

**Cleveland-Cliffs**  
**First-Quarter 2026 Earnings Conference Call**  
**April 20, 2026**

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**Presenters**

**Lourenco Goncalves - Chairman, President, and Chief Executive Officer**  
**Celso Goncalves - Executive Vice President and Chief Financial Officer**

**Q&A Participants**

**Carlos De Alba - Morgan Stanley**  
**Nick Giles - B. Riley Securities**  
**Martin Englert - Seaport Research Partners**  
**Nick Cash - Goldman Sachs**  
**Albert Realini - Jefferies**  
**Lawson Winder - Bank of America Securities**  
**Timna Tanners - Wells Fargo**

**Operator**

Good morning, ladies and gentlemen. My name is Kevin, and I'm your conference facilitator today. I'd like to welcome everyone to Cleveland-Cliffs' First Quarter 2026 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' prepared remarks, there will be a question-and-answer session. The company reminds you that certain comments made on today's call will include predictive statements that are intended to be made as forward-looking within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Although the company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties that could cause actual results to differ materially. Important factors that could cause results to differ materially are set forth in reports on Form 10-K and 10-Q and news releases filed with the SEC which are available on the company website. Today's conference call is also available and being broadcast at [clevelandcliffs.com](http://clevelandcliffs.com). At the conclusion of the call, it will be archived on the website and available for replay. The company will also discuss results, excluding certain special items. Reconciliation for Regulation G purposes can be found in the earnings release, which was published this morning. At this time, I'd like to introduce Lourenco Goncalves, Chairman, President, and Chief Executive Officer.

**Lourenco Goncalves**

Thank you, Kevin, and good morning, everyone. The first quarter of 2026 was the beginning of a sustained improvement progression that will continue through the rest of the year. While Q1 results could be better and they would be better if not for a couple of one-timers, we can see the clear signs of a positive trend forming. Among these one-timers, the impact of the spiking on energy costs was the most relevant to Q1 results.

Now to the good news. Our order book is full. and the automotive OEMs are booking more and more steel from Cliffs. Production schedules are tight. and lead times have moved out. Historically, pricing changes took about a month to flow through our realized numbers. Today, that lag is closer to two months. In practical terms, that means the pricing strength visible in the market today will increasingly show up in our results as we move through the year quarter-by-quarter. That combination, strong backlogs, disciplined production, and visibility is what a healthy steel market looks like. The extended lead times allow us to optimize production schedules in our mills, improving our overall efficiency, productivity, and costs.

This market strength is driven by what is happening on the trade front. Steel imports into the United States are at their lowest levels since 2009. By now, it's clear that Section 232 works, the melted and poured mandate works, and the enforcement works. Along those lines, we are very encouraged by the recent changes in how derivative product tariffs are being enforced. Distribution transformers were added, which is exactly the right outcome. The Trump administration has given the domestic steel industry what we needed and have been asking for. Union jobs are being protected, domestic supply chains are more resilient, and mills are running at higher utilization with real predictability.

The one piece still missing is Canada. There is a robust domestic market in Canada for our Canadian subsidiary, Stelco, to sell steel into, but the Canadian market is still oversupplied with steel from countries that are no longer able to dump their excess capacity into the United States. Because of that, they dump steel in Canada. That said, we are confident that Canada will ultimately get to the right place and enhance its own national security defenses against the negative impact of foreign steel causing the destruction of Canadian companies. We truly believe the Canadian government is honest about defending Canadian jobs and Canadian steel workers. We fully expect that Fortress North America can be and will be implemented by Canada because that's totally within their own power. Canada does not depend on anyone else to do so, and Canadian jobs are the ones at stake.

The national security base for steel tariffs is being validated in real time. The war activity in Iran has disrupted global freight lanes, driven up energy prices, and destabilized metal supply chains. Imported steel is now not only subject to tariffs. It is structurally more expensive due to transportation costs, energy volatility, and geopolitical risk. And while this global uncertainty is exposing weaknesses elsewhere, it is strengthening the position of domestic steel producers like Cleveland-Cliffs.

