CLEVELAND-CLIFFS INC.
Form 10-K
February 08, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 1-8944
CLEVELAND-CLIFFS INC.
(Exact name of registrant as specified in its charter)

Ohio	34-1464672
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
200 Public Square, Suite 3300, Cleveland, Ohio	44114-2315
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (216) 694-5700
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, par value $0.125 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: NONE
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

As of June 29, 2018, the aggregate market value of the voting and non-voting common shares held by non-affiliates of the registrant, based on the closing price of $8.43 per share as reported on the New York Stock Exchange — Composite Index, was $2,487,099,883 (excluded from this figure are the voting shares beneficially owned by the registrant's officers and directors).

The number of shares outstanding of the registrant's common shares, par value $0.125 per share, was 292,607,474 as of February 5, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for its 2019 annual meeting of shareholders are incorporated by reference into Part III.

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DEFINITIONS

The following abbreviations or acronyms are used in the text. References in this report to the “Company,” “we,” “us,” “our” and “Cliffs” are to Cleveland-Cliffs Inc. and subsidiaries, collectively. References to “A$” or “AUD” refer to Australian currency, “C$” to Canadian currency and “$” to United States currency.

Abbreviation or acronym	Term
A&R 2015 Equity Plan	Cliffs Natural Resources Inc. Amended and Restated 2015 Equity and Incentive Compensation Plan
ABL Facility	Amended and Restated Syndicated Facility Agreement by and among Bank of America, N.A., as Administrative Agent and Australian Security Trustee, the Lenders that are parties hereto, as the Lenders, Cleveland-Cliffs Inc., as Parent and a Borrower, and the Subsidiaries of Parent party hereto, as Borrowers dated as of March 30, 2015, and Amended and Restated as of February 28, 2018
Adjusted EBITDA	EBITDA excluding certain items such as extinguishment/restructuring of debt, impacts of discontinued operations, foreign currency exchange remeasurement, impairment of other long-lived assets and intersegment corporate allocations of SG&A costs
AG	Autogenous Grinding
AK Steel	AK Steel Corporation (including its facilities in Ashland, Kentucky, Middletown, Ohio and Dearborn, Michigan)
Algoma	Algoma Steel Inc. (previously, Essar Steel Algoma Inc.)
Amended 2015 Equity Plan	Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan, as amended
APBO	Accumulated Postretirement Benefit Obligation
ArcelorMittal	ArcelorMittal (as the parent company of ArcelorMittal Mines Canada, ArcelorMittal USA and ArcelorMittal Dofasco GP, as well as, many other subsidiaries)
ArcelorMittal USA	ArcelorMittal USA LLC (including many of its United States affiliates, subsidiaries and representatives. References to ArcelorMittal USA comprise all such relationships unless a specific ArcelorMittal USA entity is referenced)
ALJ	Administrative Law Judge
AMT	Alternative Minimum Tax
ASC	Accounting Standards Codification
ASU	Accounting Standards Updates
Atlantic Basin pellet premium	Platts Atlantic Blast Furnace 65% Fe pellet premium
Bloom Lake	The Bloom Lake Iron Ore Mine Limited Partnership
Bloom Lake Group	Bloom Lake General Partner Limited and certain of its affiliates, including Cliffs Quebec Iron Mining ULC
BNSF	Burlington Northern Santa Fe, LLC
Canadian Entities	Bloom Lake Group, Wabush Group and certain other wholly-owned subsidiaries
CCAA	Companies' Creditors Arrangement Act (Canada)
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CFR	Cost and freight
CLCC	Cliffs Logan County Coal LLC
Clean Water Act	Federal Water Pollution Control Act
CN	Canadian National Railway Company
CO_2	Carbon Dioxide
Compensation Committee	Compensation and Organization Committee of the Board of Directors

CPP	Clean Power Plan
Directors' Plan	Cliffs Natural Resources Inc. Amended and Restated 2014 Nonemployee Directors' Compensation Plan
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
DR-grade	Direct Reduction-grade
EAF	Electric Arc Furnace
EBITDA	Earnings before interest, taxes, depreciation and amortization
Empire	Empire Iron Mining Partnership
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
ERM	Enterprise Risk Management
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
Fe	Iron
FERC	Federal Energy Regulatory Commission
FeT	Total Iron
FIP	Federal Implementation Plan
FMSH Act	U.S. Federal Mine Safety and Health Act 1977, as amended

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Abbreviation or acronym	Term
GAAP	Accounting principles generally accepted in the United States
GHG	Greenhouse gas
HBI	Hot Briquetted Iron
Hibbing	Hibbing Taconite Company, an unincorporated joint venture
IRC	Internal Revenue Code
IRS	Internal Revenue Service
Koolyanobbing	Collective term for the operating deposits at Koolyanobbing, Mount Jackson and Windarling
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
Long ton	2,240 pounds
LS&I	Lake Superior & Ishpeming Railroad Company
LTVSMC	LTV Steel Mining Company
Metric ton	2,205 pounds
MMBtu	Million British Thermal Units
MPCA	Minnesota Pollution Control Agency
MPSC	Michigan Public Service Commission
MPUC	Minnesota Public Utilities Commission
MSHA	U.S. Mine Safety and Health Administration
Monitor	FTI Consulting Canada Inc.
NAAQS	National Ambient Air Quality Standards
Net ton	2,000 pounds
NO_2	Nitrogen dioxide
NO_x	Nitrogen oxide
Northshore	Northshore Mining Company
NPDES	National Pollutant Discharge Elimination System, authorized by the U.S. Clean Water Act
NYSE	New York Stock Exchange
OPEB	Other postretirement employment benefits
OPEB cap	Medical premium maximums
PBO	Projected benefit obligation
Pinnacle	Pinnacle Mining Company, LLC
Platts 62% Price	Platts IODEX 62% Fe Fines CFR North China
Preferred Share	7.00% Series A Mandatory Convertible Preferred Stock, Class A, without par value
S&P	Standard & Poor's Rating Services, a division of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and its successors
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative
Securities Act	Securities Act of 1933, as amended
Seneca	Seneca Coal Resources, LLC
Silver Bay Power	Silver Bay Power Company
SIP	State Implementation Plan
SO_2	Sulfur dioxide
STRIPS	Separate Trading of Registered Interest and Principal of Securities
Tilden	Tilden Mining Company L.C.
TMDL	Total Maximum Daily Load
Topic 606	ASC Topic 606, Revenue from Contracts with Customers
Topic 815	ASC Topic 815, Derivatives and Hedging
TRIR	Total Recordable Incident Rate

TSR	Total Shareholder Return
United Taconite	United Taconite LLC
U.S.	United States of America
U.S. Steel	U.S. Steel Corporation and all subsidiaries
USW	United Steelworkers
VEBA	Voluntary Employee Benefit Association trusts
VWAP	Volume Weighted Average Price

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Abbreviation or acronym	Term
Wabush	Wabush Mines Joint Venture
Wabush Group	Wabush Iron Co. Limited and Wabush Resources Inc., and certain of their affiliates, including Wabush Mines (an unincorporated joint venture of Wabush Iron Co. Limited and Wabush Resources Inc.), Arnaud Railway Company and Wabush Lake Railway Company
WEPC	Wisconsin Electric Power Company
2012 Equity Plan	Cliffs Natural Resources Inc. Amended and Restated 2012 Incentive Equity Plan
2015 Equity Plan	Cliffs Natural Resources Inc. 2015 Equity and Incentive Compensation Plan

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PART I

Item 1. Business

Introduction

Founded in 1847, Cleveland-Cliffs Inc. is the largest and oldest independent iron ore mining company in the United States. We are 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, we expect to be the sole producer of HBI in the Great Lakes region with the development of our first production plant in Toledo, Ohio. Driven by the core values of safety, social, environmental and capital stewardship, our employees endeavor to provide all stakeholders with operating and financial transparency.

In alignment with our strategic goals, we have become a North America-centric business and have updated the names of our operating segments. We are now organized according to our differentiated products. We have two reportable segments – the Mining and Pelletizing segment (formerly known as U.S. Iron Ore) and the Metallics segment.

In our Mining and Pelletizing segment, we currently own or co-own four operational iron ore mines plus one indefinitely idled mine. We are currently operating one iron ore mine in Michigan and three iron ore mines in Minnesota, and all four mines are currently operating at or near full capacity. The Empire mine located in Michigan was indefinitely idled beginning in August 2016. In our Metallics segment, we are currently constructing an HBI production plant in Toledo, Ohio. We expect to complete construction and begin production in 2020.

We are Focused on Protecting our Core Mining and Pelletizing Business

We are the market-leading iron ore producer in the U.S., supplying differentiated iron ore pellets under long-term contracts to major North American blast furnace steel producers. We have the unique advantage of being a low-cost, high-quality, iron ore pellet producer with significant transportation and logistics advantages to serve the Great Lakes steel market effectively. The pricing structure and long-term nature of our existing contracts, along with our low-cost operating profile, position our Mining and Pelletizing segment as a strong cash flow generator in most commodity pricing environments. Since instituting our strategy in 2014 of focusing on this core business, we have achieved significant accomplishments, including providing accelerating profitability growth each year since 2015, maximizing commercial leverage in pricing and securing sales volume certainty by signing multiple new supply agreements with steelmakers throughout the Great Lakes region, improving operating reliability by making operational improvements, realizing more predictability in cash flows, embracing the global push toward environmental stewardship and developing new pellet products to meet ever-evolving market demands.

We recognize the importance of our strong position in the North American blast furnace steel industry, and our top priority is to protect and enhance the market position of our Mining and Pelletizing business. This involves continuing to deliver high-quality, custom-made pellets that allow our customers to remain competitive in the quality, production efficiency, and environmental friendliness of their steel products. Protecting the core business also involves continually evaluating opportunities to expand both our production capacity and ore reserve life. In 2017, we achieved key accomplishments toward these goals by acquiring the remaining minority stake in our Tilden and Empire mines as well as additional real estate interests in Minnesota. In 2018, we began supplying pellets under two new customer supply agreements in the Great Lakes region. In addition, we executed the efficient exit of our Asia Pacific Iron Ore business, officially completing the divestiture of the Company's non-core assets.

Expanding our Customer Base and Product Offering

While we hold a strong market position in supplying iron ore to Great Lakes blast furnaces, we cannot ignore the ongoing shift of steelmaking share in the U.S. away from our core blast furnace customers to EAF steelmakers. Over the past 25 years, the market share of EAFs has nearly doubled. However, as EAFs have moved to higher-value steel products, they require more high-quality iron ore-based metallics instead of lower-grade scrap as raw material feedstock. As a result of this trend, one of our top strategic priorities is to become a critical supplier of the EAF market by providing these specialized metallics. HBI is a specialized high-quality iron alternative to scrap and pig iron that, when used as a feedstock, allows the EAF to produce more valuable grades of steel. In June 2017, we announced the planned construction of an HBI production plant in Toledo, Ohio. Over the past 18 months, we have made significant progress on the construction of this plant. Based on current market analysis, greater-than-expected customer demand and expansion opportunities identified during the construction process, we are increasing the expected productive capacity of the Toledo HBI production plant from 1.6 million to 1.9 million metric tons per year. Accordingly, we now estimate the construction cost to be approximately $830 million, exclusive of construction-related contingencies and

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capitalized interest, which increase partially relates to the expanded capacity. We expect that the HBI production plant, once operational, will consume approximately 2.8 million long tons of our DR-grade pellets per year.

We expect our HBI to partially replace the over 3 million metric tons of ore-based metallics that are imported into the Great Lakes region every year from Russia, Ukraine, Brazil and Venezuela, as well as the nearly 20 million metric tons of scrap used in the Great Lakes area every year. The Toledo site is in close proximity to over 20 EAFs, giving us a natural competitive freight advantage over import competitors. Not only does this production plant create another outlet for our high-margin pellets, but it also presents an attractive economic opportunity for us. As the only producer of DR-grade pellets in the Great Lakes region and with access to abundant, low-cost natural gas, we will be in a unique position to serve clients in the area and grow our customer base.

Segments

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, to decide how to allocate resources and to assess performance. In alignment with our strategic goals, our Company’s continuing operations are organized and managed in two business units according to our differentiated products. The former 'U.S. Iron Ore' segment is now 'Mining and Pelletizing.' In addition, the Toledo HBI business will be categorized under the segment 'Metallics.' Until operational, expenses reported in the Metallics segment will be limited to administrative costs. Each of our business units qualifies as an operating segment with its results regularly reviewed by our chief operating decision maker. Our chief operating decision maker is our Chief Executive Officer. As of December 31, 2018, the Mining and Pelletizing segment and the Metallics segment are both reportable segments in accordance with ASC Topic 280, Segment Reporting.

Financial information about our segments is included in Management's Discussion and Analysis of Financial Condition and Results of Operations and NOTE 3 - SEGMENT REPORTING.

Mining and Pelletizing Segment

We are a major producer of iron ore pellets, primarily selling production from our Mining and Pelletizing segment to integrated steel companies in the U.S. and Canada. We operate four iron ore mines: the Tilden mine in Michigan and the Northshore, United Taconite and Hibbing mines in Minnesota. These mines currently have an annual rated capacity of 27.4 million long tons of iron ore pellet production, representing 55% of total U.S. pellet production capacity. Based on our equity ownership in these mines, our share of the annual rated production capacity is currently 21.2 million long tons, representing 42% of total U.S. annual pellet capacity. The Empire mine located in Michigan, which historically had annual rated capacity of 5.5 million long tons, was indefinitely idled beginning in August 2016. During 2017, we acquired the remaining noncontrolling interest of the Empire and Tilden mines from ArcelorMittal and U.S. Steel, respectively. We are the manager of the Hibbing mine and rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that we produce. In 2018, we tendered our resignation as the mine manager of the Hibbing mine and plan to transition this role to the majority owner in August 2019.

The following chart summarizes the estimated annual pellet production capacity and percentage of total U.S. pellet production capacity for each of the respective iron ore producers as of December 31, 2018:

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U.S. Pellet
Annual Rated Capacity Tonnage

	Current Estimated Capacity (Long Tons in Millions)[1]	Percent of Total U.S. Capacity	
All Cliffs' managed mines	27.4	54.8	%
Other U.S. mines			
U.S. Steel's Minnesota ore operations			
Minnesota Taconite	14.3	28.6	
Keewatin Taconite	5.4	10.8	
Total U.S. Steel	19.7	39.4	
ArcelorMittal USA Minorca mine	2.9	5.8	
Total other U.S. mines	22.6	45.2	
Total U.S. mines	50.0	100.0	%

[1] Empire mine was excluded from the estimated capacity calculation as it is indefinitely idled.

Our Mining and Pelletizing segment production generally is sold pursuant to long-term supply agreements. For the year ended December 31, 2018, we produced a total of 26.3 million long tons of iron ore pellets. The 2018 production included 20.3 million long tons for our account and 6.0 million long tons on behalf of our steel company partners associated with the Hibbing mine. During 2017 and 2016, we produced a total of 25.5 million and 23.4 million long tons, respectively.

We produce various grades of iron ore pellets, including standard, fluxed and DR-grade, for use in our customers' operations as part of the steelmaking process. The variation in grade of iron ore pellets results from the specific chemical and metallurgical properties of the ores at each mine, the requirements of end user's steelmaking process and whether or not fluxstone is added in the process. Although the grade or grades of pellets currently delivered to each customer are based on that customer's preferences, which depend in part on the characteristics of the customer's steelmaking operation, in certain cases our iron ore pellets can be used interchangeably. Standard pellets require less processing, are generally the least costly pellets to produce and are called "standard" because no ground fluxstone, such as limestone or dolomite, is added to the iron ore concentrate before turning the concentrate into pellets. In the case of fluxed pellets, fluxstone is added to the concentrate, which produces pellets that can perform at higher productivity levels in the customer's specific blast furnace and will minimize the amount of fluxstone the customer may be required to add to the blast furnace. DR-grade pellets require additional processing to make a pellet that contains higher iron and lower silica content than a standard pellet. Unlike standard or fluxed pellets, DR-grade pellets are produced to be fed into a direct reduced iron facility, which then are converted into DRI or HBI, a high-quality raw material used in an EAF.

Additionally, as the EAF steel market continues to grow in the U.S., there is an opportunity for our iron ore to serve this market by providing pellets to the alternative metallics market to produce DRI, HBI and/or pig iron. We have produced and shipped industrial trials of low-silica DR-grade pellets, which were successfully processed in two customers' DRI reactors to produce a high-quality DRI product. By 2020, we expect to sell these low-silica DR-grade pellets to our own Metallics business unit, which includes the HBI facility in Toledo, Ohio.

Each of our Mining and Pelletizing segment mines is located near the Great Lakes. The majority of our iron ore pellets are transported via railroads to loading ports for shipment via vessel to blast furnace steelmakers in North America. Upon adoption of ASC 606 on January 1, 2018, the timing and pattern of revenue recognition changed for our Mining and Pelletizing segment. The change in timing of revenue recognition, combined with the normal seasonal closure of the Soo Locks and the Welland Canal during the winter months, influenced our revenues to lower than historical levels during the first quarter and higher than historical levels during the remaining three quarters in 2018. We expect this pattern to continue in future years. However, we expect the total amount of revenue recognized during the year to remain substantially the same as under historical GAAP. During the first quarter, we continue to produce our products, but we cannot ship most of those products via lake vessel until the conditions on the Great Lakes are navigable, which causes our first and second quarter inventory levels to rise. Our limited practice of shipping product to ports on the lower Great Lakes or to customers' facilities prior to the transfer of control has somewhat mitigated the seasonal effect on first and second quarter inventories, as shipment from this point to the customers' operations is not limited by weather-related shipping constraints. As of December 31, 2018, under the new accounting standard, we had finished goods of 0.8 million long tons in transit or stored at the Port of Toledo to service customers, for which revenue had yet to be recognized. As of December 31, 2017, under the previous accounting standard, we had finished goods of 1.5 million long tons stored at ports and customer facilities on the lower Great Lakes to service customers for which revenue had yet to be recognized. Refer to NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES and NOTE 2 - NEW ACCOUNTING STANDARDS for further discussion on revenue recognition.

