April 22, 2022

Cleveland-Cliffs Reports First-Quarter 2022 Results

- First-quarter revenue of $6.0 billion
- First-quarter net income of $801 million
- First-quarter Adjusted EBITDA[1] of $1.5 billion

CLEVELAND--(BUSINESS WIRE)-- Cleveland-Cliffs Inc. **(NYSE: CLF)** today reported first-quarter results for the period ended March 31, 2022.

First-quarter 2022 consolidated revenues were $6.0 billion, compared to the prior-year first-quarter revenues of $4.0 billion.

For the first quarter of 2022, the Company recorded net income of $801 million, or $1.50 per diluted share. This included the following one-time non-cash charges totaling $111 million, or $0.21 per diluted share:

- charges of $68 million, or $0.13 per diluted share, in accelerated depreciation related to the indefinite idle of the Indiana Harbor #4 blast furnace;
- charges of $29 million, or $0.05 per diluted share, associated with the closure of the Mountain State Carbon cokemaking facility; and
- charges of $14 million, or $0.03 per diluted share, for debt extinguishment costs.

In the prior-year first quarter, the Company recorded net income of $41 million, or $0.07 per diluted share.

First-quarter 2022 Adjusted EBITDA[1] was $1.5 billion, compared to Adjusted EBITDA[1] of $513 million in the first quarter of 2021.

	(In Millions)	
	Three Months Ended March 31,	
	2022	2021
Adjusted EBITDA[1]		
Steelmaking	**$ 1,423**	$ 502
Other Businesses	**29**	11
Eliminations (A)	**(1)**	—
Total Adjusted EBITDA[1]	**$ 1,451**	$ 513

(A) Starting in 2022, the Company has allocated Corporate SG&A to its operating segments. Prior periods have been adjusted to reflect this change. The Eliminations line now only includes sales between segments.

Lourenco Goncalves, Cliffs' Chairman, President, and CEO said: “Our first quarter results are a clear indication of the success we have been able to achieve as we renewed our fixed-price contracts last year. Despite the decline in spot prices for steel from Q4 to Q1 and its lagged impact on our results, we were able to continue to deliver strong profitability. As this trend persists, we expect to set another free cash flow record in 2022."

Mr. Goncalves continued: “The Russian aggression toward Ukraine has made it absolutely clear to everyone what we at Cleveland-Cliffs have been explaining to our clients for some time: overly extended supply chains are weak and prone to break down, particularly steel supply chains that are dependent on imported feedstock. No steel company can produce highly specified flat-rolled steel without using pig iron, or iron substitutes like HBI or DRI, as feedstock. Cleveland-Cliffs produces in house all the pig iron and HBI we need, right here in Ohio, Michigan and Indiana, using iron ore pellets from Minnesota and Michigan. With that, we generate and support good paying middle-class jobs right here in the United States. We do not import pig iron from Russia; and we do not import HBI, DRI or slabs. We are best in class under all aspects of ESG -- the E, the S and the G.”

Mr. Goncalves concluded: “Over the past eight years, our strategy has been to protect and strengthen Cleveland-Cliffs against the consequences of de-globalization, which we have always seen as inevitable. The importance of American manufacturing and the reliability of a USA-centric, vertically integrated footprint have been validated by the Russian invasion of the raw materials rich and shale gas rich Donets Coal Basin (Donbas) area of Ukraine. While other flat-rolled steelmakers scramble and pay high prices for their needed feedstock, we stand out from the crowd due to our preparation for the current geopolitical climate."

Steelmaking

	Three Months Ended March 31,	
	2022	2021
External Sales Volumes		
Steel Products (net tons)	**3,637**	4,144
Selling Price - Per Net Ton		
Average net selling price per net ton of steel products	**$ 1,446**	$ 900
Operating Results - In Millions		
Revenues	**$ 5,794**	$ 3,919
Cost of goods sold	**(4,572)**	(3,644)
Gross margin	**$ 1,222**	$ 275

First-quarter 2022 steel product volume of 3.6 million net tons consisted of 34% coated, 25% hot-rolled, 18% cold-rolled, 6% plate, 5% stainless and electrical, and 12% other, including slabs and rail.

Steelmaking revenues of $5.8 billion included $1.8 billion, or 31%, of sales to the distributors and converters market; $1.6 billion, or 28%, of sales to the automotive market; $1.5 billion, or 27%, of sales to the infrastructure and manufacturing market; and $816 million, or 14%, of sales to steel producers.

First-quarter 2022 Steelmaking cost of goods sold included depreciation, depletion and amortization of $290 million, including $68 million in accelerated depreciation related to the indefinite idle of the Indiana Harbor #4 blast furnace.