Nowhere is that more evident than in aluminum. The aluminum industry has been hit repeatedly, fires, power shortages, curtailments, geopolitical disruption, and customers have taken notice of all that. Automotive OEMs are prioritizing supply certainty, total cost, and safety. Our Cliffs steel delivers all of that without the fragility embedded in aluminum supply chains. In my long career in this business, I have never seen so much momentum in substituting aluminum with steel.

And automotive is not the only place where the shift from aluminum to steel is occurring. Building products, appliances, and truck and trailer sectors have been recently gravitating toward more steel use, as well. As we advance the use of our Cliffs steel being formed in equipment previously utilized exclusively for aluminum, Cliffs has demonstrated to our clients with real-life results the most potential benefit to market share gains from aluminum.

We are also pleased to inform all of our stakeholders that, in February, Cleveland-Cliffs received from our clients Toyota the Toyota Quality Excellence Award. Toyota does not hand out Quality Excellence awards lightly. Their standards are amongst the strictest in the world. Winning that award is confirmation that our processes, consistency, execution, and our overall quality are at the highest level for Toyota's high standards.

That strength has drawn attention from companies outside the United States. When we last spoke, we expected to achieve during the second quarter a mutually satisfactory transaction with POSCO in accordance with the Memorandum of Understanding signed by both companies last year. This goal remains achievable, but the current disruption in the Middle East and its impact in the country of South Korea have not helped accelerate the conclusion of our ongoing discussions. That said, our engagement with POSCO is active, and we still believe a deal can be completed within this time frame or slightly later.

Our Department of Energy funded projects, we continue to make solid progress. The Butler Works electrical steel expansion project is moving along as planned and remains on schedule for 2028 completion. Similarly, our Middletown Works project has received clear affirmation that the project will proceed once the updated scope is finally approved, and we are now in the final stages of completing that work. The revised scope of the project reflects a modern blast furnace configuration that positions Middletown among the most energy efficient in the world. Taken together, the Butler and Middletown projects underscore our disciplined approach to modernization, investing in critical infrastructure in a way that strength domestic steelmaking, improves efficiency, and supports long-term competitiveness.

At the same time, we are continuing the footprint optimization actions we began last year. At Burns Harbor, we are idling our smaller plate mill as we have successfully been able to consolidate all capabilities of the 110-inch mill into the 160-inch mill. This removes an inefficient line, improves utilization at the efficient 160-inch mill, and strengthens our cost performance without sacrificing any capability. We are also idling the Gary Plate finishing line, which is no longer needed. There will be no loss in overall steel production or layoffs as we will backfill those roles in areas where we have seen retiree attrition. We expect that these operational changes coupled with the positive momentum we have been currently seeing in the plate market should enhance our earnings from the plate business.

On rare earths, we continue to analyze our potential on these critical minerals. That said, economics hinge on domestic refinement capability, and today, that infrastructure is extremely limited in the United States. Refinement is capital intensive and not something we intend to

pursue ourselves. If and when viable domestic refinement infrastructure becomes available, either through government-supported projects or third-party investments, we see ourselves well positioned to take advantage of the opportunity.

We have also partnered with a leading and prominent AI provider to help us take a meaningful step forward in how we run the interface between operations and commercial, particularly by embedding AI into our production planning and order entry processes. Their platform allows us to use machine learning models across our internal data to anticipate constraints, optimize sequencing, and make better decisions in real time rather than after the fact. Our people are good, but it's impossible to perfect these processes with humans running excel spreadsheets. This initiative will ultimately move us from human experience-driven planning toward a new and enhanced AI-assisted decision-making system that scales with the complexity of our operations. We expect to make a full announcement on our AI initiative including the name of our partner in the next few weeks.

One important milestone that we will navigate in the coming months is the renegotiation of our labor agreement with United Steelworkers. Our employees are the backbone of this company, and their skills, commitment, and pride in what they produce are critical to our success. In our evolving and increasingly capital-intensive industry, we must ensure that the structure of our labor agreement supports competitiveness, flexibility, and long-term sustainability. We approach these discussions with respect and realism with the goal of reaching an agreement that rewards our workforce while strengthening the company's ability to invest, grow, and remain a strong employer for decades to come. This process represents a meaningful opportunity for both Cleveland-Cliffs' management team and our union workforce to demonstrate the depth and strength of our partnership, and we will not disappoint anyone. With that, I'll turn it over to our CFO, Celso Goncalves, to go over our financial results.