Mining and Pelletizing Customers

Our Mining and Pelletizing segment revenues primarily are derived from sales of iron ore pellets to the North American integrated steel industry, consisting primarily of three major customers. Generally, we have multi-year supply agreements with our customers. Sales volume under these agreements largely is dependent on customer requirements, and in certain cases, we are the sole supplier of iron ore to the customer. Most agreements contain a base price that is adjusted annually using one or more adjustment factors. Factors that could result in price adjustments under our contracts include changes in the Platts 62% Price, hot-rolled coil steel price, the Atlantic Basin pellet premium, published Platts international indexed freight rates and changes in specified Producer Price Indices, including those for industrial commodities, fuel and steel.

During 2018, 2017 and 2016, we sold 20.6 million, 18.7 million and 18.2 million long tons of iron ore product, respectively, from our share of production from our Mining and Pelletizing segment mines. Refer to Concentration of Customers below for additional information regarding our major customers.

Metallics Segment

In June 2017, we announced the planned construction of an HBI production plant in Toledo, Ohio. HBI is a specialized high-quality iron alternative to scrap that, when used as a feedstock, allows an EAF to produce more valuable grades of steel. We expect our HBI to partially replace the over 3 million metric tons of ore-based metallics that are imported into the Great Lakes region every year from Russia, Ukraine, Brazil and Venezuela, as well as nearly 20 million metric tons of scrap used in the Great Lakes area every year.

Over the past 18 months, we have made significant progress on the construction of this plant. Based on current market analysis, greater-than-expected customer demand and expansion opportunities identified during the construction process, we are increasing the expected productive capacity of the Toledo HBI production plant from 1.6 million to 1.9 million metric tons per year. We expect that the HBI production plant, once operational, will consume approximately 2.8 million long tons of DR-grade pellets per year from our Mining and Pelletizing segment.

Discontinued Operations

Unless otherwise noted, discussion of our business and results of operations in this Annual Report on Form 10-K refers to our continuing operations.

Asia Pacific Iron Ore Operations

During 2018, we sold all of the assets of our Asia Pacific Iron Ore business through a series of sales to third parties. As a result of our planned exit, management determined that our Asia Pacific Iron Ore operating segment met the criteria to be classified as held for sale and a discontinued operation under ASC Topic 205, Presentation of Financial Statements. As such, all current and historical Asia Pacific Iron Ore operating segment results are classified within discontinued operations.

Historically, the Asia Pacific Iron Ore operations served the Asian iron ore markets with direct-shipped fines and lump ore. During 2018, 2017 and 2016, we produced 2.7 million, 10.1 million and 11.8 million metric tons, respectively, from our Asia Pacific Iron Ore operation. During 2018, 2017 and 2016, we sold 3.9 million, 9.8 million and 11.6 million metric tons of iron ore, respectively, from our Asia Pacific Iron Ore operation.

Refer to NOTE 13 - DISCONTINUED OPERATIONS for further discussion of the Asia Pacific Iron Ore segment.

Canadian Operations

During March 2018, we agreed to terms of a plan of compromise or arrangement in the CCAA proceedings with the Bloom Lake Group, the Wabush Group and the Monitor. By order of the Québec Superior Court of Justice (Commercial Division) (the “Court”) dated April 20, 2018, the Bloom Lake Group and the Wabush Group were authorized to file a joint plan of compromise and arrangement dated April 16, 2018 (the “Original Plan”). Following discussions with various stakeholder groups, the Bloom Lake Group and the Wabush Group were authorized by the

Court to amend

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the Original Plan and to file an amended and restated joint plan of compromise and arrangement dated May 16, 2018 (as same may be further amended from time to time, the “Amended Plan”). The Amended Plan was approved by the required majorities of each unsecured creditor class and was sanctioned by the Court by order dated June 29, 2018 (the “Sanction Order”). Further amendments to address the manner in which certain distributions under the Amended Plan would be effected were presented to the Court on July 30, 2018. Finally, on July 31, 2018, the conditions precedent to the implementation of the Amended Plan were satisfied and the Amended Plan was implemented.

Under the terms of the Amended Plan, we and certain of our wholly-owned subsidiaries made a C$19.0 million cash contribution to the Wabush Group pension plans and agreed to contribute into the CCAA estate any remaining distributions or payments we may be entitled to receive as creditors of the Bloom Lake Group and the Wabush Group for distribution to other creditors. The Original Plan did not resolve certain employee claims asserted against us and certain of our affiliates outside of the CCAA proceedings. The Amended Plan resolved these employee claims, all claims by the Bloom Lake Group, the Wabush Group and their respective creditors against us as well as all of our claims against the Bloom Lake Group and the Wabush Group.

Financial results prior to the respective deconsolidations of the Bloom Lake and Wabush Groups and subsequent expenses directly associated with the Canadian Entities are classified within discontinued operations. Refer to NOTE 13 - DISCONTINUED OPERATIONS for further discussion of the Eastern Canadian Iron Ore segment.

Applied Technology, Research and Development

We have been a leader in iron ore mining and processing technology since inception and have been in operation for over 170 years. We operated some of the first mines on Michigan’s Marquette Iron Range and pioneered early open-pit and underground mining methods. From the first application of electrical power in Michigan’s underground mines to the use of today’s sophisticated computers and global positioning satellite systems, we have been a leader in the application of new technology to the centuries-old business of mineral extraction. Today, our engineering and technical staffs are engaged in full-time technical support of our operations, improvement of existing products and development of new products.

We are also a pioneer in iron ore pelletizing with over 60 years of experience. We are able to produce customized, environmentally friendly pellets to meet each customer’s blast furnace specifications and produce both standard and fluxed pellets. Using our technical expertise and strong market position in the United States to increase our product offering, we have started producing DR-grade pellets. In recent years, we shipped low silica DR-grade pellets, which were successfully processed in multiple DRI reactors to produce a high-quality direct reduced iron product.

With our experienced technical professionals and unsurpassed reputation for our pelletizing technology, we continue to deliver a world-class quality product to our customers. We are a pioneer in the development of emerging reduction technologies, a leader in the extraction of value from challenging resources and a front-runner in the implementation of safe and sustainable technology. Our technical experts are dedicated to excellence and deliver superior technical solutions tailored to our customer base. We are also devoted to promoting environmental sustainability in our industry, primarily evidenced with the development of our HBI facility in Toledo, Ohio. Similar to the market shift to pellets over 60 years ago, we recognize the need to serve the growing EAF market and the need for less pollutive methods of steelmaking. We expect our introduction of HBI to the Great Lakes EAF market will be notable in the evolution of the steel industry.

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Concentration of Customers

In 2018 and 2017, three customers individually accounted for more than 10% of our consolidated product revenue and in 2016, two customers individually accounted for more than 10% of our consolidated product revenue. Product revenue from those customers totaled $2.1 billion, $1.5 billion and $1.1 billion of our total consolidated product revenue in 2018, 2017 and 2016, respectively. The following represents sales revenue attributable to each of these customers as a percentage of total product sales for those years:

	Percentage Product Revenue		
Customer	2018	2017	2016
ArcelorMittal[1]	57%	48%	51%
AK Steel	25%	29%	27%
Algoma[2]	13%	11%	5%

[1] Includes subsidiaries.
[2] On October 5, 2015, we terminated the long-term agreement with Algoma; however, we entered into certain short-term contracts with Algoma throughout 2016. On May 16, 2016, we reinstated our agreement with Algoma, which took effect in January 2017.

ArcelorMittal

Historically, and still today, our pellet supply agreements with ArcelorMittal USA were based on customer requirements, except for the Indiana Harbor East facility, which is based on customer contract obligations. The legacy agreements with ArcelorMittal USA expired at the end of December 2016 and January 2017. The parties executed a new long-term agreement, which became effective October 31, 2016, for the sale and delivery of ArcelorMittal USA's annual tonnage requirements that fall within a specific range of volume. This latest agreement expires at the end of December 2026. Additionally, in 2018 we entered into an agreement with ArcelorMittal Dofasco to sell and deliver a portion of its annual pellet consumption requirements.

ArcelorMittal USA is a 62.3% equity participant in Hibbing. During 2017, we acquired the 21% ownership interest of ArcelorMittal USA in Empire as part of an agreement to distribute the noncontrolling interest net assets of the mine. In 2018, 2017 and 2016, our Mining and Pelletizing segment pellet sales to ArcelorMittal were 10.1 million, 8.4 million and 9.7 million long tons, respectively.

AK Steel

In August 2013, we entered into a new agreement with AK Steel to provide iron ore pellets to AK Steel for use in its Middletown, Ohio and Ashland, Kentucky blast furnace facilities. This contract includes minimum and maximum tonnage requirements for each year between 2014 and 2023. In 2018, through contract amendments, we added tonnage with AK Steel above the maximum tonnage requirements specific to the 2018 contract year.

In 2015, we entered into an amended and restated agreement with AK Steel after it acquired Severstal Dearborn, LLC, under which we supply all of the Dearborn, Michigan facility’s blast furnace pellet requirements through 2022, subject to specified minimum and maximum requirements in certain years.

In 2018, 2017 and 2016, our Mining and Pelletizing segment pellet sales to AK Steel were 5.8 million, 5.6 million and 4.5 million long tons, respectively.

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Algoma

Algoma is a Canadian steelmaker whose common shares were owned by Essar Steel Holdings Limited. Essar Steel Algoma Inc. initiated CCAA proceedings in 2016. In November 2018, substantially all of the assets of Essar Steel Algoma Inc. were acquired by the emerging company, Algoma Steel Inc. We had a long-term supply agreement under which we were Algoma's sole supplier of iron ore pellets through the end of 2016, and would continue to provide a portion of its pellet needs through 2024. Under the terms of a 2016 settlement reinstatement agreement approved by the CCAA court, Algoma agreed to assume the long-term supply agreement. Additionally, Algoma entered into agreements with us wherein we sell additional incremental tonnage that equates to Algoma's 2016 through 2020 annual iron ore pellet consumption. These agreements began in 2016, 2017 and 2018 and run through December 2020. Algoma assumed these contracts in the CCAA proceedings at the completion of the sale of assets forming the new entity.

In 2018, 2017 and 2016, our Mining and Pelletizing segment pellet sales to Algoma were 3.5 million, 2.5 million and 1.2 million long tons, respectively.

Competition

In our Mining and Pelletizing business segment, we primarily sell our product to steel producers with operations in North America. We compete directly with steel companies that own interests in iron ore mines in the United States and/or Canada, including U.S. Steel, and with major iron ore pellet exporters from Eastern Canada and Brazil.

A number of factors beyond our control affect the markets in which we sell our iron ore. Continued demand for our iron ore and the prices obtained by us primarily depend on the consumption patterns of the steel industry in the U.S., China and elsewhere around the world, as well as the availability, location, cost of transportation and competing prices.

Environment

Our mining activities are subject to various laws and regulations governing the protection of the environment. We conduct our operations in a manner that is protective of public health and the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.

Environmental issues and their management continued to be an important focus at each of our operations throughout 2018. In the construction and operation of our facilities, substantial costs have been and will continue to be incurred to comply with regulatory requirements and avoid undue effect on the environment. Our capital expenditures relating to environmental matters totaled approximately $10 million, $21 million and $15 million, in 2018, 2017 and 2016, respectively. It is estimated that capital expenditures for environmental improvements will total approximately $10 million in 2019, for various water treatment, air quality, dust control, tailings management, selenium management and other miscellaneous environmental projects in our Mining and Pelletizing segment.

Regulatory Developments

Various governmental bodies continually promulgate new or amended laws and regulations that affect us, our customers and our suppliers in many areas, including waste discharge and disposal, the classification of materials and products, air and water discharges and many other environmental, health and safety matters. Although we believe that our environmental policies and practices are sound and do not expect that the application of any current laws, regulations or permits reasonably would be expected to result in a material adverse effect on our business or financial condition, we cannot predict the collective adverse impact of the expanding body of laws and regulations.

Specifically, there are several notable proposed or potential rulemakings or activities that could have a material adverse impact on our facilities in the future depending on their ultimate outcome: Minnesota's potential revisions to the sulfate wild rice water quality standard; evolving water quality standards for selenium and conductivity; scope of the Clean Water Act and the definition of "Waters of the United States"; Minnesota's Mercury TMDL and associated rules governing mercury air emission reductions; Climate Change and GHG Regulation; Regional Haze FIP Rule; NO_2 and SO_2 NAAQS; and increased administrative and legislative initiatives related to financial assurance obligations for CERCLA, mining and reclamation obligations.

Minnesota's Withdrawal of Proposed Amendments to the Sulfate Wild Rice Water Quality Standard

The Minnesota Legislature provided $1.5 million in 2011 for a study to gather additional information about the effects of sulfate and other substances on the growth of wild rice and to support an update to the sulfate wild rice water

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quality standard originally adopted in 1973 by the MPCA. In August 2017, MPCA released proposed amendments of the sulfate water quality standard, which included a proposed sulfate wild rice water quality standard, a proposed list of waters where the standard would apply, and criteria for adding waters to that list. In January 2018, the proposed rule was substantially disapproved by an ALJ. The MPCA filed a request for reconsideration after changes were made to the proposed rule and it was disapproved again in April 2018. That same month the MPCA formally withdrew the proposed rule. Following two vetoed sulfate wild rice water quality standard-related bills, the Minnesota Governor established a Wild Rice Task Force by Executive Order in May 2018 that is charged with providing recommendations to the Governor's Office on wild rice restoration and regulation. Currently, the water quality standard that has not been enforced in decades remains; and may be unenforceable because the water bodies to which the existing standard applies have never been identified specifically in rule, nor are there criteria for identifying them. For these reasons, the impact of the proposed wild rice water quality standard to us is not estimable at this time, but it could have an adverse material impact if we are required to significantly reduce sulfate in our discharges.

Conductivity

Conductivity, the measurement of water's ability to conduct electricity, is a surrogate parameter that generally increases as the amount of dissolved minerals in water increases. In 2011, the EPA issued A Field-Based Aquatic Life Benchmark for Conductivity in Central Appalachian Streams, which established a recommended conductivity benchmark of 300 µS/cm for the region. The issuance of a benchmark outside of the established rulemaking process was subsequently the subject of litigation in 2012 where the court ruled the benchmark is nothing more than a non-binding suggestion. Three years later in Ohio Valley Environmental Coalition, et al. v. Elk Run Coal Co., et al., 3:12-cv-00785 (S.D. W. Va.), a judicial decision held that levels of conductivity higher than the EPA's benchmark constituted a violation of the state's narrative water quality standards, and were unsupported by science and contrary to decisions previously made by the West Virginia Department of Environmental Protection and the West Virginia Supreme Court. In 2015, a group filed a petition with EPA Region 5 alleging that Minnesota was failing to implement properly the state NPDES program, and one of the various allegations asserted that MPCA should be assessing compliance with the state's narrative water quality standard against the EPA's conductivity benchmark for the Central Appalachian region. In December 2015, the EPA provided MPCA a draft of the Protocol for Responding to Issues Related to Permitting and Enforcement which indicated that EPA staff would review available scientific basis in peer-reviewed literature as well as promulgated standards. In February 2016, EPA's Office of Research and Development endorsed use of the Field-Based Conductivity Benchmark in northeast Minnesota indicating that a value of 320 µS/cm was appropriate to protect aquatic life. In December 2016, EPA issued a notice soliciting public comments on its draft document, Field-Based Methods for Developing Aquatic Life Criteria for Specific Conductivity. According to EPA, once this document is final, states and authorized tribes located in any region of the country may use the methods to develop field-based specific conductivity criteria for adoption into water quality standards. In April 2017, comments were submitted by our trade associations providing objective evidence indicating the draft methodology was scientifically flawed and unfit for promulgation. Adoption of this methodology is not certain due to significant concerns with respect to the scientific validity of the proposed method, which is now under intense review by scientists working for various trade associations. Because the outcome of the Region 5 Petition is uncertain and the proposed Field-Based Methods for Developing Aquatic Life Criteria for Specific Conductivity is only draft guidance at this time, the exact nature and certainty of the potential risk to us cannot be predicted; however, direct application of the 320 µS/cm benchmark to our Minnesota-based assets may have a material adverse impact if the conductivity benchmark is applied to our NPDES permits.

Definition of "Waters of the United States" Under the Clean Water Act

In June 2015, the EPA and Army Corps of Engineers promulgated the rule, "Definition of 'Waters of the United States' Under the Clean Water Act," which attempted to add clarity to which waters are jurisdictional under the federal Clean Water Act; and applied to all Clean Water Act programs, including certain permitting programs, spill prevention programs and a state certification process. It has remained unclear how the federal and state agencies will implement and enforce this final rule, and the rule has been stayed in several states. The regulation may expand EPA's authority under the Clean Water Act to many traditionally unregulated mine features such as mine pits, pit lakes, on-site ditches, water retention structures, and tailings basins creating a new burden on our facilities. This could be further interpreted to add questionable regulatory authority over the groundwater connections between these features and nearby traditionally navigable waters.

