash and cash equivalents	**(31)**	(18)	**(70)**	(297)
Cash and cash equivalents at beginning of period	**73**	74	**112**	353
Cash and cash equivalents at end of period	**$ 42**	$ 56	**$ 42**	$ 56

[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,**	
	2021	2020	**2021**	2020

Net income (loss)	**$**	**1,282**	$	2	**$**	**2,134**	$	(155)
Less:								
Interest expense, net		**(81)**		(68)		**(258)**		(168)
Income tax benefit (expense)		**(334)**		22		**(559)**		98
Depreciation, depletion and amortization		**(239)**		(72)		**(664)**		(184)
Total EBITDA	**$**	**1,936**	$	120	**$**	**3,615**	$	99
Less:								
EBITDA of noncontrolling interests[1]	**$**	**17**	$	16	**$**	**60**	$	41
Gain (loss) on extinguishment of debt		**—**		—		**(88)**		133
Severance costs		**(3)**		(2)		**(15)**		(38)
Acquisition-related costs excluding severance costs		**(1)**		(5)		**(3)**		(30)
Acquisition-related loss on equity method investment		**—**		—		**(18)**		—
Amortization of inventory step-up		**(11)**		(15)		**(129)**		(74)
Impact of discontinued operations		**1**		—		**2**		—
Total Adjusted EBITDA	**$**	**1,933**	$	126	**$**	**3,806**	$	67

[1] EBITDA of noncontrolling interests includes $8 million and $12 million for income for the three months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021 and 2020, respectively, EBITDA of noncontrolling interests includes $39 million and $31 million for income. Depreciation, depletion, and amortization for the three months ended September 30, 2021 and 2020, respectively, includes $9 million and $4 million. For the nine months ended September 30, 2021 and 2020, respectively, depreciation, depletion, and amortization includes $21 million and $10 million.

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