July 24, 2023

Cleveland-Cliffs Reports Second-Quarter 2023 Results

CLEVELAND--(BUSINESS WIRE)-- Cleveland-Cliffs Inc. **(NYSE: CLF)** today reported second-quarter results for the period ended June 30, 2023.

Selected financial results for the second quarter of 2023 include:

- Revenues of $6.0 billion
- Steel shipments of 4.2 million net tons
- Net income of $356 million
- Adjusted EBITDA[1] of $775 million
- Cash flow from operations of $887 million
- Free cash flow[2] of $756 million
- Net debt[3] down to $3.9 billion
- Total liquidity of $3.8 billion, highest in Company history

Second-quarter 2023 revenues were $6.0 billion, compared to $5.3 billion in the first quarter of 2023.

For the second quarter of 2023, the Company recorded net income of $356 million, or $0.67 per diluted share attributable to Cliffs shareholders. This included charges totaling $11 million, or $0.02 per diluted share, related to acquisition costs, asset disposals, severance, and accelerated depreciation of certain assets. In the first quarter of 2023, the Company recorded a GAAP net loss of $42 million, corresponding to a GAAP net loss of $0.11 per diluted share.

Second-quarter 2023 Adjusted EBITDA[1] was $775 million, compared to $243 million in the first quarter of 2023.

Cliffs' Chairman, President, and CEO Lourenco Goncalves said: "Our total steel shipments of more than 4.2 million net tons in the second quarter were a direct result of another record in automotive shipments. This shift to a higher automotive mix led to even higher realized prices than we were expecting, ultimately driving our industry leading quarter-over-quarter EBITDA expansion. Also, with the substantial free cash flow generated in Q2, we were able to reduce our debt by over $550 million during the quarter, while still returning nearly $100 million to shareholders via share buybacks. Differently from several of our competitors, our capex needs -- both now and in the next few years -- are well-known and low."

Mr. Goncalves concluded: "Looking forward, we are on pace for our best shipment year since becoming a steel company. Service center inventories are significantly lower than historical levels, creating support for a healthy second half of the year. And finally, while the performance of our automotive clients continues to improve, the sector has not returned to pre-COVID levels yet, indicating that Cleveland-Cliffs still has plenty of value to be unlocked in the near future."

Steelmaking Segment Results

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended
	2023	2022	**2023**	2022	Mar. 31, 2023
External Sales Volumes					
Steel Products (net tons)	**4,202**	3,641	**8,287**	7,278	4,085
Selling Price - Per Net Ton					
Average net selling price per net ton of steel products	**$ 1,255**	$ 1,487	**$ 1,193**	$ 1,466	$ 1,128
Operating Results - In Millions					
Revenues	**$ 5,808**	$ 6,176	**$ 10,934**	$ 11,970	$ 5,126
Cost of goods sold	**(5,179)**	(5,209)	**(10,211)**	(9,781)	(5,032)
Gross margin	**$ 629**	$ 967	**$ 723**	$ 2,189	$ 94

Second-quarter 2023 steel product sales volumes of 4.2 million net tons consisted of 35% hot-rolled, 30% coated, 15% cold-rolled, 6% plate, 4% stainless and electrical, and 10% other, including slabs and rail.

Steelmaking revenues of $5.8 billion included $2.0 billion, or 34%, of direct sales to the automotive market; $1.6 billion, or 27%, of sales to the infrastructure and manufacturing market; $1.4 billion, or 25%, of sales to the distributors and converters market; and $796 million, or 14%, of sales to steel producers.

Liquidity and Cash Flow

Cliffs recorded free cash flow[2] of $756 million during the second quarter of 2023, the majority of which was used toward debt repayment on the Company's ABL facility.

As of June 30, 2023, the Company had total liquidity of $3.8 billion. During the second quarter of 2023, the Company reduced outstanding borrowings on its ABL Facility by $1.3 billion.

Cliffs reduced its net debt[3] to $3.9 billion, from $4.5 billion in the first quarter of 2023. Cliffs also repurchased 6.5 million shares at an average price of $14.43 per share during the second quarter of 2023.

Outlook

The Company's previously laid out cost reduction objectives remain on target, and Cliffs currently expects another $40 per net ton reduction in steel unit costs from the second quarter to the third quarter of 2023, with an additional $10 per ton reduction from the third to the fourth quarter of 2023.