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The “Executive Order on Restoring the Rule of Law, Federalism, and Economic Growth by Reviewing the ‘Waters of the United States’ Rule” ("Executive Order") was signed by the President in February 2017. This Executive Order instructs EPA and the Army Corps of Engineers to review the Clean Water Rule and “publish for notice and comment a proposed rule rescinding or revising the rule.” Accordingly, EPA and Army Corps of Engineers signed in December 2018 a proposed Revised Definition of "Waters of the United States" rule. The proposed rule will have a sixty-day comment period after publication in the Federal Register. The rule as proposed is not expected to have a material negative impact to our business. We are actively participating in the rulemaking and will continue assessing the potential impacts to our operations.

Selenium Discharge Regulation

In Michigan, Empire and Tilden have implemented compliance plans to manage selenium according to the permit conditions. Empire and Tilden submitted the first permit-required Selenium Storm Water Management Plan to the Michigan Department of Environmental Quality ("MDEQ") in December 2011 and have updated it annually as required. The Selenium Storm Water Management Plans have outlined the activities that have been undertaken to address selenium in storm water discharges from our Michigan operations including an assessment of potential impacts to surface and groundwater. The remaining infrastructure needed for implementation of the storm water collection and conveyance system will likely be completed in 2020. A storm water treatment system for both facilities is anticipated sometime before 2028. As of December 31, 2018, included within our Empire asset retirement obligation is a discounted liability of approximately $85 million, which includes the estimated costs associated with the construction of Empire's portion of the required infrastructure and expected future operating costs of the treatment facilities. Additionally, included within our Tilden future capital plan is approximately $25 million for the construction of Tilden's portion of the required infrastructure. We are continuing to assess and develop cost effective and sustainable treatment technologies.

In July 2016, the EPA published new selenium fish tissue limits and lower lentic and lotic water column concentration criteria, which may someday increase the cost for treatment should MDEQ adopt these new standards in lieu of the existing limits established under the Great Lakes Initiative. Accordingly, we cannot reasonably estimate the timing or long-term impact of the water quality criteria to our business.

Mercury TMDL and Minnesota Taconite Mercury Reduction Strategy

Since the 1990’s the taconite industry has voluntarily reduced and removed mercury products and supported development of mercury emission reduction technology. While TMDL regulations are contained in the Clean Water Act, Minnesota developed in 2007 a Statewide Mercury TMDL which set an objective for 93% mercury air emission reductions from 1990 levels for sources within Minnesota. The State of Minnesota has acknowledged that approximately 90% of the mercury entering the state’s airshed is from other national and international sources.

In September 2014, Minnesota promulgated the Mercury Air Emissions Reporting and Reduction Rules mandating mercury air emissions reporting and reductions from certain sources, including taconite facilities. The rule is applicable to all of our Minnesota operations and required submittal of a Mercury Reduction Plan to the MPCA by the end of 2018 with plan implementation requirements becoming effective on January 1, 2025. In the Mercury Reduction Plan, facilities must evaluate if available control technologies can technically achieve a 72% mercury reduction rate. If available control technologies cannot technically achieve a 72% mercury reduction rate, the facilities must propose alternative mercury reduction measures. One of the main tenets agreed upon for evaluating potential mercury reduction technologies during TMDL implementation and 2014 rule development proceedings was that the selected technology must meet the following “Adaptive Management Criteria”: the technology must be technically feasible; must be economically feasible; must not impact pellet quality; and must not cause excessive corrosion in the indurating furnaces or air pollution control equipment. The Mercury Reduction Plans for Cliffs’ Minnesota facilities were submitted to the MPCA in December 2018 and are currently being reviewed by the MPCA.

There is currently no proven technology to cost effectively reduce mercury emissions from taconite furnaces to the target level of 72% while satisfying all four Adaptive Management Criteria. The Mercury Reduction Plans that were submitted to MPCA include documentation that describes the results of detailed engineering analysis and research testing on potential technologies to support this determination. The results of this analysis will guide further dialogue with the MPCA. Potential impacts to us are not estimable at this time because the submitted Mercury Reduction Plans are currently being reviewed by MPCA.

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Climate Change and GHG Regulation

With the complexities and uncertainties associated with the U.S. and global navigation of the climate change issue as a whole, one of our potentially significant risks for the future is mandatory carbon pricing obligations. Policymakers are in the design process of carbon regulation at the state, regional, national and international levels. The current regulatory patchwork of carbon compliance schemes presents a challenge for multi-facility entities to identify their near-term risks. Amplifying the uncertainty, the dynamic forward outlook for carbon pricing obligations presents a challenge to large industrial companies to assess the long-term net impacts of carbon compliance costs on their operations. Our exposure on this issue includes both the direct and indirect financial risks associated with the regulation of GHG emissions, as well as potential physical risks associated with climate change adaption. We are continuing to review the physical risks related to climate change utilizing our formal ERM process. As an energy-intensive business, our GHG emissions inventory includes a broad range of emissions sources, such as iron ore furnaces and kilns, diesel mining equipment and our wholly owned Silver Bay power generation plant, among others. As such, our most significant regulatory risks are: (1) the costs associated with on-site emissions levels (direct impacts), and (2) indirect costs passed through to us from electrical and fuel suppliers (indirect impacts).

Internationally, mechanisms to reduce emissions are being implemented in various countries, with differing designs and stringency, according to resources, economic structure and politics. We expect that momentum to extend carbon regulation will continue with implementation of the Paris climate agreement that was adopted in 2015, the aim of which is to keep the increase in global average temperature to below two degrees Celsius. Continued political attention to issues concerning climate change, the role of human activity in it and potential mitigation through regulation may have a material impact on our customer base, operations and financial results in the future.

In the U.S., future federal and/or state carbon regulation potentially presents a significantly greater impact to our operations. To date, the U.S. Congress has not legislated carbon constraints. In the absence of comprehensive federal carbon legislation, numerous state, regional, and federal regulatory initiatives are under development or are becoming effective, thereby creating a disjointed approach to GHG control and potential carbon pricing impacts. In May 2010, the EPA promulgated the GHG Tailoring Rule establishing a mechanism for regulating GHG emissions from facilities through the Prevention of Significant Deterioration permitting program under the Clean Air Act. Under the GHG Tailoring Rule, as modified by a 2014 U.S. Supreme Court decision upholding some components of the rule, new projects that increase GHG emissions by a significant amount (generally more than 75,000 long tons of CO_2 emissions per year) and significantly increase emissions of at least one non-GHG criteria pollutant are subject to the Prevention of Significant Deterioration requirements, including the installation of best available control technology. We do not expect the Tailoring Rule provision to have a material adverse effect on our business in the near term and we cannot reliably estimate the long-term impact of the regulation.

In June 2013, President Obama issued a memorandum directing EPA to develop carbon emission standards for both new and existing power plants under the Clean Air Act's New Source Performance Standards ("NSPS"). In October 2015, EPA promulgated a CPP which consists of NSPS regulating carbon dioxide from existing power plants at a level of approximately 32% below 2005 levels by 2030. The CPP would not regulate combined heat and power generating facilities such as at Northshore's Silver Bay Power. The CPP directed states to submit SIPs to EPA by September 2016, but during February 2016, the U.S. Supreme Court stayed the CPP immediately halting implementation. In March 2017, President Trump signed the Energy Independence Executive Order which called for, among other things, a review of the CPP and, if appropriate, reconsideration proceedings to suspend, revise, or rescind the rule. On the same day, Administrator Pruitt signed a notice indicating EPA’s intent to review and, if appropriate, to propose to revise or rescind the CPP. The U.S. Court of Appeals for the D.C. Circuit has been holding CPP litigation in abeyance since April 2017. During October 2017, following a review as directed by President Trump’s Energy Independence Executive Order, the EPA proposed a rule to repeal the CPP and accepted comments on the proposed rule until mid-January 2018. The ultimate outcome of these carbon emission standards is not expected in the near term.

Due to the EPA's Tailoring Rule and potential patchwork state or regional carbon restriction schemes, our business and customer base could suffer negative financial impacts over time as a result of increased energy, environmental and other costs to comply with the limitations that would be imposed on GHG emissions. We believe our exposure can be reduced substantially by numerous factors, including currently contemplated regulatory flexibility mechanisms, such as allowance allocations, fixed process emissions exemptions, offsets and international provisions; emissions reduction opportunities, including energy efficiency, biofuels and fuel flexibility; and business opportunities associated with pursuing combined heat and power partnerships and new products, including DR-grade pellets, fluxed pellets and other efficiency-improving technologies.

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We have worked proactively to develop a comprehensive, enterprise-wide GHG management strategy aimed at considering all significant aspects associated with GHG initiatives to plan effectively for and manage climate change issues, including risks and opportunities as they relate to the environment; stakeholders, including shareholders and the public; legislative and regulatory developments; operations; products and markets.

Regional Haze FIP Rule

In June 2005, the EPA finalized amendments to its regional haze rules. The rules require states to establish goals and emission reduction strategies for improving visibility in all Class I national parks and wilderness areas to natural background levels by 2064. Among the states with Class I areas are Michigan and Minnesota, in which we currently own and manage mining operations. The first phase of the regional haze rule required analysis and installation of Best Available Retrofit Technology ("BART") on eligible emission sources and incorporation of BART and associated emission limits into SIPs.

EPA disapproved Minnesota's and Michigan's SIPs for taconite furnaces and instead promulgated a Taconite Regional Haze FIP in February 2013. We, along with other stakeholders, petitioned the Eighth Circuit Court of Appeals for a review of the FIP, and in May 2013, we filed a joint motion for stay of the 2013 FIP, which was granted in June 2013. We, along with the other stakeholders, reached a settlement agreement with EPA to resolve certain items in the 2013 FIP. The settlement agreement, which was published in the Federal Register in January 2015 and fully executed in April 2015, prompted EPA to grant partial reconsideration of the 2013 FIP in July 2015. Subsequently, EPA published a FIP revision final rule to implement components of the settlement agreement in April 2016, with an effective date of May 12, 2016. We believe the 2016 Regional Haze FIP reflects progress toward a more technically and economically feasible regional haze implementation plan. In November 2016, the Eighth Circuit Court of Appeals terminated the June 2013 stay and extended the deadlines in the original 2013 FIP. Cost estimates associated with implementation of the 2013 and 2016 FIPs are reflected in our five-year capital plan.

Due to inconsistencies in language describing the procedures for calculating NO_x emission limits between the settlement agreement and the 2016 FIP final rule, we jointly filed a Petition for Reconsideration and Petition for Judicial Review in June 2016. We have been working toward a settlement agreement with EPA to resolve the outstanding issue with the emission limit calculation method and anticipate resolution of the issue in 2019. The outcome of this proceeding is not expected to have a material adverse impact to the business.

NO_2 and SO_2 NAAQS

During the first half of 2010, EPA promulgated rules that required each state to use a combination of air quality monitoring and computer modeling to determine each state's attainment classification status against new one-hour NO_2 and SO_2 NAAQS. During the third quarter of 2011, the EPA issued guidance to the regulated community on conducting refined air quality dispersion modeling and implementing the new NO_2 and SO_2 standards. In 2012, Minnesota issued Administrative Orders ("AOs") requiring taconite facilities to conduct modeling to demonstrate compliance with the NO_2 and SO_2 NAAQS pursuant to the Taconite Regional Haze SIP Long Term Strategy ("LTS"). Compliance with the LTS modeling demonstrations was originally set for June 2017, but Minnesota has not advanced work on its 2012 AOs and is expected to remove NAAQS modeling obligations under the LTS in light of reduction in haze emissions associated with implementation of the taconite Regional Haze FIP regulations.

All of our operations in Minnesota and Michigan are expected to be in attainment for NO_2 and SO_2 NAAQS without incurring additional capital investment. While we will continue to monitor these developments and assess potential impacts, we do not anticipate further capital investments will be necessary to address NO_2 and SO_2 NAAQS requirements at this time.

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CERCLA 108(b)

In December 2016, EPA published a proposed amendment to CERCLA section 108(b) which is focused on developing financial assurance for managing hazardous substances in the hardrock mining industry. EPA had a court-mandated deadline for publication of the final rule by December 1, 2017. The proposed rule would have required hardrock mining facilities to calculate their level of financial responsibility based on a formula included in the rule, secure an instrument or otherwise self-insure for the calculated amount, demonstrate to EPA the proof of the security, and maintain the security until EPA releases facilities from the CERCLA 108(b) regulations. The iron mining industry notified EPA of several errors upon which EPA drafted the rule, including a mistaken reliance on reporting data from a wholly different industry sector (iron and steel toxic release inventory reporting). We also participated in developing industry specific and national trade association comments and advocating directly with EPA and the White House Office of Management & Budget to address this and other errors with goals of exempting iron ore mining from CERCLA 108(b) applicability and correcting other deficiencies with the proposed rule. On December 1, 2017 EPA signed a federal register notice of EPA's decision not to issue final regulations for financial responsibility requirements for the hardrock mining industry under section 108(b) of CERCLA because EPA determined that the risks associated with these facilities' operations are addressed by existing federal and state programs and regulations and modern industry practices. In 2018, several environmental groups filed a challenge to EPA's decision to not issue a final rule. This challenge is anticipated to be decided by the courts during 2019. Cliffs is participating as part of the industry intervenor party via representation through the American Iron and Steel Institute and will continue to participate in and monitor the challenge as it proceeds.

Energy

Electricity

WEPC is the sole supplier of electric power to our Tilden mine. During April 2015, the Tilden mine executed a special electricity contract with WEPC. The term of the contract is through 2019. WEPC provides 170 megawatts of electricity to Tilden at special rates that are regulated by the MPSC. The pricing under this contract is generally fixed except Tilden is subject to frequent changes in WEPC's power supply adjustment factor. During August 2016, Tilden executed a new 20-year special contract with WEPC that is anticipated to start on June 1, 2019 and would replace the previous special contract.

Minnesota Power supplies electric power to the Hibbing and United Taconite mines. During September 2008, Hibbing finalized an agreement with terms from November 2008 through December 2015. The agreement was approved by the MPUC in 2009. The terms of the agreement included an automatic five-year extension that began January 2016. The United Taconite mine executed a new ten-year agreement with Minnesota Power that also included Northshore's Babbitt Mine. This agreement was finalized in May 2016 and was approved by the MPUC in November 2016.

Silver Bay Power, a wholly-owned subsidiary with a 115 megawatt power plant, is able to provide the majority of Northshore’s electrical energy requirements. Silver Bay Power has an interconnection agreement with Minnesota Power for backup power when excess generation is necessary. In May 2016, Silver Bay Power entered into an agreement with Minnesota Power to purchase roughly half of Northshore's electricity needs from Minnesota Power through 2019. Beginning January 1, 2020, Silver Bay Power will purchase 100% of the electricity requirements of Northshore from Minnesota Power and Silver Bay Power plans to idle both of its generating units except under certain circumstances.

Process and Diesel Fuel

We have a long-term contract providing for the transport of natural gas on the Northern Natural Gas Pipeline for our Mining and Pelletizing segment operations. Tilden has the capability of burning natural gas, coal or, to a lesser extent, oil. Hibbing and Northshore have the capability to burn natural gas and oil. United Taconite has the ability to burn coal, natural gas and petroleum coke. Consistent with 2018, we expect that during 2019 our Mining and Pelletizing segment operations will utilize both natural gas and coal to heat furnaces and produce power at our Silver Bay Power facility.

All of our mines utilize diesel fuel mainly for our mobile fleet. Thompson Gas supplies diesel fuel to all of our Mining and Pelletizing segment locations from various refineries in the Midwest. Our contracts with Thompson Gas expired at the end of 2018, and the parties are negotiating extensions on these supply agreements.

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Employees

As of December 31, 2018, we had a total of 2,926 employees.

	2018	2017	2016
Mining and Pelletizing segment - Salaried[1]	514	503	485
Mining and Pelletizing segment - Hourly[1,3]	2,208	2,182	2,189
Metallics segment - Salaried	26	6	—
Discontinued Operations - Salaried[2]	2	79	86
Corporate & Support Services - Salaried	176	168	167
Total	2,926	2,938	2,927

[1] Includes our employees and our employees of the joint venture contained within our Mining and Pelletizing segment.
[2] Excludes contracted mining employees.
[3] Excludes employees considered on lay-off status as a result of an indefinite or temporary idle.

Hourly employees at our Michigan and Minnesota iron ore mining operations, excluding Northshore, are represented by the USW and are covered by labor agreements between the USW and our various operating entities. These labor agreements cover approximately 1,800 active USW-represented employees at our Empire and Tilden mines in Michigan, and our United Taconite and Hibbing mines in Minnesota and are valid through September 30, 2022. Employees at our Northshore operations are not represented by a union and are not, therefore, covered by a collective bargaining agreement.

Hourly employees at our LS&I railroads in Michigan are represented by seven unions covering approximately 100 employees. These labor agreements are covered by the Railway Labor Act and are subject to reopening for bargaining in 2020.

Salaried employees at our Mining and Pelletizing segment, Metallics segment, Corporate and Support Services are not represented by a union and are not, therefore, covered by collective bargaining agreements.