### **Celso Goncalves**

Thank you. Good morning, everyone. Our adjusted EBITDA in the quarter was \$95 million, a \$274 million increase from a year ago, due primarily to increased pricing. Starting with the top line, first quarter shipments totaled just over 4.1 million tons, which represents a recovery of more than 300,000 tons sequentially. That improvement was driven by better demand conditions across spot and trade channels and by a more stable operating cadence coming out of the fourth quarter. We were still impacted by weather-related disruptions, but volumes strengthened as the quarter progressed. Shipments should increase further into Q2 as this trend continues. That volume recovery is critical because of the fixed cost nature of our business. Every incremental ton we produce and ship has a disproportionate impact on margins. The operating leverage embedded in integrated steelmaking remains substantial.

Pricing also moved in the right direction. Average selling prices increased by \$68 per ton from a year ago and sequentially by \$55 per ton during the quarter, reflecting improving market conditions and better automotive pull. This came in slightly below our original estimate as contractual lags were longer than anticipated based on customers ordering at max levels. As

mentioned earlier by Lourenco, what used to be roughly a one-month realization lag has effectively extended to closer to two months as our order book has filled and schedules have stretched. That means price strength visible today will show up more fully in Q2 and Q3 results. In the U.S., about 45% of our sales are linked to the commodity HRC price. The remainder are under fixed price arrangements like in automotive or linked to other indices like we have with plate. In Canada, effectively all shipments are sold on a spot price basis, but that price has completely disconnected with the U.S. price. Historically, pricing in Canada was effectively in line with pricing in the U.S. But in today's market, the Canadian selling price is at a 40% discount to U.S. pricing. This is still margin positive for Stelco but well below what this entity would have generated historically in this type of pricing environment.

On the cost side, the most visible pressure in the quarter came from energy and the impact of the extreme cold weather we felt here in the Midwest during the winter. We lock in most of our natural gas purchases for the following month three days before the start of each month. The day that gas was locked for the month of February was the highest price in three years, and it very shortly thereafter came back down to historical levels. This piece of the energy spike was known at the time of our last call and was partially offset by hedges, but we also felt an immense impact from the run-up in electricity and industrial gases. We have three EAF facilities and two integrated facilities in the unregulated states of Ohio and Pennsylvania, and when prices jump like they did during the cold weather months, we feel a direct impact. All factors considered, the energy spike drove an \$80 million negative impact to EBITDA on Q1 relative to historical expectations. Since then, natural gas and electricity prices have normalized, but we've seen other cost pressures emerge. The cost of fuel, for example, has impacted mining costs at our iron ore pelletizing operations, and scrap has continued to grind higher, as well.

Combining these with the impact of some scheduled outages in Q2, our Q2 costs should tick up another \$15 per ton higher before falling meaningfully in the back half of the year. We will update our cost expectations on a quarterly basis. All of our other full year expectations including volume, CapEx, and SG&A remain in line with prior guidance. SG&A has been a clear area of success for us while earnings have been under pressure. Even after acquiring Stelco in the fourth quarter of 2024, which naturally added to SG&A, we've been operating at essentially an all-time low on a quarterly basis since becoming a steel company after factoring in noncash amortization that has added back to EBITDA. This is good evidence of our cost discipline even after absorbing the impact of acquisitions and normal inflationary pressures. The result is a leaner overhead cost base that positions us well as operating conditions improve and underscores our ability to trim fat and capture synergies.

Turning to cash flow. First quarter free cash flow was negative as expected primarily due to working capital timing. Our first and third quarters are always heavier cash use periods due to the coupon schedule of our high-yield bonds. Accounts receivable increased during the quarter as shipments accelerated into March. This along with higher pricing compared to the prior quarter is a recipe for a large receivable build, but the evidence is clearly there for a major cash collection quarter in Q2. Combining this higher collection with higher EBITDA sets us up for a

return to meaningful positive free cash flow in Q2. From both an EBITDA and cash flow standpoint, Q2 should be our best quarter in nearly two years, and that will be the quarter where we have a number of outages across the footprint. Because of this, our full shipment and cost potential will not be on full display until Q3, which is an outage-light quarter. Q3 will give us maximum operating leverage on volumes and pricing and is where you should expect to see the earnings power of this business become much more apparent.