Conference Call Information

Cleveland-Cliffs Inc. will host a conference call on July 25, 2023, at 8:30 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. Cleveland-Cliffs is the largest supplier of steel to the automotive industry in North America and serves a diverse range of other markets due to its comprehensive offering of flat-rolled steel products. Headquartered in Cleveland, Ohio, Cleveland-Cliffs employs approximately 27,000 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 supply chain disruptions, such as the semiconductor shortage, and higher consumer interest rates, which could result in lower steel volumes being demanded; 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 inflationary pressures, infectious disease outbreaks, conflicts or otherwise; severe financial hardship, bankruptcy, temporary or permanent shutdowns or operational challenges of one or more of our major customers, including customers in the automotive market, key suppliers or contractors, which, among other adverse effects, could disrupt our operations or 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 an infectious disease outbreak, including workforce challenges and the risk that novel variants will prove resistant to existing vaccines or that new or continuing lockdowns in China will impact our ability to source certain critical supplies in a timely and predictable manner; 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, and reclamation and remediation obligations; 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, including adverse impacts as a result of the Inflation Reduction Act of 2022; the outcome of, and costs incurred in connection with, lawsuits, claims, arbitrations or governmental proceedings relating to commercial and business disputes, antitrust claims, environmental matters, government investigations, occupational or personal injury claims, property damage, labor and employment matters, or suits involving legacy operations and other matters; uncertain availability or cost, due to inflation or otherwise, 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; the risk that the cost or time to implement a strategic or sustaining capital project may prove to be greater than originally anticipated; 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; cybersecurity incidents relating to, disruptions in, or failures of, information technology systems that are managed by us or third parties that host or have access to our data or systems, including the loss, theft or corruption of sensitive or essential business or personal information and the inability to access or control systems; 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 level of self-insurance and our ability to obtain sufficient third-party insurance to adequately cover potential adverse events and business risks; uncertainties associated with our ability to meet customers' and suppliers' decarbonization goals and reduce our greenhouse gas emissions in alignment with our own announced targets; 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 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; our ability to maintain satisfactory labor relations with unions and employees; unanticipated or higher costs associated with pension and other post-employment benefit obligations resulting from changes in the value of plan assets or contribution increases required for unfunded obligations; uncertain availability or cost of skilled workers to fill critical operational positions and potential labor shortages caused by experienced employee attrition or otherwise, as well as our ability to attract, hire, develop and retain key personnel; 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, 2022, and other filings with the U.S. Securities and Exchange Commission.

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

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended
(In millions, except per share amounts)	**2023**	2022	**2023**	2022	Mar. 31, 2023
Revenues	**$ 5,984**	$ 6,337	**$ 11,279**	$ 12,292	$ 5,295
Operating costs:					
Cost of goods sold	**(5,340)**	(5,356)	**(10,536)**	(10,062)	(5,196)
Selling, general and administrative expenses	**(149)**	(107)	**(276)**	(229)	(127)
Miscellaneous – net	**(12)**	(34)	**(15)**	(67)	(3)
Total operating costs	**(5,501)**	(5,497)	**(10,827)**	(10,358)	(5,326)
Operating income (loss)	**483**	840	**452**	1,934	(31)
Other income (expense):					
Interest expense, net	**(79)**	(64)	**(156)**	(141)	(77)
Loss on extinguishment of debt	**—**	(66)	**—**	(80)	—
Net periodic benefit credits other than service cost component	**50**	50	**100**	99	50
Other non-operating income (expense)	**4**	(3)	**6**	(5)	2
Total other expense	**(25)**	(83)	**(50)**	(127)	(25)
Income (loss) from continuing operations before income taxes	**458**	757	**402**	1,807	(56)
Income tax benefit (expense)	**(102)**	(157)	**(89)**	(394)	13
Income (loss) from continuing operations	**356**	600	**313**	1,413	(43)
Income from discontinued operations, net of tax	**—**	1	**1**	2	1
Net income (loss)	**356**	601	**314**	1,415	(42)
Income attributable to noncontrolling interest	**(9)**	(5)	**(24)**	(18)	(15)
Net income (loss) attributable to Cliffs shareholders	**$ 347**	$ 596	**$ 290**	$ 1,397	$ (57)
Earnings (loss) per common share attributable to Cliffs shareholders - basic					
Continuing operations	**$ 0.68**	$ 1.14	**$ 0.56**	$ 2.67	$ (0.11)
Discontinued operations	**—**	—	**—**	—	—
	$ 0.68	$ 1.14	**$ 0.56**	$ 2.67	$ (0.11)
Earnings (loss) per common share attributable to Cliffs shareholders - diluted					
Continuing operations	**$ 0.67**	$ 1.13	**$ 0.56**	$ 2.64	$ (0.11)
Discontinued operations	**—**	—	**—**	—	—
	$ 0.67	$ 1.13	**$ 0.56**	$ 2.64	$ (0.11)

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

(In millions)	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 34**	$ 26
Accounts receivable, net	**2,290**	1,960
Inventories	**4,727**	5,130
Other current assets	**114**	306
Total current assets	**7,165**	7,422
Non-current assets:		
Property, plant and equipment, net	**8,878**	9,070
Goodwill	**1,130**	1,130
Pension and OPEB, asset	**379**	356
Other non-current assets	**751**	777
TOTAL ASSETS	**$ 18,303**	$ 18,755
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 2,116**	$ 2,186
Accrued employment costs	**455**	429
Accrued expenses	**261**	383
Other current liabilities	**576**	551
Total current liabilities	**3,408**	3,549
Non-current liabilities:		
Long-term debt	**3,963**	4,249
Pension liability, non-current	**461**	473
OPEB liability, non-current	**575**	585
Deferred income taxes	**545**	590
Other non-current liabilities	**1,307**	1,267
TOTAL LIABILITIES	**10,259**	10,713
TOTAL EQUITY	**8,044**	8,042
TOTAL LIABILITIES AND EQUITY	**$ 18,303**	$ 18,755