Safety

Safety is our primary core value as we continue toward a zero injury culture at all of our facilities. We constantly monitor, measure and track our safety performance and make continuous improvements to affect change. Best practices and incident learnings are shared globally to ensure each mine site can effectively administer our policies and procedures for enhanced workplace safety. Progress toward achieving our objectives is accomplished through a focus on proactive sustainability initiatives, and results are measured against established industry and company benchmarks, including our company-wide Total Reportable Incident Rate ("TRIR"). During 2018, our TRIR (including contractors) was 1.20 per 200,000 man-hours worked.

Refer to Exhibit 95 Mine Safety Disclosures (filed herewith) for mine safety information required in accordance with Section 1503(a) of the Dodd-Frank Act.

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Available Information

Our headquarters are located at 200 Public Square, Suite 3300, Cleveland, Ohio 44114-2315, and our telephone number is (216) 694-5700. We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the SEC.

The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC’s home page at www.sec.gov.

We use our website, www.clevelandcliffs.com, as a channel for routine distribution of important information, including news releases, investor presentations and financial information. We also make available, free of charge on our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file these documents with, or furnish them to, the SEC. In addition, our website allows investors and other interested persons to sign up to receive automatic email alerts when we post news releases and financial information on our website.

We also make available, free of charge on our website, the charters of the Audit Committee, Governance and Nominating Committee and Compensation and Organization Committee as well as the Corporate Governance Guidelines and the Code of Business Conduct and Ethics adopted by our Board of Directors. These documents are available through our investor relations page on our website at www.clevelandcliffs.com. The SEC filings are available by selecting “Financial Information” and then “SEC Filings,” and corporate governance materials are available by selecting “Corporate Governance” for the Board Committee Charters, operational governance guidelines and the Code of Business Conduct and Ethics.

References to our website or the SEC’s website do not constitute incorporation by reference of the information contained on such websites, and such information is not part of this Annual Report on Form 10-K.

Copies of the above-referenced information are also available, free of charge, by calling (216) 694-5700 or upon written request to:

Cleveland-Cliffs Inc.
Investor Relations
200 Public Square, Suite 3300
Cleveland, OH 44114-2315

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EXECUTIVE OFFICERS OF THE REGISTRANT

Following are the names, ages and positions of the executive officers of the Company as of February 8, 2019. Unless otherwise noted, all positions indicated are or were held with Cleveland-Cliffs Inc.

Name	Age	Position(s) Held
Lourenco Goncalves	61	Chairman, President and Chief Executive Officer (August 2014 – present); and Chairman, President and Chief Executive Officer of Metals USA Holdings Corp., an American manufacturer and processor of steel and other metals (May 2006 – April 2013).
Clifford T. Smith	59	Executive Vice President, Chief Operating Officer (January 2019 – present); Executive Vice President, Business Development (April 2015 – December 2018); and Executive Vice President, Seaborne Iron Ore (January 2014 – April 2015).
Terry G. Fedor	54	Executive Vice President, U.S. Iron Ore (January 2014 – present); and Vice President, U.S. Iron Ore Operations (February 2011 – January 2014).
Timothy K. Flanagan	41	Executive Vice President, Chief Financial Officer (January 2017 – present); Treasurer (March 2016 – December 2017); and Vice President, Corporate Controller and Chief Accounting Officer (March 2012 – December 2016).
James D. Graham	53	Executive Vice President (November 2014 – present); Chief Legal Officer (March 2013 – present); Secretary (March 2014 – present); and Vice President (January 2011 – October 2014).
Maurice D. Harapiak	57	Executive Vice President, Human Resources (March 2014 – present); Chief Administration Officer (January 2018 – present); and Regional Director, Human Resources - Barrick Gold of North America, a gold mining company (November 2011 – March 2014).
Terrence R. Mee	49	Executive Vice President, Global Commercial (October 2014 - present); and Vice President, Global Iron Ore Sales (February 2014 – October 2014).
R. Christopher Cebula	48	Vice President, Corporate Controller & Chief Accounting Officer (February 2017 – present); and Senior Director, Corporate Financial Planning & Analysis (April 2013 – February 2017).

All executive officers serve at the pleasure of the Board. There are no arrangements or understandings between any executive officer and any other person pursuant to which an executive officer was selected to be an officer of the Company. There is no family relationship between any of our executive officers, or between any of our executive officers and any of our directors.

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Item 1A. Risk Factors

An investment in our common shares or other securities is subject to risk inherent to our business and our industry. Described below are certain risks and uncertainties, the occurrences of which could have a material adverse effect on us. Before making an investment decision, you should consider carefully all of the risks described below together with the other information included in this report. The risks and uncertainties described below include known material risks that we face currently. Although we have extensive risk management policies, practices and procedures aimed to mitigate these risks, uncertainties may nevertheless impair our business operation. This report is qualified in its entirety by these factors.

Our ERM function provides a framework for management's consideration of risk when making strategic, financial, operational and/or project decisions. The framework is based on ISO 31000, an internationally recognized risk management standard. Management uses a consistent methodology to identify and assess risks, determine and implement risk mitigation actions, and monitor and communicate information about the Company's key risks. Through these processes, we have identified six categories of risk that we are subject to: (I) economic and market, (II) regulatory, (III) financial, (IV) operational, (V) development and sustainability and (VI) human capital. The following risk factors are presented according to these key risk categories.

I. ECONOMIC AND MARKET RISKS

Uncertainty or weaknesses in global economic conditions, reduced economic growth in China and oversupply of iron ore and excess steel or imported products could affect adversely our business.

The world price of iron ore is influenced strongly by global economic conditions, including international demand and supply for iron ore products. In particular, the current level of international demand for raw materials used in steel production is driven largely by industrial growth in China. Uncertainties or weaknesses in global economic conditions, including the slowing economic growth rate in China, has resulted, and could in the future result, in decreased demand for our products and, together with oversupply of imported products, has and may continue to lead to decreased prices, resulting in lower revenue levels and decreasing margins, which have in the past and may in the future affect adversely our business and negatively impact our financial results. We are not able to predict whether the global economic conditions will improve or worsen and the impact it may have on our operations and the industry in general going forward.

The volatility of commodity prices, namely iron ore and steel, affects our ability to generate revenue, maintain stable cash flow and fund our operations, including growth and expansion projects.

As a mining company, our profitability is dependent upon the price of the commodities that we sell to our customers and the price of the products our customers sell, namely iron ore and steel prices. The prices of iron ore and steel have fluctuated significantly in the past and is affected by factors beyond our control, including: steel inventories; changes in the productive capacity of U.S. domestic steel producers; international demand for raw materials used in steel production; rates of global economic growth, especially construction and infrastructure activity that requires significant amounts of steel; changes in the levels of economic activity in the U.S., China, India, Europe and other industrialized or developing countries; changes in China's emissions policies and environmental compliance enforcement practices; uncertainties or weaknesses in global economic conditions such as the U.S. debt ceiling; changes in production capacity of other iron ore suppliers, especially as additional supply comes online or where there is a significant increase in imports of steel into the U.S. or Europe; changes in trade laws; imposition or termination of duties, tariffs, import and export controls and other trade barriers impacting the iron ore markets; weather-related disruptions or natural disasters that may impact the global supply of iron ore; and the proximity, capacity and cost of infrastructure and transportation.

Our earnings, therefore, may fluctuate with the prices of the commodities we sell and of the products our customers sell. To the extent that the prices of iron ore and steel, including the average iron ore pellet premiums and hot-rolled coil steel price, significantly decline for an extended period of time, we may have to revise our operating plans, including curtailing production, reducing operating costs and capital expenditures and discontinuing certain exploration and development programs. We also may have to take impairments on our long-lived assets and/or inventory. Sustained lower prices also could cause us to further reduce existing reserves if certain reserves no longer can be economically mined or processed at prevailing prices. We may be unable to decrease our costs in an amount sufficient to offset reductions in revenues and may incur losses. These events could have a material adverse effect on us.

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If steelmakers use methods other than blast furnace production to produce steel or use other inputs, or if their blast furnaces shut down or otherwise reduce production, the demand for our current iron ore products may decrease.

Demand for our iron ore products in North America is determined by the operating rates for the blast furnaces of steel companies. However, not all finished steel is produced by blast furnaces; finished steel also may be produced by other methods that use scrap steel, pig iron, HBI and direct reduced iron. North American steel producers also can produce steel using imported iron ore, semi-finished steel products or other lighter-weight steel alternatives, which eliminates the need for domestic iron ore. Future environmental restrictions on the use of blast furnaces in North America also may reduce our customers' use of their blast furnaces. Maintenance of blast furnaces may require substantial capital expenditures and may cause prolonged outages, which may reduce demand for our pellets. Our customers may choose not to maintain, or may not have the resources necessary to maintain, their blast furnaces. If our customers use methods to produce steel that do not use iron ore pellets or if environmental or maintenance issues occur, demand for our current iron ore products may decrease, which could affect adversely our sales, margins, profitability and cash flows, which we anticipate will be somewhat mitigated by our production of HBI.

Due to economic conditions and volatility in commodity prices, or otherwise, our customers could approach us about modification of their supply agreements or fail to perform under such agreements, which could impact adversely our sales, margins, profitability and cash flows.

Although we have long-term contractual commitments for a majority of our sales, uncertainty in global economic conditions may impact adversely the ability of our customers to meet their obligations. As a result of such market volatility, our customers could approach us about modifying their supply agreements or fail to perform under such agreements. Considering our limited base of current and potential customers, any modifications to our sales agreements or customers' failures to perform under such agreements could impact adversely our sales, margins, profitability and cash flows. For example, of the potential customers in the North American integrated steel industry, one is in the final stages of reorganization proceedings, and certain others have experienced financial difficulties. A loss of sales to our existing customers could have a substantial negative impact on our sales, margins, profitability and cash flows. Other potential actions by our customers could result in additional contractual disputes and could ultimately require arbitration or litigation, either of which could be time consuming and costly. Any such disputes and/or failure to renew existing contracts on favorable terms could impact adversely our sales, margins, profitability and cash flows.

Capacity expansions and limited rationalization of supply capacity within the mining industry could lead to lower or more volatile global iron ore prices, impacting our profitability.

Global growth of iron ore demand, particularly from China, resulted in iron ore suppliers expanding their production capacity over the past few years. The supply of iron ore increased due to these expansions. In the past, increases in production capacity along with actual reduced demand resulted in excess supply of iron ore and caused downward pressure on prices. A return to supply capacity expansions could lead to pricing pressure which can have an adverse impact on our sales, margins and profitability. We do not have control over corporate strategies implemented by other iron ore producers that may result in volatility of global iron ore prices.

II. REGULATORY RISKS

We are subject to extensive governmental regulation, which imposes, and will continue to impose, potential significant costs and liabilities on us. Future laws and regulations or the manner in which they are interpreted and enforced could increase these costs and liabilities or limit our ability to produce iron ore products.

New laws or regulations, or changes in existing laws or regulations, or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. This includes, among other things, changes in the interpretation of MSHA regulations, such as workplace exam rules or safety around mobile equipment, the possible taxation under U.S. law of certain income from discontinued foreign operations, compliance costs and enforcement under the Dodd-Frank Act, and uncertainty surrounding the Patient Protection and Affordable Care Act and costs associated with the Healthcare and Education Reconciliation Act of 2010 and the regulations promulgated under these Acts and any replacement or amendments thereof. In addition, we are subject to various federal, state and local laws and regulations in each jurisdiction in which we have operations for human health and safety, air quality, water pollution, plant, wetlands, natural resources and wildlife protection, reclamation and restoration of mining properties, the discharge of materials into the environment, the effects that mining has on groundwater quality, conductivity and availability, and related matters. Numerous governmental permits and approvals are required for our operations.

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We cannot be certain that we have been or will be at all times in complete compliance with such laws, regulations, permits and approvals. If we violate or fail to comply with these laws, regulations, permits or approvals, we could be fined or otherwise sanctioned by regulators. Compliance with the complex and extensive laws and regulations to which we are subject imposes substantial costs, which could increase over time because of increased regulatory oversight, adoption of increasingly stringent environmental standards, and increased demand for remediation services leading to shortages of equipment, supplies and labor, as well as other factors.

Specifically, there are several notable proposed or recently enacted rulemakings or activities to which we would be subject or that would further regulate and/or tax our customers, namely the North American integrated steel producer customers, that may also require us or our customers to reduce or otherwise change operations significantly or incur significant additional costs, depending on their ultimate outcome. These emerging or recently enacted rules, regulations and policy guidance include, but are not limited to: trade regulations, such as the United States-Mexico-Canada Agreement and/or other trade agreements, treaties or policies; Minnesota's potential revisions to the sulfate wild rice water quality standard; evolving water quality standards for selenium, and conductivity; scope of the Clean Water Act and the definition of “Waters of the United States”; Minnesota's Mercury TMDL and associated rules governing mercury air emission reductions; Climate Change and GHG Regulation; Regional Haze FIP Rule; NO_2 and SO_2 NAAQS; and increased administrative and legislative initiatives related to financial assurance obligations for CERCLA, mining and reclamation obligations. Such new or more stringent legislation, regulations, interpretations or orders, when enacted and enforced, could have a material adverse effect on our business, results of operations, financial condition or profitability.

Although the numerous regulations, operating permits and our management systems mitigate potential impacts to the environment, our operations inadvertently may impact the environment or cause exposure to hazardous substances, which could result in material liabilities to us.

Our operations currently use and have used in the past, hazardous materials, and, from time to time, we have generated solid and hazardous waste. We have been, and may in the future be, subject to claims under federal, state and local laws and regulations for toxic torts, natural resource damages and other damages as well as for the investigation and clean-up of soil, surface water, sediments, groundwater and other natural resources and reclamation of properties. Such claims for damages and reclamation may arise out of current or former conditions at sites that we own, lease or operate currently, as well as sites that we or our acquired companies have owned, leased or operated, and at contaminated sites that have been owned, leased or operated by our joint venture partners. Our liability for these claims may be strict, and/or joint and several, such that we may be held responsible for more than our share of the contamination or other damages, or even for the entire share regardless of fault. We are subject to a variety of potential liability exposures arising, or otherwise involved in investigation and remediation activities, at certain sites. In addition to sites currently owned, leased or operated, these include sites where we formerly conducted iron ore and/or coal mining or processing or other operations, inactive sites that we currently own, predecessor sites, acquired sites, leased land sites and third-party waste disposal sites. We may be named as a responsible party at other sites in the future and we cannot be certain that the costs associated with these additional sites will not be material.

We also could be subject to litigation for alleged bodily injuries arising from claimed exposure to hazardous substances allegedly used, released, or disposed of by us. In particular, we and certain of our subsidiaries were involved in various claims relating to the exposure of asbestos and silica to seamen who sailed until the mid-1980s on the Great Lakes vessels formerly owned and operated by certain of our subsidiaries. While several hundred of these claims against us had been combined in a multidistrict litigation docket and have since been dismissed and/or settled for non-material amounts, there remains a possibility that similar types of claims could be filed in the future.

Environmental impacts as a result of our operations, including exposures to hazardous substances or wastes associated with our operations, could result in costs and liabilities that could materially and adversely affect our margins, cash flow or profitability.

We may be unable to obtain and/or renew permits necessary for our operations or be required to provide additional financial assurance, which could reduce our production, cash flows, profitability and available liquidity. We also could face significant permit and approval requirements that could delay our commencement or continuation of new or existing production operations which, in turn, could affect materially our profitability and available liquidity.

Prior to commencement of mining, we must submit to and obtain approval from the appropriate regulatory authority of plans showing where and how mining and reclamation operations are to occur. These plans must include information such as the location of mining areas, stockpiles, surface waters, haul roads, tailings basins and drainage from mining operations. All requirements imposed by any such authority may be costly and time-consuming and may delay commencement or continuation of exploration or production operations.

Mining companies must obtain numerous permits that impose strict conditions on various environmental and safety matters in connection with iron ore mining and production. These include permits issued by various federal, state and local agencies and regulatory bodies. The permitting rules are complex and may change over time, making our ability to comply with the applicable requirements more difficult or impractical and costly, possibly precluding the continuance of ongoing operations or the development of future mining operations. Interpretations of rules may also change over time and may lead to requirements, such as additional financial assurance, making it more costly to comply. The public, including special interest groups and individuals, have certain rights under various statutes to comment upon, submit objections to, and otherwise engage in the permitting process, including bringing citizens' lawsuits to challenge such permits or mining activities. Accordingly, required permits may not be issued or renewed in a timely fashion (or at all), or permits issued or renewed may be conditioned in a manner that may restrict our ability to conduct our mining and production activities efficiently, including the requirement for additional financial assurances that we may not be able to provide on commercially reasonable terms or at all and which would further limit our borrowing base under our ABL Facility. Such inefficiencies could reduce our production, cash flows, profitability and available liquidity.

III. FINANCIAL RISKS

A substantial majority of our sales are made under supply agreements with specified duration to a low number of customers that contain price-adjustment clauses that could affect adversely the stability and profitability of our operations.

A majority of our Mining and Pelletizing sales are made under supply agreements with specified durations to a limited number of customers. For the year ended December 31, 2018, approximately 97% of our revenues from product sales and services was derived from the North American integrated steel industry and three customers together accounted for 95% of our Mining and Pelletizing product sales revenues. Our average remaining duration of our Mining and Pelletizing contracts as of December 31, 2018 is approximately six years. Pricing under our customer contracts is adjusted by certain factors including the price of hot-rolled coil steel in the U.S. domestic market, benchmark world prices for iron ore, pellets and freight, and general inflation indices. As a result of this and other pricing constructs contained in our customer contracts and those anticipated in future periods, our financial results have increased sensitivity to changes in iron ore and steel prices.