If the steel price curve holds constant, the improvement from Q2 to Q3 will be even better than the sequential improvement from Q1 to Q2. Our job right now is to run reliable operations and let the strong market we're in take care of the rest. Our outlook on improving leverage position remains firmly supported by the expectations for strong free cash flow generation over the balance of the year along with the completion of multiple real estate transactions currently in process. Our \$425 million cash receipt expectation from idled property sales remains on target with two more properties going under contract since we last spoke. As we translate earnings into cash and close on these asset sales, we expect to further strengthen the balance sheet and continue making progress towards our longer-term leverage objectives while maintaining the flexibility to operate the business from a position of strength. We're also pleased to have come out of the most cash-intensive use periods at Cliffs still with liquidity above \$3 billion. I will now turn it back to Lourenco for his closing remarks.

#### **Lourenco Goncalves**

Thanks, Celso. In closing, what's fundamentally different today is that trade enforcement is working, our customers are engaged, and our order book is full. This company spent the last couple of years fixing what needed to be fixed. That work is largely behind us. The footprint has been rightsized, and we finally have the platform to perform and deliver. From here, the focus is on execution, running reliable operations, serving customers at the highest level, generating cash, and allowing the strength of this market to flow through the income statement. With that, I will turn it over to Kevin for questions.

#### **Operator**

Certainly. We'll now be conducting a question-and-answer session. If you'd like to be placed in the question queue, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing star one. One moment, please, while we poll for questions. Our first question today is coming from Carlos De Alba from Morgan Stanley. Your line is now live.

#### **Carlos De Alba**

Yeah. Good morning, gentlemen. Thanks for taking the question. The first one is maybe, Celso, could you comment what are the price expectations in terms of changes quarter-on-quarter for the second quarter? Obviously, with the lag moving, maybe this has changed versus what we had expected. So, any color would be great. And then in the release, you mentioned that

you stopped -- you finally ended the shipping material on the Mittal slab contract in the first quarter. Can you give us a color as to maybe how many tons did you ship in the first quarter for that contract and/or what is the impact on EBITDA that you calculate you suffer from still basically shipping a few months after officially the agreement was ended? Thank you.

**Lourenco Goncalves**

Yeah. Carlos, it's Lourenco here. Let me answer the slab first and then Celso address the previous portion of your question. We had a tail of shipments on the slabs that is not -- tonnage-wise is not really meaningful, but it's still a drag. It was 175,000 tons of slabs that are still in the tail end of shipments, but it's over. It's done. And now they do not have any slabs from us. ArcelorMittal Calvert is on their own devices and getting slabs from other sources other than Cleveland-Cliffs. Celso, please take the other question.

**Celso Goncalves**

Sure. Yeah. Hey, Carlos. Yeah, let me give you some general guidance on Q2. As I mentioned, costs are going to tick up a little bit from Q1 to Q2. But the way to think about it is Q1 was much better than Q4, Q2 is going to be much better than Q1, and Q3 should be much better than Q2. From a shipment standpoint, Q2 shipments are expected to improve from Q1 and remain above that 4.1 million ton mark. The trends that we're seeing here in Q1 are expected to continue into Q2. Automotive shipments are expected to increase after reaching the highest level in almost two years during Q1, and that's going to get even better in Q2. Selling prices are expected to be up about \$60 a ton from Q1 to Q2. We expect to see the same kind of benefits we saw in Q1 related to pricing. The monthly, quarterly, and spot pricing are all up. Canadian pricing is improving. As we mentioned, the final slab shipments to Calvert are now done. We posted a slide deck in our presentation. You can see sort of the updated contract mix. So, right now, it's about 43% on a fixed full year price with the resets throughout the year. 23% is linked to month lag indexes. 7% is on a quarter lag indices, 12% is U.S. spot, and 15% is Stelco spot. So, that should give you a view on mix. We talked about pricing, we talked about cost, and we talked about shipments. So, I think with that, you should have enough for Q2, and then Q3 should get even better from there.