Liquidity and Cash Flow

As of April 20, 2022, the Company had $2.1 billion in total liquidity, following the completed redemption of all of its outstanding 9.875% senior secured notes due 2025, which closed earlier this week.

The Company reduced principal long-term debt by $254 million during the first quarter of

2022. In addition, Cliffs repurchased 1 million shares at an average price of $18.98 per share during the quarter, a use of $19 million in cash.

Outlook

Cliffs is increasing its full-year 2022 average selling price expectation by $220 to $1,445 per net ton, compared to its previous guidance of $1,225 per net ton, using the same methodology as provided in the prior quarter. The increase is driven by higher than expected prices on renewals of fixed-price contracts resetting April 1, 2022; higher expected spreads between hot-rolled and cold-rolled steel; and a higher futures curve that currently implies an average hot-rolled coil price of $1,300 per net ton for the full-year 2022.

As a result, Cliffs expects to generate record levels of free cash flow in 2022.

Conference Call Information

Cleveland-Cliffs Inc. will host a conference call this morning, April 22, 2022, 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, direct reduced iron, and ferrous scrap to primary steelmaking and downstream finishing, stamping, tooling, and tubing. We are the largest supplier of steel to the automotive industry in North America and serve a diverse range of other markets due to our comprehensive offering of flat-rolled steel products. Headquartered in Cleveland, Ohio, Cleveland-Cliffs employs approximately 26,000 people across its 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: continued volatility of steel, iron ore and scrap metal 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 semiconductor 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 prolonged COVID-19 pandemic, conflicts or otherwise; severe financial hardship,

bankruptcy, temporary or permanent shutdowns or operational challenges, due to the ongoing 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; disruptions to our operations relating to the ongoing 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; risks related to U.S. government actions with respect to Section 232 of the Trade Expansion Act of 1962 (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 potential environmental regulations relating to climate change and carbon emissions, 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 our financial flexibility and cash flow necessary to fund working capital, planned capital expenditures, acquisitions, and other general corporate purposes or ongoing needs of our business; our ability to reduce our indebtedness or return capital to shareholders within the currently expected timeframes or at all; adverse changes in credit ratings, interest rates, foreign currency rates and tax laws; the outcome of, and costs incurred in connection with, lawsuits, claims, arbitrations or governmental proceedings relating to commercial and business disputes, environmental matters, government investigations, occupational or personal injury claims, property damage, labor and employment matters, or suits involving legacy operations and other matters; uncertain cost or availability of critical manufacturing equipment and spare parts; supply chain disruptions or changes in the cost, quality or availability of energy sources, including electricity, natural gas and diesel fuel, or critical raw materials and supplies, including iron ore, industrial gases, graphite electrodes, scrap metal, chrome, zinc, coke and metallurgical coal; problems or disruptions associated with transporting products to our customers, moving manufacturing inputs or 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; disruptions in, or failures of, our information technology systems, including those related to cybersecurity; liabilities and costs arising in connection with any business decisions to temporarily or indefinitely idle or permanently close an operating facility or mine, 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 operating facility or mine; our ability to realize the anticipated synergies and benefits of our recent acquisition transactions and to successfully integrate the acquired businesses into our existing businesses, including uncertainties associated with maintaining relationships with customers, vendors and employees and known and unknown liabilities we assumed in connection with the

acquisitions; our level of self-insurance and our ability to obtain sufficient third-party insurance to adequately cover potential adverse events and business risks; challenges to maintaining our social license to operate with our stakeholders, including the impacts of our operations on local communities, reputational impacts of operating in a carbon-intensive industry that produces greenhouse gas emissions, and our ability to foster a consistent operational and safety track record; our ability to successfully identify and consummate any strategic capital investments or development projects, cost-effectively achieve planned production rates or levels, and diversify our product mix and add new customers; our actual economic mineral reserves or reductions in current mineral reserve estimates, and any title defect or loss of any lease, license, easement or other possessory interest for any mining property; availability of workers to fill critical operational positions and potential labor shortages caused by the ongoing COVID-19 pandemic, as well as our ability to attract, hire, develop and retain key personnel; our ability to maintain satisfactory labor relations with unions and employees; unanticipated or higher costs associated with pension and OPEB obligations resulting from changes in the value of plan assets or contribution increases required for unfunded obligations; the amount and timing of any repurchases of our common shares; and potential significant deficiencies or material weaknesses in our internal control over financial reporting.