Our existing and future indebtedness may limit cash flow available to invest in the ongoing needs of our business, which could prevent us from fulfilling our obligations under our senior notes and ABL Facility.

As of December 31, 2018, we had an aggregate principal amount of $2,212.0 million of long-term debt, $400.0 million of which was secured (excluding $55.0 million of outstanding letters of credit and $16.4 million of capital leases), and $823.2 million of cash on our balance sheet. As of December 31, 2018, no loans were drawn under the ABL Facility and we had total availability of $323.7 million as a result of borrowing base limitations. As of December 31, 2018, the principal amount of letters of credit obligations and other commitments totaled $55.0 million, thereby further reducing available borrowing capacity on our ABL Facility to $268.7 million.

Our existing level of indebtedness requires us to dedicate a portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund capital expenditures, acquisitions or strategic development initiatives, and other general corporate purposes. Moreover, our level of indebtedness could have further consequences, including, increasing our vulnerability to adverse economic or industry conditions, limiting our ability to obtain additional financing in the future to enable us to react to changes in our business, or placing us at a competitive disadvantage compared to businesses in our industry that have less indebtedness.

Our indebtedness could limit our ability to obtain additional financing on acceptable terms or at all for working capital, capital expenditures, acquisitions or strategic development initiatives, and general corporate purposes. Our liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors not within our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to refinance all or a portion of our existing debt. Although we were successful in financing our HBI project, we may not be able to obtain any such new or additional debt on favorable terms or at all.

Any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

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We may not be able to generate sufficient cash to service all of our debt, and may be forced to take other actions to satisfy our obligations under our debt, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our ability to generate cash in the future and our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our debt.

We also have significant capital requirements, including interest payments to service our debt. If we incur significant losses in future periods, we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may consider, among other options, restructuring our debt; however, there can be no assurance that these options will be undertaken and, if so undertaken, whether these efforts will succeed.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, including additional secured or unsecured debt, or restructure or refinance our debt. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, making it more difficult to obtain surety bonds, letters of credit or other financing, particularly during periods in which credit markets are weak; causing a change in our credit ratings; limiting our ability to compete with companies that are not as leveraged and that may be better positioned to withstand economic downturns; and limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we compete and general economic and market conditions. These measures may not be successful and may not permit us to meet our scheduled debt service obligations.

If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or recover the carrying value of these assets or obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Further, we may need to refinance all or a portion of our debt on or before maturity, and we may not be able to refinance any of our debt on commercially reasonable terms or at all. Furthermore, additional or new financial assurances may be demanded by our vendors or regulatory agencies that we may not be able to provide on commercially reasonable terms or at all.

Any of these examples potentially could have a material adverse impact on our results of operations, profitability, shareholders' equity and capital structure.

A court or regulatory body could find that we are responsible, in whole or in part, for liabilities we transferred to third party purchasers.

As part of our strategy to protect our core Mining and Pelletizing operations, we have sold or otherwise disposed of several non-core assets, such as our North American Coal assets. Some of the transactions under which we sold or otherwise disposed of our non-core assets included provisions transferring certain liabilities to the purchasers or acquirers of those non-core assets. While we believe that all such transfers were completed properly and are legally binding, if the purchaser fails to fulfill its obligations, we may be at risk that some court or regulatory body could disagree and determine that we remain responsible for liabilities we intended to and did transfer.

Our ability to collect payments from our customers depends on their creditworthiness.

Our ability to receive payment for products sold and delivered to our customers depends on the creditworthiness of our customers. Generally, we deliver our Mining and Pelletizing products to our customers’ facilities in advance of payment for those products. Under this practice for most of our customers, title and risk of loss with respect to Mining and Pelletizing products does not pass to the customer until payment for the pellets is received; however, there is typically a period of time in which pellets, for which we have reserved title, are within our customers’ control. Where we have identified credit risk with certain customers, we have put in place alternate payment terms from time to time.

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Customers outside of the U.S. may be subject to pressures and uncertainties that may affect their ability to pay, including trade barriers, exchange controls, and local, economic and political conditions. Downturns in the economy and disruptions in the global financial markets have affected the creditworthiness of our customers from time to time. Some of our customers are highly leveraged. If economic conditions worsen or prolonged global, national or regional economic recession conditions return, it is likely to impact significantly the creditworthiness of our customers and could, in turn, increase the risk we bear on payment default for the credit we provide to our customers and could limit our ability to collect receivables. Failure to receive payment from our customers for products that we have delivered could affect adversely our results of operations, financial condition and liquidity.

Our operating expenses could increase significantly if the price of electrical power, fuel or other energy sources increases.

Our mining operations require significant use of energy. Energy expenses, which make up approximately 20% to 25% in the aggregate of our operating costs in our Mining and Pelletizing locations, are sensitive to changes in electricity prices and fuel prices, including diesel fuel and natural gas prices. Prices for electricity, natural gas and fuel oils can fluctuate widely with availability and demand levels from other users. During periods of peak usage, supplies of energy may be curtailed and we may not be able to purchase them at historical rates. A disruption in the transmission of energy, inadequate energy transmission infrastructure, or the termination of any of our energy supply contracts could interrupt our energy supply and affect adversely our operations. While we have some long-term contracts with electrical suppliers, we are exposed to fluctuations in energy costs that can affect our production costs. As an example, our mines in Minnesota are subject to changes in Minnesota Power's rates, such as periodic rate changes that are reviewed and approved by the state public utilities commission in response to an application filed by Minnesota Power. We also enter into market-based pricing supply contracts for natural gas and diesel fuel for use in our operations. Those contracts expose us to price increases in energy costs, which could cause our profitability to decrease significantly. In addition, U.S. public utilities may pass through additional capital and operating cost increases to their customers related to new or pending U.S. environmental regulations that may require significant capital investment and use of cleaner fuels in the future and which may impact U.S. coal-fired generation capacity.

We are subject to a variety of financial market risks.

Financial market risks include those caused by changes in the value of investments, changes in commodity prices, interest rates and foreign currency exchange rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control and our efforts to mitigate such risks may not be effective. These factors could have a material adverse effect on our results of operations.

Changes in credit ratings issued by nationally recognized statistical rating organizations could adversely affect our cost of financing and the market price of our securities.

Credit rating agencies could downgrade our ratings either due to factors specific to our business, a prolonged cyclical downturn in the mining or steel industry, or macroeconomic trends (such as global or regional recessions) and trends in credit and capital markets more generally. Any decline in our credit ratings may result in an increase to our cost of future financing and limit our access to the capital markets, which would harm our financial condition and results of operations, hinder our ability to refinance existing indebtedness on acceptable terms, have an adverse effect on the market price of our securities and may affect adversely the terms under which we purchase goods and services.

Our actual operating results may differ significantly from our guidance.

From time to time, we release guidance, including that set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations-Outlook" in our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q, regarding our future performance. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information included in our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q. Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent or outside party compiles or examines the guidance and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. The principal reason that we release such data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

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Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance. Investors should also recognize that the reliability of any forecasted financial data diminishes the further in the future that the data are forecast. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.
Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in our Annual Reports on Form 10-K or our Quarterly Reports on Form 10-Q could result in actual operating results being different than the guidance, and such differences may be adverse and material.
We rely on our joint venture partners to meet their payment obligations and we are subject to risks involving the acts or omissions of our joint venture partners.
We co-own and manage one of our four operating Mining and Pelletizing mines with ArcelorMittal and U.S. Steel. We rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore produced. One of our Mining and Pelletizing joint venture partners is also our customer. If one or both of our joint venture partners fail to perform their obligations, the remaining joint venture partners, including ourselves, may be required to assume additional material obligations, including significant capital contribution, costs of environmental remediation, pension and postretirement health and life insurance benefit obligations. For example, a premature closure of a mine due to the failure of a joint venture partner to perform its obligations could result in significant fixed mine-closure costs, including severance, employment legacy costs and other employment costs; reclamation and other environmental costs; and the costs of terminating long-term obligations, including energy and transportation contracts and equipment leases.
We cannot control the actions of our joint venture partners because we have a minority interest in such joint venture. Further, in spite of performing customary due diligence prior to entering into a joint venture, we cannot guarantee full disclosure of prior acts or omissions of the sellers or those with whom we may in the future enter into joint ventures. Such risks could have a material adverse effect on the business, results of operations or financial condition of our existing or future joint venture interests.
Our assets as of December 31, 2018 include a deferred tax asset, the full value of which we may not be able to realize.
We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of assets and liabilities. At December 31, 2018, the net deferred tax asset was approximately $464.8 million, primarily related to U.S. net operating loss carryforwards. We regularly review our deferred tax assets for recoverability based on our history of earnings, expectations for future earnings and expected timing of reversals of temporary differences. Realization of deferred tax assets ultimately depends on the existence of sufficient taxable income. We believe the recorded net deferred tax asset at December 31, 2018 is fully realizable based on our expected future earnings. However, our assumptions and estimates are inherently subject to business, economic and competitive uncertainties and contingencies, many of which are beyond our control and some of which may change. As a result, we could ultimately lose a portion of our deferred tax asset related to net operating loss carryforwards due to expiration, which could have a material adverse effect on our results of operations and cash flows.
Holders of our common shares may not receive dividends on the common shares.

Holders of our common shares are entitled to receive only such dividends as our Board of Directors may declare out of funds legally available for such payments. We are incorporated in Ohio and governed by the Ohio General Corporation Law, which allows a corporation to pay dividends, in general, in an amount that cannot exceed its surplus, as determined under Ohio law. Our ability to pay dividends will be subject to our future earnings, capital requirements and financial condition, as well as our compliance with covenants and financial ratios related to existing or future indebtedness, business prospects and other factors that our Board may deem relevant. Additionally, our ABL Facility contains, and agreements governing any of our future debt may contain, covenants and other restrictions that, in certain circumstances, could limit the level of dividends that we are able to pay on our common shares. Although we recently have declared cash dividends on our common shares, we are not required to declare cash dividends on our common shares and our Board of Directors may reduce, defer or eliminate our common share dividend in the future.

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IV. OPERATIONAL RISKS

Mine closures entail substantial costs. If we prematurely close one or more of our mines, our results of operations and financial condition would likely be affected adversely.

If we prematurely close any of our mines, our revenues would be reduced unless we were able to increase production at our other mines, which may not be possible. The closure of a mining operation involves significant fixed closure costs, including accelerated employment legacy costs, severance-related obligations, reclamation and other environmental costs, and the costs of terminating long-term obligations, including customer, energy and transportation contracts and equipment leases. We base our assumptions regarding the life of our mines on detailed studies we perform from time to time, but those studies and assumptions are subject to uncertainties and estimates that may not be accurate. We recognize the costs of reclaiming open pits, stockpiles, tailings ponds, roads and other mining support areas based on the estimated mining life of our property. If we were to significantly reduce the estimated life of any of our mines, the mine-closure costs would be applied to a shorter period of production, which would increase costs per ton produced and could significantly and adversely affect our results of operations and financial condition.

A mine permanent closure could accelerate and significantly increase employment legacy costs, including our expense and funding costs for pension and other postretirement benefit obligations. A number of employees would be eligible for immediate retirement under special eligibility rules that apply upon a mine closure. All employees eligible for immediate retirement under the pension plans at the time of the permanent mine closure also could be eligible for postretirement health and life insurance benefits, thereby accelerating our obligation to provide these benefits. Certain mine closures would precipitate a pension closure liability significantly greater than an ongoing operation liability and may trigger certain severance liability obligations.

Our sales and competitive position depend on the ability to transport our products to our customers at competitive rates and in a timely manner.

In our Mining and Pelletizing operations, disruption of the lake and rail transportation services because of weather-related problems, including ice and winter weather conditions on the Great Lakes or St. Lawrence Seaway, climate change, strikes, lock-outs, or other events and lack of alternative transportation options, could impair our ability to supply iron ore to our customers at competitive rates or in a timely manner and, thus, could adversely affect our sales, margins and profitability. Further, reduced dredging and environmental changes, particularly at Great Lakes ports, could impact negatively our ability to move our iron ore products because lower water levels restrict the tonnage that vessels can haul, resulting in higher freight rates.

Natural disasters, weather conditions, disruption of energy, unanticipated geological conditions, equipment failures, and other unexpected events may lead our customers, our suppliers or our facilities to curtail production or shut down operations.

Operating levels within the mining industry are subject to unexpected conditions and events that are beyond the industry’s control. Those events could cause industry members or their suppliers to curtail production or shut down a portion or all of their operations, which could reduce the demand for our iron ore products, and could affect adversely our sales, margins and profitability.

Interruptions in production capabilities inevitably will increase our production costs and reduce our profitability. We do not have meaningful excess capacity for current production needs, and we are not able to quickly increase production or restart production at one mine to offset an interruption in production at another mine. Additionally, restart production costs can be even higher if required to be taken during extremely cold weather conditions.

A portion of our production costs are fixed regardless of current operating levels. As noted, our operating levels are subject to conditions beyond our control that can delay deliveries or increase the cost of mining at particular mines for varying lengths of time. These include weather conditions (for example, extreme winter weather, tornadoes, floods, and the lack of availability of process water due to drought) and natural and man-made disasters, tailings dam failures, pit wall failures, unanticipated geological conditions, including variations in the amount of rock and soil overlying the deposits of iron ore, variations in rock and other natural materials and variations in geologic conditions and ore processing changes.

The manufacturing processes that take place in our mining operations, as well as in our processing facilities, depend on critical pieces of equipment. This equipment may, on occasion, be out of service because of unanticipated failures.

In addition, all of our mines and processing facilities have been in operation for several decades, and the equipment is aged. In the future, we may experience additional material plant shutdowns or periods of reduced production because of equipment failures. Further, remediation of any interruption in production capability may require us to make large capital expenditures that could have a negative effect on our profitability and cash flows. Our business interruption insurance would not cover all of the lost revenues associated with equipment failures. Longer-term business disruptions could result in a loss of customers, which adversely could affect our future sales levels and, therefore, our profitability.

Regarding the impact of unexpected events happening to our suppliers, many of our mines are dependent on one source for electric power and for natural gas. A significant interruption in service from our energy suppliers due to terrorism or sabotage, weather conditions, natural disasters, or any other cause can result in substantial losses that may not be fully recoverable, either from our business interruption insurance or responsible third parties.

We incur certain costs when production capacity is idled, including increased costs to resume production at idled facilities and costs to idle facilities.

Our decisions concerning which mines to operate and at what capacity levels are made based upon our customers' orders for products, the quality of and cost to mine and process the remaining ore body, as well as the capabilities and cost performance of our mines. During depressed market conditions, we may concentrate production at certain mines and not operate others in response to customer demand and as a result we will incur idle facility costs. In 2016, two of our Minnesota mines were temporarily idled for a portion of the year, and we indefinitely idled the Empire mine in Michigan in August 2016.

When we restart idled facilities, we incur certain costs to replenish inventories, prepare the previously idled facilities for operation, perform the required repair and maintenance activities and prepare employees to return to work safely and to resume production responsibilities. The amount of any such costs can be material, depending on a variety of factors, such as the period of idle time, necessary repairs and available employees, and is difficult to project.

If faced with overcapacity in the iron ore market, we may seek to rationalize assets through asset sales, temporary shutdowns, indefinite idles or closures of facilities.

We may not have adequate insurance coverage for some business risks.

As noted above, our operations are generally subject to a number of hazards and risks, which could result in damage to, or destruction of, equipment, properties or facilities. The insurance that we maintain to address risks that are typical in our business may not provide adequate coverage. Insurance against some risks, such as liabilities for environmental pollution, tailings basin breaches, or certain hazards or interruption of certain business activities, may not be available at an economically reasonable cost, or at all. Even if available, we may self-insure where we determine it is most cost-effective to do so. As a result, accidents or other negative developments involving our mining, production or transportation activities could have a material adverse effect on our operations.

A disruption in, or failure of our information technology systems, including those related to cybersecurity, could adversely affect our business operations and financial performance.

We rely on the accuracy, capacity and security of our information technology (“IT”) systems for the operations of many of our business processes and to comply with regulatory, legal, and tax requirements. While we maintain some of our critical information technology systems, we are also dependent on third parties to provide important IT services relating to, among other things, operational technology at our facilities, human resources, electronic communications and certain finance functions. Despite the security measures that we have implemented, including those related to cybersecurity, our systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. Though we have controls in place, we cannot provide assurance that a cyber-attack will not occur. Furthermore, we may have little or no oversight with respect to security measures employed by third-party service providers, which may ultimately prove to be ineffective at countering threats. Failures of our IT systems, whether caused maliciously or inadvertently, may result in the disruption of our business processes, or in the unauthorized release of sensitive, confidential or otherwise protected information or result in the corruption of data, which could adversely affect our business operations and financial performance. In addition, we may be required to incur significant costs to protect against and, if required, remediate the damage caused by such disruptions or system failures in the future.

Our profitability could be affected adversely by the failure of outside contractors and/or suppliers to perform.

We rely on outside companies to provide key services, including the design and construction of our HBI facility in Toledo, Ohio. Additionally, we use contractors to help complete certain capital projects, such as upgrades to our existing Mining and Pelletizing facilities. A contractor's or supplier's failure to perform could affect adversely our production, sales, and our ability to fulfill customer requirements. Such failure to perform in a significant way would result in additional costs for us, which also could affect adversely our production rates, sales and results of operations.