**Carlos De Alba**

Thank you, Celso and Lourenco. I appreciate it.

**Lourenco Goncalves**

Thanks, Carlos.

**Operator**

Thank you. Your next question today is coming from Nick Giles from B. Riley Securities. Your line is now live.

**Nick Giles**

Yeah. Thank you, operator. Good morning, guys. So, you built working capital in 1Q. That's somewhat expected. But to what extent could we see that unwind in 2Q? And can you just describe if or how you'll need to further build just to meet the increasing demand, higher shipments later in the year? Thanks.

**Celso Goncalves**

Yeah. Hey, Nick. Yeah, so, the Q1 build of working capital, about \$130 million was primarily driven by AR as pricing continued to rise in March. Shipments were strong, and it was offset by a reduction in inventory. As we look towards Q2, you should see a slight release in working capital as we further reduce inventory. That's the way to think about it.

**Nick Giles**

Got it. Thanks, Celso. And then just on POSCO, at this point of the negotiations, do you feel that there are certain aspects of any deal that are already decided, or is there really still active dialogue around different structures? Any color there would be great.

**Lourenco Goncalves**

Let me take that one, Nick. I think what -- the biggest change that happened between when we first start talking to POSCO and now is the outside of the negotiation between us and POSCO is the world surrounding us changed a lot. Remember, when we were first approached by POSCO, we were in a price environment that was a lot weaker. Demand was a lot weaker in the United States. And POSCO was coming with a proposal of bringing businesses from Korean companies to be reestablished or established from in the first place in the United States in the short term because the mill, the Hyundai mill in Louisiana is a long-term proposition at best. It's not a short-term thing that can resolve things right away. So, we would be their lifelines. That said, situation in South Korea changed a lot. Even though I'm not by any stretch in possession of any information -- internal information about South Korea, it's clear that things are a lot more complicated for all Asian countries including South Korea right now than they were two or three years ago. And that's delaying things.

On the other hand, from our side here in the United States, market is better. Prices are stronger. Automotive OEMs are producing more cars in the United States, and they rely on Cliffs to build those cars in the United States. It's not like they want us to supply steel to Mexico because they will use our steel to produce parts in Mexico and then bring it back to the United States. They want to do it in the United States. And we do have the capacity right now, idle available. Not so much idle anymore because we're getting more and more and more orders from the auto OEMs. So, our situation is getting better, and that is changing our perception on how this deal should be taken care of. We are still engaged. We're still talking. We still like each other. We still want a deal that is accretive for our shareholders, and I assume that they want the same thing for their side. Let's see what happens next. But we are -- by any stretch, we are no longer in a hurry. We were not before -- we are a lot less in a hurry now. I hope I gave you the overall picture. If not, please go ahead and ask a follow-up question, Nick.

**Nick Giles**

No, that's great. I really appreciate that perspective and continued best of luck.

**Lourenco Goncalves**

Thank you, sir.

**Operator**

Thank you. Next question is coming from Martin Englert from Seaport Research Partners. Your line is now live.

**Martin Englert**

Hello. Good morning, everyone.

**Lourenco Goncalves**

Morning, Martin.

**Martin Englert**

Question on unit cash costs if you could touch on your exposure to diesel through the upstream mining operations and implications on unit cash costs and if there's any hedging activity that we should take into consideration there.

**Celso Goncalves**

Yeah. Hey, Martin. Yeah, we're seeing some impact. Diesel is a meaningful cost component of the mining operations. We don't hedge diesel anymore. We hedge natural gas primarily. 50% of our exposure. But since we became a steel company, we don't hedge diesel anymore. So, the impact -- the annual impact on kind of truck and rail services overall is about a \$50 million annual impact on mining costs, which is about \$6 per ton.

**Martin Englert**

Okay. And then natural gas --

**Celso Goncalves**

We consume about 25 million gallons per year of diesel.

