# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 23, 2019

## CLEVELAND-CLIFFS INC.
*(Exact name of registrant as specified in its charter)*

| Ohio | 1-8944 | 34-1464672 |
|---|---|---|
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(Commission File Number)* | *(I.R.S. Employer Identification No.)* |

| 200 Public Square, Cleveland, Ohio | 44114-2315 |
|---|---|
| *(Address of Principal Executive Offices)* | *(Zip Code)* |

Registrant's Telephone Number, Including Area Code: ( 216) 694-5700

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered: |
|---|---|---|
| Common Shares, par value $0.125 per share | CLF | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (Section 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (Section 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 2.02. Results of Operations and Financial Condition.**

On October 23, 2019, Cleveland-Cliffs Inc. (the "Company") issued a news release announcing the third-quarter financial results for the quarter ended September 30, 2019. A copy of the news release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information contained in this Current Report on Form 8-K, including the exhibit attached hereto, is being furnished and shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, unless such subsequent filing specifically references this Form 8-K.

**Item 9.01. Financial Statements and Exhibits.**

(d) **Exhibits.**

| **Exhibit Number** | **Description** |
|---|---|
| 99.1 | Cleveland-Cliffs Inc. published a news release on October 23, 2019 captioned, “Cleveland-Cliffs Inc. Reports Third-Quarter 2019 Results” |
| 101 | Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document. |
| 104 | The cover page from this Current Report on Form 8-K, formatted as Inline XBRL. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CLEVELAND-CLIFFS INC.

| | | | |
|---|---|---|---|
| Date: October 23, 2019 | By: | /s/ James D. Graham |
| | Name: | James D. Graham |
| | Title: | Executive Vice President, Chief Legal Officer & Secretary |

CLIFFS
CLEVELAND-CLIFFS INC.

## *NEWS RELEASE*

### Cleveland-Cliffs Inc. Reports Third-Quarter 2019 Results

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

**CLEVELAND—October 23, 2019—**Cleveland-Cliffs Inc. **(NYSE: CLF)** today reported third-quarter results for the period ended September 30, 2019.

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

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

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

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

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

**Mining and Pelletizing**

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

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

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

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

**Outlook**

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

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

**Mining and Pelletizing Outlook** (Long Tons)

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

The 2019 sales volume expectation was revised to 19.5 million long tons, driven by seaborne export economics and timing. Cliffs' full-year 2019 Mining and Pelletizing cash cost of goods sold rate[2] expectation is maintained at \$62 to \$67 per long ton.

**Other Outlook**

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

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

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

**Conference Call Information**

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

**About Cleveland-Cliffs Inc.**

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

**Forward-Looking Statements**

This report contains statements that constitute "forward-looking statements" within the meaning of the federal securities laws. As a general matter, forward-looking statements relate to anticipated trends and expectations rather than historical matters. Forward-looking statements are subject to uncertainties and factors relating to our operations and business environment that are difficult to predict and may be beyond our control. Such uncertainties and factors may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These statements speak only as of the date of this report, and we undertake no ongoing obligation, other than that imposed by law, to update these statements. Uncertainties and risk factors that could affect our future performance and cause results to differ from the forward-looking statements in this report include, but are not limited to: uncertainty and weaknesses in global economic conditions, including downward pressure on prices caused by oversupply or imported products, reduced market demand and risks related to U.S. government actions with respect to Section 232 of the Trade Expansion Act (as amended by the Trade Act of 1974), the United States-Mexico-Canada Agreement and/or other trade agreements, treaties or policies; continued volatility of iron ore and steel prices and other trends, which may impact the price-adjustment calculations under our sales contracts; our ability to successfully diversify our product mix and add new customers beyond our traditional blast furnace clientele; our ability to cost-effectively achieve planned production rates or levels, including at our HBI plant; our ability to successfully identify and consummate any strategic investments or development projects, including our HBI plant; the impact of our customers reducing their steel production due to increased market share of steel produced using other methods or lighter-weight steel alternatives; our actual economic iron ore reserves or reductions in current mineral estimates, including whether any mineralized material qualifies as a reserve; the outcome of any contractual disputes with our customers, joint venture partners or significant energy, material or service providers or any other litigation or arbitration; problems or uncertainties with sales volume or mix, productivity, tons mined, transportation, mine closure obligations, environmental liabilities, employee-benefit costs and other risks of the mining industry; impacts of existing and increasing governmental regulation and related costs and liabilities, including failure to receive or maintain required operating and environmental permits, approvals, modifications or other authorization of, or from, any governmental or regulatory entity and costs related to implementing improvements to ensure compliance with regulatory changes; our ability to maintain adequate liquidity, our level of indebtedness and the availability of capital could limit cash flow available to fund working capital, planned capital expenditures, acquisitions and other general corporate purposes or ongoing needs of our business; our ability to continue to pay cash dividends, and the amount and timing of any cash dividends; our ability to maintain appropriate relations with unions and employees; the ability of our customers, joint venture partners and third party service providers to meet their obligations to us on a timely basis or at all; events or circumstances that could impair or adversely impact the viability of a mine or production plant and the carrying value of associated assets, as well as any resulting impairment charges; uncertainties associated with natural disasters, weather conditions, unanticipated geological conditions, supply or price of energy, equipment failures and other unexpected events; adverse changes in interest rates and tax laws; and the potential existence of significant deficiencies or material weakness in our internal control over financial reporting.

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

SOURCE: Cleveland-Cliffs Inc.

**MEDIA CONTACT:**

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Director, Corporate Communications
(216) 694-5316

**INVESTOR CONTACT:**

Paul Finan
Director, Investor Relations
(216) 694-6544

FINANCIAL TABLES FOLLOW

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

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

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

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

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

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

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

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

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

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

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

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