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V. DEVELOPMENT AND SUSTAINABILITY RISKS

The cost and time to implement a strategic capital project may prove to be greater than originally anticipated.

We undertake strategic capital projects, such as the HBI project, in order to enhance, expand or upgrade our mines and production capabilities or diversify our customer base. Our ability to achieve the anticipated production volumes, revenues or otherwise realize acceptable returns on strategic capital projects that we may undertake is subject to a number of risks, many of which are beyond our control, including a variety of market (such as a volatile pricing environment for iron ore), operational, permitting and labor-related factors. Further, the cost to implement any given strategic capital project ultimately may prove to be greater and may take more time than originally anticipated. Inability to achieve the anticipated results from the implementation of our strategic capital projects, the incurring of unanticipated implementation costs or penalties or the inability to meet contractual obligations could affect adversely our results of operations and future earnings and cash flow generation.

We continually must replace reserves depleted by production. Exploration activities may not result in additional discoveries.

Our ability to replenish our ore reserves is important to our long-term viability. Depleted ore reserves must be replaced by further delineation of existing ore bodies or by locating new deposits in order to maintain production levels over the long term. For example, in 2017 we made investments in our Tilden and Empire mines and in land in Minnesota to provide future potential ore reserves. Based on the economic reserve analysis performed during 2018, we revised the mine plan for Northshore to add ore reserves and extend mine life. Resource exploration and development are highly speculative in nature. Exploration projects involve many risks, require substantial expenditures and may not result in the discovery of sufficient additional mineral deposits that can be mined profitably. Once a site with mineralization is discovered, it may take several years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish recoverable proven and probable reserves and to construct mining and processing facilities. As a result, there is no assurance that current or future exploration programs will be successful and there is a risk that depletion of reserves will not be offset by discoveries or acquisitions.

We rely on estimates of our recoverable reserves, which is complex due to geological characteristics of the properties and the number of assumptions made.

We regularly evaluate our iron ore reserves based on revenues and costs and update them as required in accordance with SEC Industry Guide 7 and will update, to the extent we are not already compliant, to comply with the SEC's Final Rule 13-10570, Modernization of Property Disclosures for Mining Registrants, which rescinds Industry Guide 7. Estimates of reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, some of which are beyond our control, such as production capacity, effects of regulations by governmental agencies, future prices for iron ore, future industry conditions and operating costs, severance and excise taxes, development costs and costs of extraction and reclamation, all of which may vary considerably from actual results. Estimating the quantity and grade of reserves requires us to determine the size, shape and depth of our mineral bodies by analyzing geological data, such as samplings of drill holes. In addition to the geology assumptions regarding our mines, assumptions are also required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods we use, and the related costs incurred to develop and mine our reserves. For these reasons, estimates of the economically recoverable quantities of mineralized deposits attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net cash flows prepared by different engineers or by the same engineers at different times may vary substantially as the criteria change. Estimated ore reserves could be affected by future industry conditions, future changes in the SEC's mining property disclosure requirements, geological conditions and ongoing mine planning. Actual volume and grade of reserves recovered, production rates, revenues and expenditures with respect to our reserves will likely vary from estimates, and if such variances are material, our sales and profitability could be affected adversely.

Defects in title or loss of any leasehold interests in our properties could limit our ability to mine these properties or result in significant unanticipated costs.

A portion of our mining operations are conducted on properties we lease, license or as to which we have easements or other possessory interests, which we refer to as "leased properties." Consistent with industry practice, title to most of these leased properties and mineral rights are not usually verified until we make a commitment to develop a property, which may not occur until after we have obtained necessary permits and completed exploration of the leased property. In some cases, title with respect to leased properties is not verified at all because we instead rely on title information or representations and warranties provided by lessors or grantors. We do not maintain title insurance on our owned or leased mining properties. A title defect or the loss of any lease, license or easement for any leased mining property

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could affect adversely our ability to mine any associated reserves. In addition, from time to time the rights of third parties for competing uses of adjacent, overlying, or underlying lands such as for roads, easements and public facilities may affect our ability to operate as planned if our title is not superior or arrangements cannot be negotiated. Any challenge to our title could delay the exploration and development of some reserves, deposits or surface rights, cause us to incur unanticipated costs and could ultimately result in the loss of some or all of our interest in those reserves or surface rights. In the event we lose reserves, deposits or surface rights, we may have to shut down or significantly alter the sequence of our mining operations, which may affect adversely our future production, revenues and cash flows. Additionally, if we lose any leasehold interests relating to any of our pellet plants or loadout facilities, we may need to find an alternative location to process our iron ore and load it for delivery to customers, which could result in significant unanticipated costs. Finally, we could incur significant liability if we inadvertently mine on property we do not own or lease.

In order to continue to foster growth in our business and maintain stability of our earnings, we must maintain our social license to operate with our stakeholders.

As a mining company, maintaining a strong reputation and consistent operational and safety history is vital in order to continue to foster growth and maintain stability in our earnings. As sustainability expectations increase and regulatory requirements continue to evolve, maintaining our social license to operate becomes increasingly important. We incorporate social license expectations in our ERM program. Our ability to maintain our reputation and strong operating history could be threatened, including by circumstances outside of our control, such as disasters caused or suffered by other mining companies. If we are not able to respond effectively to these and other challenges to our social license to operate, our reputation could be damaged significantly. Damage to our reputation could affect adversely our operations and ability to foster growth in our company.

Estimates and timelines relating to new development projects are uncertain and we may incur higher costs and lower economic returns than estimated.

Mining industry development projects typically require a number of years and significant expenditures before production is possible. Such projects could experience unexpected problems and delays during development, construction and start-up.

Our decision to develop a project typically is based on the results of feasibility studies, which estimate the anticipated economic returns of a project. The actual project profitability or economic feasibility may differ from such estimates as a result of any of the following factors, among others: changes in tonnage, grades and metallurgical characteristics of ore or other raw materials to be mined and processed; estimated future prices of the relevant product; changes in customer demand; higher construction and infrastructure costs; the quality of the data on which engineering assumptions were made; higher production costs; adverse geotechnical conditions; availability of adequate labor force; availability and cost of water and energy; availability and cost of transportation; fluctuations in inflation and currency exchange rates; availability and terms of financing; delays in obtaining environmental or other government permits or changes in laws and regulations including environmental laws and regulations; weather or severe climate impacts; and potential delays relating to social and community issues.

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Our HBI project will require the commitment of substantial resources. Any unanticipated costs or delays associated with our HBI project could have a material adverse effect on our financial condition or results of operations.

Our ongoing efforts with respect to our HBI project require the commitment of substantial capital expenditures. We currently expect to incur capital expenditures through 2020 on the HBI project of approximately $830 million on the development of the HBI production plant in Toledo, Ohio, of which $180 million has already been incurred, and $90 million for upgrades at the Northshore plant to enable it to produce significantly increased levels of DR-grade pellets that could be used as feedstock for the HBI production plant and/or sold commercially. Each of these estimates are exclusive of construction-related contingencies and capitalized interest. Our estimated expenses may increase as personnel and equipment associated with advancing development and commercial production are added. The progress of our HBI project and the amounts and timing of expenditures will depend in part on the following:

- receiving and maintaining required federal, state and local permits;
- completing infrastructure and construction work and the completion of commissioning and integration of all of the systems comprising our HBI production plant;
- negotiating sales contracts for our planned production; and
- other factors, many of which are beyond our control.

Most of these activities require significant lead times and must be advanced concurrently.

Any unanticipated costs or delays associated with our HBI project could have a material adverse effect on our financial condition or results of operations and could require us to seek additional capital, which may not be available on commercially acceptable terms or at all.

Our ability to realize the benefits of any potential acquisitions is uncertain.

Should we determine to pursue any acquisitions, the success of the same is subject to risks and uncertainties, including our ability to realize operating efficiencies expected from an acquisition; the size or quality of the mineral potential; delays in realizing the benefits of an acquisition; difficulties in retaining key employees, customers or suppliers of the acquired business; the risks associated with the assumption of contingent or undisclosed liabilities of acquisition targets; the impact of changes to our allocation of purchase price; and the ability to generate future cash flows or the availability of financing.

Moreover, any acquisition opportunities we pursue could affect materially our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. Future acquisitions could also result in us assuming more long-term liabilities relative to the value of the acquired assets than we may have assumed in previous acquisitions.

VI. HUMAN CAPITAL RISKS

Our profitability could be affected adversely if we fail to maintain satisfactory labor relations.

Production in our mines is dependent upon the efforts of our employees. We are party to labor agreements with various labor unions that represent employees at our operations. Such labor agreements are negotiated periodically, and, therefore, we are subject to the risk that these agreements may not be able to be renewed on reasonably satisfactory terms. It is difficult to predict what issues may arise as part of the collective bargaining process, and whether negotiations concerning these issues will be successful. Due to union activities or other employee actions, we could experience labor disputes, work stoppages, or other disruptions in our production of iron ore that could affect us adversely. The USW represents all labor employees at our Mining and Pelletizing operations owned and/or managed by Cliffs or its subsidiary companies except for Northshore. Our labor agreements with the USW at four of our Mining and Pelletizing operations were ratified in October 2018 and extended for a four-year term, effective as of October 1, 2018.

If we enter into a new labor agreement with any union that significantly increases our labor costs relative to our competitors or fail to come to an agreement upon expiry, our ability to compete may be materially and adversely affected.

We may encounter labor shortages for critical operational positions, which could affect adversely our ability to produce our products.

We are predicting a long-term shortage of skilled workers for the mining industry and competition for the available workers limits our ability to attract and retain employees as well as engage third-party contractors. As our experienced employees retire, we may have difficulty replacing them at competitive wages.

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Our expenditures for post-retirement benefit and pension obligations could be materially higher than we have predicted if our underlying assumptions differ from actual outcomes, there are mine closures, or our joint venture partners fail to perform their obligations that relate to employee pension plans.

We provide defined benefit pension plans and OPEB to certain eligible union and non-union employees, including our share of expense and funding obligations with respect to our unconsolidated joint venture. Our pension and OPEB expenses and our required contributions to our pension and OPEB plans are affected directly by the value of plan assets, the projected and actual rate of return on plan assets, and the actuarial assumptions we use to measure our defined benefit pension plan obligations, including the rate at which future obligations are discounted.

We cannot predict whether changing market or economic conditions, regulatory changes or other factors will increase our pension and OPEB expenses or our funding obligations, diverting funds we would otherwise apply to other uses.

We have calculated our unfunded pension and OPEB obligations based on a number of assumptions, including our joint venture partners satisfying their funding obligations. If our assumptions do not materialize as expected, cash expenditures and costs that we incur could be materially higher. Moreover, we cannot be certain that regulatory changes will not increase our obligations to provide these or additional benefits. These obligations also may increase substantially in the event of adverse medical cost trends or unexpected rates of early retirement, particularly for bargaining unit retirees.

We depend on our senior management team and other key employees, and the loss of these employees could adversely affect our business.

Our success depends in part on our ability to attract and motivate our senior management and key employees. Achieving this objective may be difficult due to a variety of factors, including fluctuations in the global economic and industry conditions, competitors’ hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be intense. We must continue to recruit, retain, and motivate our senior management and key personnel in order to maintain our business and support our projects. A loss of senior management and key personnel could prevent us from capitalizing on business opportunities, and our operating results could be adversely affected.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the SEC.

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Item 2. Properties

The following map shows the locations of our operations and offices as of December 31, 2018:

General Information about the Mines

All of our iron ore mining operations are open-pit mines. Additional pit development is underway as required by long-range mine plans. Drilling programs are conducted periodically to collect modeling data and for refining ongoing operations.

Geologic models are developed for all mines to define the major ore and waste rock types. Computerized block models for iron ore are constructed that include all relevant geologic and metallurgical data. These are used to generate grade and tonnage estimates, followed by detailed mine design and life of mine operating schedules.

Mining and Pelletizing

The following map shows the locations of our Mining and Pelletizing segment operations:

We currently own or co-own four operating iron ore mines in Michigan and Minnesota, as well as one indefinitely idled mine in Michigan. We produced 20.3 million, 18.8 million and 16.0 million long tons of iron ore pellets in 2018, 2017 and 2016, respectively, at those mines for our account. We produced 6.0 million, 6.7 million and 7.4 million long tons, respectively, on behalf of current and previous steel company partners of the mines.

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Our Mining and Pelletizing segment mines produce from deposits located within the Biwabik and Negaunee Iron Formation, which are classified as Lake Superior type iron formations that formed under similar sedimentary conditions in shallow marine basins approximately two billion years ago. Magnetite and hematite are the predominant iron oxide ore minerals present, with lesser amounts of goethite and limonite. Quartz is the predominant waste mineral present, with lesser amounts of other chiefly iron bearing silicate and carbonate minerals. The ore minerals liberate from the waste minerals upon fine grinding.

Mine	Cliffs Ownership	Infrastructure	Mineralization	Operating Since	Current Annual Capacity[1,2]	2018 Production[1,2]	Mineral Owned	Rights Leased
Empire[3,4]	100%	Mine, Concentrator, Pelletizer	Magnetite	1963	*	—	53%	47%
Tilden[4]	100%	Mine, Concentrator, Pelletizer, Railroad	Hematite & Magnetite	1974	8.0	7.7	100%	—%
Northshore	100%	Mine, Concentrator, Pelletizer, Railroad	Magnetite	1990	6.0	5.6	—%	100%
United Taconite	100%	Mine, Concentrator, Pelletizer	Magnetite	1965	5.4	5.2	—%	100%
Hibbing	23%	Mine, Concentrator, Pelletizer	Magnetite	1976	8.0	7.8	3%	97%

[1] Reported on a wet basis in millions of long tons, equivalent to 2,240 pounds.
[2] Figures reported on 100% basis.
[3] Empire was indefinitely idled beginning August 2016.
[4] During 2017, our ownership interest in Tilden and Empire increased to 100%.
* Historically, Empire had an annual capacity of 5.5 million long tons; currently indefinitely idled.

Empire Mine

The Empire mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately 15 miles southwest of Marquette, Michigan. The Empire mine has had no production since the indefinite idle began in August 2016, compared to historically having an annual capacity of 5.5 million long tons of iron ore pellets.

During 2017, our ownership interest in Empire increased to 100% as we reached an agreement to distribute the noncontrolling interest net assets to ArcelorMittal, in exchange for its interest in Empire. Prior to the indefinite idle, operations consisted of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills, magnetic separation and floatation to produce a magnetite concentrate that was then supplied to the on-site pellet plant. From the site, pellets were transported by CN rail to a ship loading port at Escanaba, Michigan, operated by CN.

Tilden Mine

The Tilden mine is located on the Marquette Iron Range in Michigan's Upper Peninsula approximately five miles south of Ishpeming, Michigan. Over the past five years, the Tilden mine has produced between 7.6 million and 7.7 million long tons of iron ore pellets annually. During 2017, we acquired the remaining 15% equity interest in Tilden owned by U.S. Steel. With the closing of this transaction, we now have 100% ownership of the mine. We own all of the ore reserves at the Tilden mine. Operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills, magnetite separation and floatation to produce hematite and magnetite concentrates that are then supplied to the on-site pellet plant. From the site, pellets are transported by our LS&I rail to a ship loading port at Marquette, Michigan, operated by LS&I.

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Northshore Mine

The Northshore mine is located in northeastern Minnesota, approximately two miles south of Babbitt, Minnesota, on the northeastern end of the Mesabi Iron Range. Northshore's processing facilities are located in Silver Bay, Minnesota, near Lake Superior. Over the past five years, the Northshore mine has produced between 3.2 million and 5.6 million long tons of iron ore pellets annually. The Northshore mine was idled from January through May 2016. The temporary idle was a result of historic levels of steel imports into the U.S. and reduced demand from our steel-producing customers. In 2018, we began our low silica capital upgrade to produce DR-grade pellets on a commercial scale while maintaining overall production capacity of the Northshore processing facility. We expect to complete the project in 2019. Once complete, we will be able to produce 3.5 million long tons of DR-grade pellets. Throughout 2018 and 2017 the Northshore mine was substantially at full production levels.

The Northshore mine began production under our management and ownership in October 1994. We own 100% of the mine. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. Northshore operations consist of an open pit truck and shovel mine where two stages of crushing occur before the ore is transported along a wholly owned 47-mile rail line to the plant site in Silver Bay. At the plant site, two additional stages of crushing occur before the ore is sent to the concentrator. The concentrator utilizes rod mills and magnetic separation to produce a magnetite concentrate, which is delivered to the pellet plant located on-site. The plant site has its own ship loading port located on Lake Superior.

United Taconite Mine

The United Taconite mine is located on Minnesota's Mesabi Iron Range in and around the city of Eveleth, Minnesota. The United Taconite concentrator and pelletizing facilities are located ten miles south of the mine, near the town of Forbes, Minnesota. Over the past five years, the United Taconite mine has produced between 1.5 million and 5.2 million long tons of iron ore pellets annually. The United Taconite mine was temporarily idled from January through August 2016. The temporary idle was a result of historic levels of steel imports into the U.S. and reduced demand from our steel-producing customers. Throughout 2018 and 2017 the United Taconite mine was substantially at full production levels.