**Martin Englert**

And the natural gas component in the mining operations, that's around like 8%, 10% of overall natural gas for the company?

**Celso Goncalves**

The natural gas associated with mining specifically is about 20%.

**Martin Englert**

20%. Okay. And then within autos, can you touch on the degree that you're seeing a shift back towards steel from aluminum, if any yet? And if it's meaningful volume, when this might be occurring? Is this something that might be happening after summer shutdowns in automotive or anything like that? I'd be curious on more color if you have any to share.

**Lourenco Goncalves**

Yeah, it's happening as we speak. And I don't have tonnage from the top of my head here, but it's meaningful for -- the fact that once you break the dam, it goes because -- let's assume a car that we are now in this -- I can't give you, of course, names or details, but we are supplying the fenders that used to be aluminum fenders and now are steel fenders. Then they need to rethink a bunch of riveting operations and the type of welding and things like that. That's a difficult part, and we are beyond that part. So, now instead of not having aluminum, they have steel. So, the engineering departments of these OEMs -- and by the way, I'm not talking about any one specific, but it's happening across the board in terms of all OEMs we serve, and we serve them all. They now see how feasible it is to stamp steel even using the previous equipment that they had to stamp aluminum, and it's easy to assemble. The changes are not meaningful, and they do have the material instead of not having the material. So, it's happening. It's growing. And we are already seeing the opportunity to run lines that we are not running before. We brought back the EGL line, the electro-galvanizing line at New Carlisle that was idle for a long time. So, we are seeing all that happening as we speak. So, it will be an ongoing process as the year progresses.

**Martin Englert**

And presumably, with gravitation back towards that might move your auto mix a little bit and to a more favorable mix/margin overall for the steelmaking business. Is that a fair assumption?

**Lourenco Goncalves**

Well, the automotive business continues to be a profitable business for us. The fixed prices are not by any stretch detrimental to our profitability. So, we just need to get more tons, and that's exactly what -- not only just the substitution of aluminum the steel is bringing, but the fact that the clients are a lot less excited about cost, cost, cost, and then they are seeing the beauty about the reliability, quality, the material that they can count on and things like that. So, it's back to basics, back to the important factors that were in place before every single OEM decide that they would be like Tesla, and they would produce only electric vehicles. And that ship has sailed and left a very bad experience with all OEMs. At that point, everybody was focused on costs, and that's when less prepared competitors started to participate in automotive more than they should. And that's being fixed, and that is being corrected. So, that's what we're seeing right now.

**Martin Englert**

Okay. Appreciate the call and the update on both questions there. Thank you.

**Lourenco Goncalves**

Thanks, Martin.

**Operator**

Thank you. As a reminder, that's star one to be placed in the question queue. Our next question is coming from Nick Cash from Goldman Sachs. Your line is now live.

**Nick Cash**

Hi. Thank you very much and thank you so much, Lourenco and Celso, for taking the questions here. I guess my first question is on the slab contract. Last quarter, we were talking about I think about \$500 million increase in EBITDA when prices were at around \$970. With prices where they are today, I think back of the envelope math gets you about \$100 million in revenue higher. Is that all operating leverage? And are conversion costs sticky, or is that not the way to think about that? Thank you.

**Celso Goncalves**

Sorry, it was a little hard to hear your audio, but I think we captured your question around the slab math. But yeah, it sounds like your math is reasonable. There's some offsets on scrap pricing, energy costs, and things of the like. But I think your assumptions are in line.

**Nick Cash**

Awesome. I appreciate that. And then just one quick follow-up. Hopefully you can hear me. You guided for another \$15 increase per ton in cost in 2Q due to higher scrap and fuel before, I think, a drop-off in 3Q '26. What gives you confidence in that drop off? And I guess, where does that kind of put you for full year guidance on cost increase or decrease per ton if you can give that color? Thank you.

**Celso Goncalves**

Yeah. So, you got to remember that Q2 is a big outage quarter. So, pricing -- or I'm sorry, costs naturally would tick up on a per ton basis due to the outages. And then Q3 is a very outage light quarter. So, inventory from the high-cost period has sort of worked down into the subsequent quarters. And then we're continuing to see automotive volume ramping. Every unit is running at higher utilization. So, as that materializes into Q3, that's when you're going to see the benefit of the cost dilution.