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

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
OPERATING ACTIVITIES				
Net income	**$ 356**	$ 601	**$ 314**	$ 1,415
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	**247**	250	**489**	551
Impairment of long-lived assets	**—**	—	**—**	29
Deferred income taxes	**20**	94	**16**	151
Pension and OPEB credits	**(39)**	(27)	**(79)**	(54)
Loss on extinguishment of debt	**—**	66	**—**	80
Other	**35**	30	**74**	55
Changes in operating assets and liabilities:				
Accounts receivable, net	**(76)**	96	**(333)**	(416)
Inventories	**196**	(222)	**403**	(594)
Income taxes	**154**	(235)	**169**	(55)
Pension and OPEB payments and contributions	**(28)**	(54)	**(58)**	(114)
Payables, accrued employment and accrued expenses	**12**	261	**(78)**	370
Other, net	**10**	5	**(69)**	(20)
Net cash provided by operating activities	**887**	865	**848**	1,398
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(131)**	(232)	**(319)**	(468)
Other investing activities	**6**	—	**9**	1
Net cash used by investing activities	**(125)**	(232)	**(310)**	(467)
FINANCING ACTIVITIES				
Repurchase of common shares	**(94)**	(157)	**(94)**	(176)
Proceeds from issuance of debt	**750**	—	**750**	—
Repayments of debt	**—**	(959)	**—**	(1,319)
Borrowings under credit facilities	**1,033**	1,545	**2,679**	3,260
Repayments under credit facilities	**(2,371)**	(1,015)	**(3,710)**	(2,624)
Debt issuance costs	**(34)**	—	**(34)**	—
Other financing activities	**(71)**	(35)	**(121)**	(73)
Net cash used by financing activities	**(787)**	(621)	**(530)**	(932)
Net increase (decrease) in cash and cash equivalents	**(25)**	12	**8**	(1)
Cash and cash equivalents at beginning of period	**59**	35	**26**	48
Cash and cash equivalents at end of period	**$ 34**	$ 47	**$ 34**	$ 47

[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.

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended
(In millions)	**2023**	2022	**2023**	2022	Mar. 31, 2023
Net income (loss)	**$ 356**	$ 601	**$ 314**	$ 1,415	$ (42)
Less:					
Interest expense, net	**(79)**	(64)	**(156)**	(141)	(77)
Income tax benefit (expense)	**(102)**	(157)	**(89)**	(394)	13
Depreciation, depletion and amortization	**(247)**	(250)	**(489)**	(551)	(242)
Total EBITDA	**$ 784**	$ 1,072	**$ 1,048**	$ 2,501	$ 264
Less:					
EBITDA of noncontrolling interests	**$ 17**	$ 13	**$ 40**	$ 35	$ 23
Loss on extinguishment of debt	**—**	(66)	**—**	(80)	—
Asset impairment	**—**	—	**—**	(29)	—
Other, net	**(8)**	(6)	**(10)**	(8)	(2)
Total Adjusted EBITDA	**$ 775**	$ 1,131	**$ 1,018**	$ 2,583	$ 243
EBITDA of noncontrolling interests includes the following:					
Net income attributable to noncontrolling interests	**$ 9**	$ 5	**$ 24**	$ 18	$ 15
Depreciation, depletion and amortization	**8**	8	**16**	17	8
EBITDA of noncontrolling interests	**$ 17**	$ 13	**$ 40**	$ 35	$ 23

[2] CLEVELAND-CLIFFS INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATION - FREE CASH FLOW

Free cash flow is a non-GAAP measure defined as net cash provided by operating activities less purchase of property, plant and equipment. Management believes it is an important measure to assess the cash generation available to service debt, strategic initiatives or other financing activities. The following table provides a reconciliation of net cash provided by operating activities to free cash flows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2023**	2022	**2023**	2022
Net cash provided by operating activities	**$ 887**	$ 865	**$ 848**	$ 1,398
Purchase of property, plant and equipment	**(131)**	(232)	**(319)**	(468)
Free cash flow	**$ 756**	$ 633	**$ 529**	$ 930

[3] CLEVELAND-CLIFFS INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATION - NET DEBT

Net debt is a non-GAAP financial measure that management uses in evaluating financial position. Net debt is defined as long-term debt less cash and cash equivalents. Management believes net debt is an important measure of the Company's financial position due to the amount of cash and cash equivalents on hand. 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. A reconciliation of this measure to its most directly comparable GAAP measure is provided in the table below:

(In millions)	June 30, 2023	March 31, 2023	December 31, 2022
Long-term debt	**$ 3,963**	$ 4,559	$ 4,249
Less: Cash and cash equivalents	**34**	59	26
Net debt	**$ 3,929**	$ 4,500	$ 4,223

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