We own 100% of the United Taconite mine. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. United Taconite operations consist of an open pit truck and shovel mine where two stages of crushing occur before the ore is transported by rail, operated by CN, to the plant site. At the plant site an additional stage of crushing occurs before the ore is sent to the concentrator. The concentrator utilizes rod mills and magnetic separation to produce a magnetite concentrate, which is delivered to the pellet plant. From the site, pellets are transported by CN rail to a ship loading port at Duluth, Minnesota, operated by CN.

Hibbing Mine

The Hibbing mine is located in the center of Minnesota's Mesabi Iron Range and is approximately ten miles north of Hibbing, Minnesota, and five miles west of Chisholm, Minnesota. We are the manager of the Hibbing mine and rely on our joint venture partners to make their required capital contributions and to pay for their share of the iron ore pellets that we produce. In 2018, we tendered our resignation as the mine manager of the Hibbing mine and plan to transition this role to the majority owner in August 2019. Over the past five years, the Hibbing mine has produced between 7.7 million and 8.2 million long tons of iron ore pellets annually. We own 23% of Hibbing, a subsidiary of ArcelorMittal has a 62.3% interest and a subsidiary of U.S. Steel has a 14.7% interest. Each partner takes its share of production pro rata; however, provisions in the joint venture agreement allow additional or reduced production to be delivered under certain circumstances. Mining is conducted on multiple mineral leases having varying expiration dates. Mining leases routinely are renegotiated and renewed as they approach their respective expiration dates. Hibbing operations consist of an open pit truck and shovel mine, a concentrator that utilizes single stage crushing, AG mills and magnetic separation to produce a magnetite concentrate, which is then delivered to an on-site pellet plant. From the site, pellets are transported by BNSF rail to a ship loading port at Superior, Wisconsin, operated by BNSF.

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Asia Pacific Iron Ore

In January 2018, we announced that we would accelerate the time frame for the planned closure of our Asia Pacific Iron Ore mining operations in Australia. In April 2018, we committed to a course of action leading to the permanent closure of our Asia Pacific Iron Ore mining operations and, as planned, completed our final shipment in June 2018. Factors considered in this decision included increasingly discounted prices for lower-iron-content ore and the quality of the remaining iron ore reserves.

During 2018, we sold all of the assets of our Asia Pacific Iron Ore business through a series of sales to third parties. As a result of our planned exit, management determined that our Asia Pacific Iron Ore operating segment met the criteria to be classified as held for sale and a discontinued operation under ASC Topic 205, Presentation of Financial Statements. As such, all current and historical Asia Pacific Iron Ore operating segment results are classified within discontinued operations.

Over the past five years, the Koolyanobbing operation produced between 2.7 million and 11.8 million metric tons of iron ore products annually. Ore material was sourced from various separate open pit mines and was delivered by typical production trucks or road trains to a crushing and screening facility located at Koolyanobbing. All of the ore from the Koolyanobbing operations was transported by rail to the Port of Esperance, 360 miles to the south, for shipment to Asian customers.

Refer to NOTE 13 - DISCONTINUED OPERATIONS for further discussion of the Asia Pacific Iron Ore segment.

General Information about our HBI Production Plant

The brownfield site selected for our HBI production plant is near the Port of Toledo, in northwestern Ohio, approximately 120 miles from our corporate headquarters in Cleveland, Ohio. We are leasing the property on which the plant is being constructed. Our Toledo plant is expected to produce HBI, a specialized high quality iron alternative to scrap and pig iron, at a rate of 1.9 million metric tons per year when brought to production. Our Toledo site is located in close proximity to future EAF customers in the Great Lakes region. In addition, the Toledo site is near an existing dock, has rail access and heavy haul roads for construction and operation logistics.

Mineral Policy

We have a corporate policy prescribing internal controls and procedures with respect to auditing and estimating of minerals. The procedures contained in the policy include the calculation of mineral estimates at each property by our engineers, geologists and accountants, as well as third-party consultants. Management compiles and reviews the calculations, and once finalized, such information is used to prepare the disclosures for our annual and quarterly reports. The disclosures are reviewed and approved by management, including our chief executive officer and chief financial officer. Additionally, the long-range mine planning and mineral estimates are reviewed annually by our Audit Committee. Furthermore, all changes to mineral estimates, other than those due to production, are adequately documented and submitted to senior operations officers for review and approval. Finally, periodic reviews of long-range mine plans and mineral reserve estimates are conducted at mine staff meetings, senior management meetings and by independent experts.

Mineral Reserves

Reserves are defined by SEC Industry Standard Guide 7 as that part of a mineral deposit that could be economically and legally extracted and produced at the time of the reserve determination. All reserves are classified as proven or probable and are supported by life-of-mine plans.

Reserve estimates are based on pricing that does not exceed the three-year trailing average index price of iron ore adjusted to our realized price. We evaluate and analyze mineral reserve estimates in accordance with our mineral policy and SEC requirements. The table below identifies the year in which the latest reserve estimate was completed.

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Mining and Pelletizing

Property	Date of Latest Economic Reserve Analysis
Tilden	2015
Northshore	2018
United Taconite	2016
Hibbing	2015

Ore reserve estimates for our iron ore mines as of December 31, 2018 were estimated from fully designed open pits developed using three-dimensional modeling techniques. These fully designed pits incorporate design slopes, practical mining shapes and access ramps to assure the accuracy of our reserve estimates. All operations' reserves have been adjusted net of production through 2018.

All tonnages reported for our Mining and Pelletizing operating segment are in long tons of 2,240 pounds and are reported on a 100% basis.

Mining and Pelletizing Mineral Reserves
as of December 31, 2018
(In Millions of Long Tons)

		Proven		Probable		Proven & Probable		Saleable Product[2,3]		Previous Year	
Property	Cliffs Share	Tonnage	% Grade	Tonnage	% Grade	Tonnage	% Grade[5]	Process Recovery[4]	Tonnage	Proven & Probable Crude Ore	Saleable Product
Tilden[1]	100 %	241.7	34.6	82.7	33.9	324.4	34.4	38%	122.1	346.3	129.2
Northshore	100 %	299.5	25.3	535.6	23.7	835.1	24.3	32%	270.1	793.2	255.9
United Taconite	100 %	398.9	22.5	415.5	21.9	814.4	22.2	32%	259.5	829.1	264.6
Hibbing	23 %	125.1	19.7	24.7	19.6	149.8	19.7	27%	39.7	178.7	47.2
Totals		1,065.2		1,058.5		2,123.7			691.4	2,147.3	696.9

[1] Tilden hematite reported grade is percent FeT; all other properties are percent magnetic iron.
[2] Saleable product is a standard pellet containing 60% to 66% Fe calculated from both proven and probable mineral reserves.
[3] Saleable product is reported on a dry basis; shipped products typically contain 1% to 4% moisture.
[4] Process recovery includes all factors for converting crude ore tonnage to saleable product.
[5] Cutoff grades are 15% magnetic iron for Hibbing, 17% for United Taconite, 19% for Northshore and 20% for Tilden. Cutoff for Tilden hematite is 25% FeT.

Item 3. Legal Proceedings

Bluestone Litigation. On April 7, 2017, the Company was served with an Amended Complaint adding Cliffs, among others, as a defendant to a lawsuit brought by Bluestone Coal Corporation and Double-Bonus Mining Company against Pinnacle Mining Company, LLC and Target Drilling, Inc. in the U.S. District Court for the Southern District of West Virginia. The Amended Complaint alleges that the defendants deviated from plans authorized by plaintiffs and MSHA in the drilling of a borehole in 2013 and 2014 at the Pinnacle mine and through an inactive portion of plaintiffs' mine. Plaintiffs further allege negligence and trespass in the drilling of the borehole and claim compensatory and punitive damages due to flooding. On October 3, 2018, the parties reached a settlement in full. We do not believe that our portion of the agreed-upon amount will have a material adverse impact on our business. The Court entered an order dismissing the case with prejudice subject to reopening on good cause shown within 90 days. However, on October 14, 2018, Mission Coal Company, LLC and ten of its affiliates, including Pinnacle Mining Company, LLC, filed a petition in the U.S. Bankruptcy Court for the Northern District of Alabama for relief under Chapter 11 of Title

11 of the U.S. Bankruptcy Code. We are reviewing this bankruptcy petition but do not believe it will have a material adverse effect on our settlement. In light of the Mission Coal bankruptcy, the Court granted plaintiffs' motion to extend the deadline for potentially reopening the Bluestone case on good cause shown for an additional 120 days.

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CCAA Proceedings. Refer to NOTE 13 - DISCONTINUED OPERATIONS for a description of the CCAA proceedings with respect to the Bloom Lake Group and the Wabush Group. Such description is incorporated by reference into this Item 3.

Mesabi Metallics Adversary Proceeding. On September 7, 2017, Mesabi Metallics Company LLC (f/k/a Essar Steel Minnesota LLC) ("Mesabi Metallics") filed a complaint against Cleveland-Cliffs Inc. in the Essar Steel Minnesota LLC and ESML Holdings Inc. bankruptcy proceeding that is pending in the United States Bankruptcy Court, District of Delaware. Mesabi Metallics alleges tortious interference with its contractual rights and business relations involving certain vendors, suppliers and contractors, violations of federal and Minnesota antitrust laws through monopolization, attempted monopolization and restraint of trade, violation of the automatic stay, and civil conspiracy with unnamed Doe defendants. Mesabi Metallics amended its complaint to add additional defendants, including, among others, our subsidiary, Cleveland-Cliffs Minnesota Land Development Company LLC ("Cliffs Minnesota Land"), and to add additional claims, including avoidance and recovery of unauthorized post-petition transfers of real estate interests, claims disallowance, civil contempt and declaratory relief. Mesabi Metallics seeks, among other things, unspecified damages and injunctive relief. Cliffs and Cliffs Minnesota Land filed counterclaims against Mesabi Metallics, Chippewa Capital Partners ("Chippewa"), and Thomas M. Clarke ("Clarke") for tortious interference and civil conspiracy, as well as additional claims against Chippewa and Clarke for aiding and abetting tortious interference, for which we seek, among other things, damages and injunctive relief. Our counterclaim against Clarke for libel was dismissed on jurisdictional grounds. The parties filed various dispositive motions on certain of the claims, including a motion for partial summary judgment to settle a dispute over real estate transactions between Cliffs Minnesota Land and Glacier Park Iron Ore Properties LLC ("GPIOP"). A ruling in favor of Cliffs, Cliffs Minnesota Land and GPIOP was issued on July 23, 2018, finding that Mesabi's leases had terminated and upholding Cliffs' and Cliffs Minnesota Land's purchase and lease of the contested real estate interests. Mesabi Metallics filed a Motion for Leave to File an Interlocutory Appeal, which is fully briefed. The parties have filed additional motions for partial summary judgment and motions to dismiss with respect to other pending claims and counterclaims. We believe the claims asserted against us are unmeritorious and intend to continue to vigorously defend any remaining claims in the lawsuit.

Seneca Coal Resources Litigation. We are a plaintiff in a lawsuit we filed against Seneca Coal Resources, LLC and others on December 20, 2016, alleging, among other things, breach of the Unit Purchase Agreement (“UPA”) dated December 22, 2015, wherein Seneca purchased certain of our coal properties. That dispute, which we amended to include claims of fraudulent transfers and violations of the Racketeer Influenced and Corrupt Organizations provisions of the Organized Crime Control Act of 1970 against individual defendants, including Clarke, is currently being litigated in Delaware Superior Court. On July 2, 2018, Seneca filed suit against us, a subsidiary of ours, and certain of our employees, in the Delaware Chancery Court, alleging that we failed to disclose certain liabilities in connection with the UPA and seeking monetary damages or, alternatively, reformation of the UPA. The lawsuit filed in Chancery Court asserts identical claims to those that Seneca filed as counterclaims in Delaware Superior Court on the same day, and the two cases will proceed as one consolidated matter in the Superior Court. We have filed motions to dismiss certain claims against us and to dismiss all claims against our employees individually. We believe the claims Seneca has asserted are unmeritorious and intend to vigorously pursue this lawsuit and defend against the related counterclaims. On October 14, 2018, Mission Coal Company, LLC and ten of its affiliates, including Seneca and certain of our former coal properties, filed a petition in the U.S. Bankruptcy Court for the Northern District of Alabama for relief under Chapter 11 of Title 11 of the U.S. Bankruptcy Code. On December 4, 2018, the Court entered an order staying all proceedings in this litigation due to Mission Coal Company's bankruptcy filing.

Taconite MACT Compliance Review. EPA Region 5 issued Notices of Violation during the first quarter of 2014 to Empire, Tilden and United Taconite related to alleged historical violations of the Taconite MACT rule and certain elements of their respective state-issued Title V operating permits dating back to 2010. EPA proposed, and we agreed to, a tolling agreement which targeted a completion of the enforcement action by March of 2019. Based on current information, we anticipate the final settlement for alleged exceedances at United Taconite to be resolved by consent decree with a civil cash penalty of less than $0.1 million and a supplemental environmental project. We anticipate the final settlement for alleged exceedances at Tilden and Empire to be resolved by consent decree with a total penalty of no more than $0.2 million and $0.1 million, respectively, to be comprised of a combination of cash penalty and a potential supplemental environmental project. This enforcement matter is not anticipated currently to have a material adverse impact on our business.

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Item 4. Mine Safety Disclosures

We are committed to protecting the occupational health and well-being of each of our employees. Safety is one of our core values, and we strive to ensure that safe production is the first priority for all employees. Our internal objective is to achieve zero injuries and incidents across the Company by focusing on proactively identifying needed prevention activities, establishing standards and evaluating performance to mitigate any potential loss to people, equipment, production and the environment. We have implemented intensive employee training that is geared toward maintaining a high level of awareness and knowledge of safety and health issues in the work environment through the development and coordination of requisite information, skills and attitudes. We believe that through these policies, we have developed an effective safety management system.

Under the Dodd-Frank Act, each operator of a coal or other mine is required to include certain mine safety results within its periodic reports filed with the SEC. As required by the reporting requirements included in §1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K, the required mine safety results regarding certain mining safety and health matters for each of our mine locations that are covered under the scope of the Dodd-Frank Act are included in Exhibit 95 of Item 15. Exhibits and Financial Statement Schedules of this Annual Report on Form 10-K.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Exchange Information

Our common shares (ticker symbol CLF) are listed on the NYSE.

Holders

At February 5, 2019, we had 1,153 shareholders of record.

Dividends

On October 18, 2018, the Board of Directors declared a quarterly cash dividend on our common shares of $0.05 per share. The cash dividend was paid on January 15, 2019, to shareholders of record as of the close of business on January 4, 2019. The Board of Directors determined that the cash dividend may be paid out of capital surplus. Any determination to pay dividends on our common shares in the future will be at the discretion of our Board of Directors and dependent upon then-existing conditions, including our operating results and financial condition, capital requirements, contractual restrictions, business prospects and other factors that our Board of Directors may deem relevant. Additionally, our ABL Facility contains, and agreements governing any of our future debt may contain, covenants and other restrictions that, in certain circumstances, could limit the level of dividends that we are able to pay on our common shares. There can be no assurance that we will pay a dividend in the future.

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Shareholder Return Performance

The following graph shows changes over the past five-year period in the value of $100 invested in: (1) Cliffs' common shares; (2) S&P 500 Stock Index; (3) S&P Total Market Index; and (4) S&P Metals and Mining Select Industry Index. The values of each investment are based on price change plus reinvestment of all dividends reported to shareholders, based on monthly granularity.

		2013	2014	2015	2016	2017	2018
Cleveland-Cliffs Inc.	Return %	—	(71.56)	(77.87)	432.28	(14.27)	6.66
	Cum $	100.00	28.44	6.29	33.50	28.72	30.63
S&P 500 Index - Total Returns	Return %	—	13.65	1.38	11.93	21.80	(4.39)
	Cum $	100.00	113.65	115.22	128.96	157.08	150.18
S&P Total Market Index	Return %	—	(25.63)	(50.76)	105.09	20.61	(26.76)
	Cum $	100.00	74.37	36.62	75.10	90.58	66.34
S&P Metals and Mining	Return %	—	12.43	0.46	12.62	21.13	(5.30)
	Cum $	100.00	112.43	112.95	127.20	154.08	145.91

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Issuer Purchases of Equity Securities

The following table presents information with respect to repurchases by us of our common shares during the periods indicated:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased[1]	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plans or Programs[2]
October 1 - 31, 2018	739	$ 12.34	—	$—
November 1 - 30, 2018	500,000	$ 8.83	500,000	$ 195,583,300
December 1 - 31, 2018	4,907,210	$ 8.75	4,907,210	$ 152,650,610
Total	5,407,949	$ 8.76	5,407,210	—

[1] Includes 739 shares that were delivered to us in October 2018 to satisfy tax withholding obligations due upon the vesting or payment of stock awards.

[2] On November 26, 2018, we announced a new share repurchase program which was authorized by the Board of Directors, pursuant to which we may buy back our outstanding common shares in the open market or in private negotiated transactions up to a maximum of $200 million dollars. The program may be executed through open-market purchases, including through Rule 10b5-1 agreements, or privately negotiated transactions. The authorization is effective until December 31, 2019.