**Nick Cash**

Appreciate it. Thank you. I'll pass it on.

**Celso Goncalves**

Thanks.

**Operator**

Thank you. Next question is coming from Albert Realini from Jefferies. Your line is now live.

**Albert Realini**

Hey. Good morning, Lourenco and Celso.

**Lourenco Goncalves**

Good morning, Albert.

**Albert Realini**

Would you be able to just walk us through some of the rate costs or just any broader economics just if a scenario where the POSCO opportunity were to not materialize? I just -- I know you had mentioned previously some of the larger scale asset sales like Toledo and certain FPT assets would be off the table while discussions with POSCO were ongoing. So, just kind of wondering how you think about weighing continued discussions with POSCO versus the ability to go out to the market with some of these higher-value assets in the current strong steel price environment. Thank you.

**Lourenco Goncalves**

Yeah. Look, we can try to create hypothetical scenarios here until the cows come home, but I don't think it's productive because, for example, right now -- yeah, you're right. The HBI sale I'm not considering any more. And it started because -- at least for now. And it started because of the discussions with POSCO. But right now, HBI stretches my ability to produce hot metal and helps me increase production. You saw that shipments were higher, production was higher, and the Q2 shipments will be higher, and production will be higher. And HBI is helping us get there because we load HBI in blast furnaces for example. And we also use them in our EAFs. We still have three EAFs. So, it's not like it's a burden. It's a positive. And we are discussing here cash flow, and we are going to continue to generate cash flow and grow cash flow. You're going to start seeing that happen in Q2. So, that's why I don't like playing hypothetical scenarios. Things continue to be the way they are shaping up right now, and shipments continue to go more towards the 16.5 million to 17 million tons for the year. We're going to need the HBI to get there. And that will be very, very accretive to the company. So, we like cash flow generated by operations, and we will continue to pursue that. All the rest is hypothetical that there's no real meaning on trying to speculate.

**Albert Realini**

Understood. Thank you.

**Operator**

Thank you. Next question is coming from Lawson Winder from Bank of America Securities. Your line is now live.

**Lawson Winder**

Thank you, operator, and good morning, Lourenco and Celso. It's nice to hear from you both, and it's nice to see the solid Q-over-Q EBITDA improvement. If I could just drill down a little bit

on some of the discussion we've already had on the unit cost guidance for Q2. So, just thinking through the different moving parts, if we're adding back \$80 million from the onetime energy spike, that's about \$19.50 per ton at 4.1 million tons, and then there's an additional \$15. So, net, we're getting about a \$35 gross increase in cost Q2 to Q1. I mean, push back if you think that's the wrong way of thinking about it, but if you could just kind of walk me through what the different pieces are. I think you mentioned \$6 per ton for diesel, but there's obviously some other pieces there. Can you just help us think through the components?

**Celso Goncalves**

Yeah, sure. Hey, Lawson. I appreciate the comments. So, let me drill down here. We saw these production issues in Q1 from kind of onetime extreme weather and energy-related issues, and some of that, there's a little bit of carryover from that high energy cost via just the inventory carryover. And then further to that, into Q2, you also have a richer product mix as we continue to improve on automotive. So, we're seeing some impact -- there's carryover impact from Q1 to Q2. You have the outages in Q2, and then you have a richer mix in Q2. And then we're starting to see some of the impact from the kind of the war-related costs related to diesel and freight and things like that. So, that sort of explains why Q2 costs are ticking up a little bit higher by \$15 a ton. And then when you get to Q3, the costs benefit a lot from improved utilization, lower outages, lower energy costs, continued asset optimization, lower coal pricing, and a lot of reduced repair and maintenance costs. So, while Q2 ticks up from Q1, Q2 -- Q3 should tick down meaningfully from Q2. So, that's the cadence of the sequence of events as we look forward for the next couple of quarters.