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, 2021, 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 March 31,	
	2022	2021
Revenues	**$ 5,955**	$ 4,049
Operating costs:		
Cost of goods sold	**(4,706)**	(3,761)
Selling, general and administrative expenses	**(122)**	(108)
Miscellaneous – net	**(33)**	(3)
Total operating costs	**(4,861)**	(3,872)
Operating income	**1,094**	177
Other income (expense):		
Interest expense, net	**(77)**	(92)
Loss on extinguishment of debt	**(14)**	(66)
Net periodic benefit credits other than service cost component	**49**	47
Other non-operating expense	**(2)**	—
Total other expense	**(44)**	(111)
Income from continuing operations before income taxes	**1,050**	66
Income tax expense	**(237)**	(9)
Income from continuing operations	**813**	57
Income from discontinued operations, net of tax	**1**	—
Net income	**814**	57
Income attributable to noncontrolling interest	**(13)**	(16)
Net income attributable to Cliffs shareholders	**$ 801**	$ 41
Earnings per common share attributable to Cliffs shareholders - basic		
Continuing operations	**$ 1.54**	$ 0.08
Discontinued operations	**—**	—
	$ 1.54	$ 0.08
Earnings per common share attributable to Cliffs shareholders - diluted		
Continuing operations	**$ 1.50**	$ 0.07
Discontinued operations	**—**	—
	$ 1.50	$ 0.07

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

	(In Millions)	
	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 35**	$ 48
Accounts receivable, net	**2,667**	2,154
Inventories	**5,562**	5,188
Other current assets	**295**	263
Total current assets	**8,559**	7,653
Non-current assets:		
Property, plant and equipment, net	**9,012**	9,186
Goodwill	**1,127**	1,116
Other non-current assets	**1,070**	1,020
TOTAL ASSETS	**$ 19,768**	$ 18,975
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 2,271**	$ 2,073
Accrued employment costs	**541**	585
Other current liabilities	**939**	903
Total current liabilities	**3,751**	3,561
Non-current liabilities:		
Long-term debt	**5,028**	5,238
Pension liability, non-current	**552**	578
OPEB liability, non-current	**2,346**	2,383
Other non-current liabilities	**1,483**	1,441
TOTAL LIABILITIES	**13,160**	13,201
TOTAL EQUITY	**6,608**	5,774
TOTAL LIABILITIES AND EQUITY	**$ 19,768**	$ 18,975

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

	(In Millions)	
	Three Months Ended March 31,	
	2022	2021
OPERATING ACTIVITIES		
Net income	**$ 814**	$ 57
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	**301**	217
Impairment of long-lived assets	**29**	—
Pension and OPEB credits	**(27)**	(21)
Loss on extinguishment of debt	**14**	66
Amortization of inventory step-up	**—**	81
Other	**82**	26
Changes in operating assets and liabilities, net of business combination:		
Receivables and other assets	**(441)**	(480)
Inventories	**(372)**	(172)
Pension and OPEB payments and contributions	**(60)**	(175)
Payables, accrued expenses and other liabilities	**193**	22
Net cash provided (used) by operating activities	**533**	(379)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(236)**	(136)
Other investing activities	**1**	1
Net cash used by investing activities	**(235)**	(135)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	**—**	322
Repurchase of common shares	**(19)**	—
Proceeds from issuance of debt	**—**	1,000
Repayments of debt	**(360)**	(902)
Borrowings under credit facilities	**1,715**	1,158
Repayments under credit facilities	**(1,609)**	(1,010)
Other financing activities	**(38)**	(56)
Net cash provided (used) by financing activities	**(311)**	512
Net decrease in cash and cash equivalents	**(13)**	(2)
Cash and cash equivalents at beginning of period	**48**	112
Cash and cash equivalents at end of period	**$ 35**	$ 110

[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 March 31,	
	2022	2021
Net income	**$ 814**	$ 57
Less:		
Interest expense, net	**(77)**	(92)
Income tax expense	**(237)**	(9)
Depreciation, depletion and amortization	**(301)**	(217)
Total EBITDA	**$ 1,429**	$ 375
Less:		
EBITDA of noncontrolling interests	**$ 22**	$ 22
Asset impairment	**(29)**	—
Loss on extinguishment of debt	**(14)**	(66)
Severance costs	**(1)**	(11)
Acquisition-related costs excluding severance costs	**(1)**	(2)
Amortization of inventory step-up	**—**	(81)
Impact of discontinued operations	**1**	—
Total Adjusted EBITDA[1]	**$ 1,451**	$ 513
EBITDA of noncontrolling interests includes the following:		
Net income attributable to noncontrolling interests	**$ 13**	$ 16
Depreciation, depletion and amortization	**9**	6
EBITDA of noncontrolling interests	**$ 22**	$ 22

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