**Lawson Winder**

Okay. Yeah, that helps. And is that the correct assumption that you're effectively also getting a Q2 quarter-over-quarter \$80 million tailwind in EBITDA from the reduction of those onetime energy costs, so something like 19.50 per short ton benefit?

**Celso Goncalves**

Yeah. I mean, it's not really 1:1. It's not like -- like I said, some of that carries over and gets carried through the inventory costs. So, it's not like -- I can't tell you that you just remove that entirely quarter-over-quarter.

**Lourenco Goncalves**

But you should remove for Q1. You should remove for Q1. That's what you should do because that should not happen. Would not have happened without the external factors, and that's real. We use our procedure to buy -- the stock that we buy in the market. Hedging the same way we always hedge it. We did everything by the book, and we were unlucky. Things happen. And I'm sure we are not the only one that were unlucky. Let's see how others will report as we go. But the fact of the matter is that it hurts, and it hurt badly. Q1 was supposed to be better without that. That's why we point out because it's a real number that we can pinpoint and show. But going forward, yeah, there is inventory impact and things like that, but on the other hand, we're going to get a lot more value-added material from automotive. We are acting on other

things that we will offset. So, it's very difficult to identify like that, but it was very easy to identify in Q1. That's why we point out in our press release.

**Lawson Winder**

Okay. Yeah. Thank you. That's very helpful. And then if I could just ask very quickly on the land sales. I appreciate that predicting the precise timing of those can't be easy, but are they still all expected to close in 2026?

**Lourenco Goncalves**

Yes. Yes. We are very confident that the counterparts are acting to get their problems solved and their financing in place. We continue to sign enforceable contracts. So, we had two more in the quarter. So, all going -- all these deals are going very well.

**Lawson Winder**

Okay. Thank you very much.

**Lourenco Goncalves**

Thank you.

**Operator**

Thank you. Our next question today is a follow-up from Carlos De Alba from Morgan Stanley. Your line is now live.

**Carlos De Alba**

Yeah. Thank you. It's basically a follow-on precisely on the last question of Lawson. So, you have received \$70 million already this year on asset sales. So, should we expect -- do you have any color on the cadence of the remaining, what is it, \$350 million in proceeds throughout the year or just this year is the expectation but no further details on that?

**Lourenco Goncalves**

Let's -- that put \$50 million in Q2 and \$100 million in Q3 with the remainder in Q4.

**Carlos De Alba**

Great. Thank you, Lourenco.

**Lourenco Goncalves**

Thank you.

**Operator**

Thank you. Our next question today is coming from Timna Tanners from Wells Fargo. Your line is now live.

**Timna Tanners**

Yeah. Hey. Good morning. I wanted to ask a little bit about the mix if I could. I hear the plate market is really strong, and I just wanted to get a little more color on why the actions you took and just talk about how that keeps your capability similar despite some of the closures. And then similarly, stainless and electrical down year-over-year, and I thought electrical was sold out for a couple of years. So, just a bit more color on those products would be great. Thanks.

**Lourenco Goncalves**

On plate, we shut down a mill that was basically taking care of one client and associated with the line that is inside Gary Works that doesn't belong to Cliffs. So, the logistics was not very enticing. So, all the rest remains the same. So, what you said about the plate market is right. But we are talking about one specific client that was using the 110 and the line at Gary Works. So, that's that. So, we could reconsolidate that and do in another way. So, there is nothing wrong with that because the 160 is now -- the 160-inch mill is now fully utilized. So, that's all good with plate. As far as electrical steels, we've got to differentiate grain-oriented electrical steels that there is only one company that produced in the United States. That's Cliffs. And oriented electrical steels that we have ourselves and a couple of one of these that are not producing very good material, but they're trying. But on the other hand, the biggest utilization of oriented electrical steels is electric vehicles. So, good luck with that for the ones that made investments to produce non-oriented electrical steels. As far as grain-oriented electrical steels, we are the ones -- not only the ones that produce but the ones that are growing production with our product in Butler. I hope I answered your question, Timna.

**Operator**

Thank you. We've reached the end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

**Lourenco Goncalves**

Thank you very much. Have a great day. Bye now.

**Operator**

Thank you. That does conclude today's teleconference and webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.