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Item 6. Selected Financial Data

Summary of Financial and Other Statistical Data - Cleveland-Cliffs Inc. and Subsidiaries

	2018 (a)	2017 (b)	2016 (c)	2015 (d)	2014 (e)
Financial data (in millions, except per share amounts)					
Revenue from product sales and services	$2,332.4	$1,866.0	$1,554.5	$1,525.4	$2,506.5
Income from continuing operations	$1,039.9	$360.6	$122.6	$134.3	$607.5
Income (loss) from discontinued operations, net of tax *	$88.2	$2.5	$76.7	$(882.7)	$(8,919.1)
Earnings (loss) per common share attributable to Cliffs common shareholders - basic					
Continuing operations	$3.50	$1.27	$0.49	$0.57	$3.46
Discontinued operations *	0.30	0.01	0.39	(5.71)	(50.98)
Earnings (loss) per common share attributable to Cliffs common shareholders - basic	$3.80	$1.28	$0.88	$(5.14)	$(47.52)
Earnings (loss) per common share attributable to Cliffs common shareholders - diluted					
Continuing operations	$3.42	$1.25	$0.49	$0.57	$3.46
Discontinued operations *	0.29	0.01	0.38	(5.70)	(50.98)
Earnings (loss) per common share attributable to Cliffs common shareholders - diluted	$3.71	$1.26	$0.87	$(5.13)	$(47.52)
Total assets	$3,529.6	$2,953.4	$1,923.9	$2,135.5	$3,147.2
Long-term debt obligations (including capital leases)	$2,104.5	$2,311.8	$2,178.6	$2,704.1	$2,834.6
Cash dividends declared to preferred shareholders					
- Per depositary share	$—	$—	$—	$1.32	$1.76
- Total	$—	$—	$—	$38.4	$51.2
Cash dividends declared to common shareholders					
- Per share	$0.05	$—	$—	$—	$0.60
- Total	$15.0	$—	$—	$—	$92.5

Note: This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Financial Statements and Supplementary Data.

(*) Refer to NOTE 13 - DISCONTINUED OPERATIONS, for information regarding discontinued operations.

(a) On January 1, 2018, we adopted Topic 606 and applied it to all contracts that were not completed using the modified retrospective method. We recognized the cumulative effect of initially applying Topic 606 as an adjustment of $34.0 million to the opening balance of Retained deficit. The comparative period information has not been retrospectively revised and continues to be reported under the accounting standards in effect for those periods. Refer to NOTE 2 - NEW ACCOUNTING STANDARDS for information regarding the adoption of Topic 606. Additionally, refer to NOTE 10 - INCOME TAXES for information regarding the reversal of certain deferred tax valuation allowances.

(b) Refer to NOTE 6 - DEBT AND CREDIT FACILITIES for information regarding debt issuances and extinguishments, NOTE 14 - CAPITAL STOCK for information regarding a common share issuance and NOTE 10 - INCOME TAXES for information regarding the financial impact of Public Law 115–97, commonly known as the “Tax Cuts and Jobs Act”.

(c) During 2016, we recorded a net gain of $166.3 million related to debt restructuring activities that occurred throughout the year, including the issuance of $218.5 million aggregate principal of 8.00% 2020 1.5 Lien Notes in exchange for $512.2 million of our existing senior notes, the issuance of an aggregate of 8.2 million common shares in exchange for $56.9 million aggregate principal amount of our existing senior notes and a loss on the redemption of the full $283.6 million outstanding of our 3.95% 2018 Senior Notes at a total

redemption price of $301.0 million. We also issued 44.4 million common shares in an underwritten public offering. We received net proceeds of $287.6 million at a public offering price of $6.75 per common share.
(d) During 2015, our Eastern Canada Iron Ore segment commenced restructuring proceedings in Montreal, Quebec under the CCAA. As a result of these proceedings, the Canadian entities were deconsolidated and all financial results were classified within discontinued operations. During 2015, our North American Coal operating segment continued to meet the criteria to be classified as held for sale under ASC Topic 205, Presentation of Financial Statements, until the operations were sold during the fourth quarter, and as a result, all financial results were classified within discontinued operations. Refer to NOTE 13 - DISCONTINUED OPERATIONS, for information regarding discontinued operations.
(e) During 2014, we recorded an impairment of other long-lived assets of $11.2 million related to our continuing operations. We also recorded goodwill and other long-lived asset impairment charges related to our discontinued operations of $9,018.7 million. The impairment charges were primarily a result of changes in life-of-mine cash flows due to declining pricing for both global iron ore and low-volatile metallurgical coal, along with changes in strategic focus of the divestiture of the Eastern Canadian Iron Ore, Asia Pacific Iron Ore, North American Coal and Ferroalloys operations. The CLCC assets were sold in the fourth quarter of 2014 on December 31, 2014, resulting in a loss on sale of $419.6 million. Refer to NOTE 13 - DISCONTINUED OPERATIONS, for information regarding discontinued operations. For the year ended December 31, 2014, we had a loss attributable to noncontrolling interest of $1,087.4 million, of which, $1,114.3 million related to discontinued operations.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and other factors that may affect our future results. The following discussion should be read in conjunction with the consolidated financial statements and related notes that appear elsewhere in this document.

Industry Overview

The key driver of our business is demand for steelmaking raw materials from U.S. steelmakers. During 2018, the U.S. produced approximately 87 million metric tons of crude steel, which is up 6% when compared to 2017, or about 5% of total global crude steel production. U.S. total steel capacity utilization was approximately 78% during 2018, which is an approximate 6% increase from 2017. Throughout 2018, global crude steel production increased about 5% compared to 2017, driven by an approximate 7% increase in Chinese crude steel production.

The Platts 62% Price decreased 3% to an average price of $69 per metric ton for the year ended December 31, 2018 compared to 2017. Volatility in the iron ore price impacts our realized revenue rates, but the price of iron ore and our revenue realizations are not fully correlated. Pricing mechanisms in our contracts reference the Platts 62% Price, but our prices are somewhat protected from potential volatility given that it is just one of many inputs used in contract pricing formulas. While iron ore pricing over the past year has remained relatively stable, we recognize that a change in behavior of the major iron ore producers and/or Chinese steelmakers could either lift or put pressure on iron ore prices in the near term. During 2018, the main trend that emerged was the more selective iron ore buying behavior among Chinese mills, which caused significant divergence in pricing for different grades of ores, but kept the Platts 62% Price at its most stable levels since daily pricing was introduced a decade ago. This intensified focus on iron ore quality is driven primarily by both a greater emphasis on environmentally friendly steelmaking and enhanced productivity (as less efficient mills have been shut down).

The Atlantic Basin pellet premium, another important pricing factor in our contracts, averaged $59 per metric ton for the year ended December 31, 2018, a 30% increase compared to 2017. We believe the supply-demand dynamics of this market will continue to be favorable for us. Heightened demand for iron ore pellets is a result of rapidly increasing global demand for the most productive and environmentally friendly feedstock. Iron ore pellets remain scarce in the international market and new capacity is unlikely to come online in the near term due to the time and expense required to do so. We believe this scarcity will support and likely increase these multi-year high premiums for pellet products in the foreseeable future.

The price for domestic hot-rolled coil steel, which is an important attribute in the calculation of supplemental revenue in a customer's supply agreement, averaged $827 per net ton for the year ended December 31, 2018, 33% higher than last year. The price of steel was impacted positively in 2018 by healthy U.S. manufacturing activity and inflation on major steel input costs, and the U.S. government's implementation of a 25% tariff on steel imports from many of its major trade counterparts. Because the United States is the largest importer of steel in the world, we believe these tariffs not only alleviate some national security concerns, but will also keep the prices for domestic hot-rolled coil steel elevated above historical averages for as long as they remain in place. As such, we remain positive on our outlook for the domestic steel market.

Our consolidated revenues were $2.3 billion and $1.9 billion for the years ended December 31, 2018 and 2017, respectively, with net income from continuing operations per diluted share of $3.42 and $1.25, respectively. Net income from continuing operations for 2018 was positively impacted by an income tax benefit of $475.2 million, primarily due to release of the valuation allowance in the U.S. This compares to an income tax benefit in 2017 of $252.4 million, primarily due to the enactment of Public Law 115–97. Sales margin increased by $342.0 million during 2018 when compared to 2017, primarily driven by the increase in revenue from higher overall average realized product revenue rates and higher sales volumes. During 2018, we had a loss on extinguishment of debt of $6.8 million compared to a loss of $165.4 million during the prior year. In addition, during 2018 we had a gain from discontinued operations, net of tax of $88.2 million, primarily attributable to our exit from Australia compared to a gain of $2.5 million from discontinued operations, net of tax, during 2017.

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Strategy

We are Focused on Protecting our Core Mining and Pelletizing Segment Business

We are the market-leading iron ore producer in the U.S., supplying differentiated iron ore pellets under long-term contracts to major North American blast furnace steel producers. We have the unique advantage of being a low-cost, high-quality, iron ore pellet producer with significant transportation and logistics advantages to serve the Great Lakes steel market effectively. The pricing structure and long-term nature of our existing contracts, along with our low-cost operating profile, position our Mining and Pelletizing segment as a strong cash flow generator in most commodity pricing environments. Since instituting our strategy in 2014 of focusing on this core business, we have achieved significant accomplishments, including providing accelerating profitability growth each year since 2015, maximizing commercial leverage in pricing and securing sales volume certainty by signing multiple new supply agreements with steelmakers throughout the Great Lakes region, improving operating reliability by making operational improvements, realizing more predictability in cash flows, embracing the global push toward environmental stewardship and developing new pellet products to meet ever-evolving market demands.

We recognize the importance of our strong position in the North American blast furnace steel industry, and our top priority is to protect and enhance the market position of our Mining and Pelletizing business. This involves continuing to deliver high-quality, custom-made pellets that allow our customers to remain competitive in the quality, production efficiency, and environmental friendliness of their steel products. Protecting the core business also involves continually evaluating opportunities to expand both our production capacity and ore reserve life. In 2017, we achieved key accomplishments toward these goals by acquiring the remaining minority stake in our Tilden and Empire mines as well as additional real estate interests in Minnesota. In 2018, we began supplying pellets under two new customer supply agreements in the Great Lakes region. In addition, we executed the efficient exit of our Asia Pacific Iron Ore business, officially completing the divestiture of the Company's non-core assets.

Expanding our Customer Base

While we hold a strong market position in supplying iron ore to Great Lakes blast furnaces, we cannot ignore the ongoing shift of steelmaking share in the U.S. away from our core blast furnace customers to EAF steelmakers. Over the past 25 years, the market share of EAFs has nearly doubled. However, as EAFs have moved to higher-value steel products, they require more high-quality iron ore-based metallics instead of lower-grade scrap as raw material feedstock. As a result of this trend, one of our top strategic priorities is to become a critical supplier of the EAF market by providing these specialized metallics. HBI is a specialized high-quality iron alternative to scrap and pig iron that, when used as a feedstock, allows the EAF to produce more valuable grades of steel. In June 2017, we announced the planned construction of an HBI production plant in Toledo, Ohio. Over the past 18 months, we have made significant progress on the construction of this plant. Based on current market analysis, greater-than-expected customer demand and expansion opportunities identified during the construction process, we are increasing the expected productive capacity of the Toledo HBI production plant from 1.6 million to 1.9 million metric tons per year. Accordingly, we now estimate the construction cost to be approximately $830 million, exclusive of construction-related contingencies and capitalized interest, which increase partially relates to the expanded capacity. We expect that the HBI production plant, once operational, will consume approximately 2.8 million long tons of our DR-grade pellets per year.

We expect our HBI to partially replace the over 3 million metric tons of ore-based metallics that are imported into the Great Lakes region every year from Russia, Ukraine, Brazil and Venezuela, as well as the nearly 20 million metric tons of scrap used in the Great Lakes area every year. The Toledo site is in close proximity to over 20 EAFs, giving us a natural competitive freight advantage over import competitors. Not only does this production plant create another outlet for our high-margin pellets, but it also presents an attractive economic opportunity for us. As the only producer of DR-grade pellets in the Great Lakes region and with access to abundant, low-cost natural gas, we will be in a unique position to serve clients in the area and grow our customer base.

Maintaining Discipline on Costs and Capital Allocation

We believe our ability to execute our strategy is dependent on maintaining our financial position, balance sheet strength and financial flexibility, which will enable us to manage through the inherent cyclical demand for our products and volatility in commodity prices. Our streamlined organization and support functions are well-aligned with our strategic direction. Our capital allocation plan is focused on strengthening and protecting our core Mining and Pelletizing segment operations and expanding our customer base through our Metallics segment, as well as returning excess capital to shareholders while maintaining manageable leverage through volatile commodity cycles.

As the implementation of our strategy has strengthened the business, we have put additional emphasis on the continued improvement of our balance sheet via continued reduction of long-term debt. Since 2015, we have reduced

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our annual interest expense by 46%, or approximately $100 million, by using various liability management strategies consistent with our capital allocation priorities and our stated objective of improving the strength of our balance sheet and simplifying the capital structure. Given the cyclical nature of our business, we will continue to be opportunistic in managing our balance sheet and capital structure, which should put us in an optimal position to manage through any commodity environment, and we continue to seek the best opportunities to accomplish this.

Competitive Strengths

Resilient Mining and Pelletizing Segment Operations

Our Mining and Pelletizing segment is the primary contributor to our consolidated results, generating $2,332.4 million of consolidated revenue, $809.6 million of sales margin and $875.3 million of consolidated Adjusted EBITDA for the year ended December 31, 2018. Our Mining and Pelletizing segment produces differentiated iron ore pellets that are customized for use in customers’ blast furnaces as part of the steelmaking process. The grades of pellets currently delivered to each customer are based on that customer’s preferences, which depend in part on the characteristics of the customer’s blast furnace operations. We believe our long history of supplying customized pellets to the U.S. steel producers has resulted in a co-dependent relationship between us and our customers. This technical and operational co-dependency has enabled us to claim a substantial portion of the total Mining and Pelletizing segment market. Based on our equity ownership in our U.S. mines, our share of the annual rated production capacity is 21.2 million long tons, representing 42% of total U.S. annual pellet capacity. Long-lived assets with an average mine life of approximately 30 years provide the opportunity to maintain our significant market position well into the future.

We believe our Mining and Pelletizing segment is uniquely positioned in the global iron ore market due to its insulated position within the Great Lakes region and balanced exposure to market volatility due to contract pricing structures. Most of our Mining and Pelletizing segment production is sold through long-term contracts that are structured with various formula-based pricing mechanisms that reference spot iron ore pricing, domestic steel prices, and Atlantic Basin pellet premiums, among other items, and mitigate the impact of any one factor's price volatility on our business.

We maintain a freight advantage compared to our competition as a result of our proximity to U.S. steelmaking operations. The Great Lakes market is largely isolated and expensive to enter from the seaborne market. Our costs are lower as a result of inherent transportation advantages associated with our mine locations near the Great Lakes, which allows for transportation via railroads and loading ports.

Recent Developments

Changes to our Board of Directors

On January 28, 2019, we appointed M. Ann Harlan and Janet L. Miller to our Board of Directors. Ms. Harlan will join the Audit Committee and Ms. Miller will join the Governance and Nominating Committee of our Board. With the addition of Ms. Harlan and Ms. Miller, our Board of Directors is now comprised of eleven members, of which ten are independent directors. Also, in order to re-balance responsibilities among its Board members, we announced other changes to the Committee assignments. Susan Green has been appointed to the Strategy Committee; Michael Siegal has stepped down from the Audit Committee; Gabriel Stoliar has stepped down from the Governance and Nominating Committee; and Robert Fisher, Jr. has stepped down from the Strategy Committee.

Executive Leadership Promotion

On December 11, 2018, our Board of Directors elected Clifford T. Smith, as our Executive Vice President, Chief Operating Officer, effective January 1, 2019. Mr. Smith most recently was the Executive Vice President, Business Development, a position he held since April 2015. He previously served as Executive Vice President, Seaborne Iron Ore (October 2014 - April 2015) and Executive Vice President, Global Operations (July 2013 - January 2014).

Share Repurchase Program

On November 26, 2018, we announced that our Board of Directors authorized a program to repurchase outstanding common shares in the open market or in privately negotiated transactions, up to a maximum of $200 million. We are not obligated to make any purchases and the program may be suspended or discontinued at any time. During 2018, we repurchased 5.4 million common shares at a cost of approximately $47.5 million in aggregate, including commissions and fees, or an average price of approximately $8.78 per share. As of December 31, 2018, there was approximately $152.7 million remaining under the authorization. The share repurchase program is effective until December 31, 2019.

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Business Segments

In alignment with our strategic goals, our Company's continuing operations are organized and managed in two business units according to our differentiated products. The former 'U.S. Iron Ore' segment is now 'Mining and Pelletizing.' Our Mining and Pelletizing segment 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. In addition, the Toledo HBI business will be categorized under the segment 'Metallics.' In our Metallics segment, we are currently constructing an HBI production plant in Toledo, Ohio. We expect to complete construction and begin production in 2020. Until the HBI plant is operational, expenses reported in the Metallics segment will be limited to administrative costs.

2018 Compared to 2017

Results of Operations

The following is a summary of the Mining and Pelletizing segment results:

	(In Millions)					
			Changes due to:			
	Year Ended December 31,		Revenue and cost rate	Sales volume	Freight and reimbursement	Total change
	2018	2017				
Revenues from product sales and services	$2,332.4	$1,866.0	$364.3	$163.5	$ (61.4)	$466.4
Cost of goods sold and operating expenses	(1,522.8)	(1,398.4)	(68.4)	(117.4)	61.4	(124.4)
Sales margin	$809.6	$467.6	$295.9	$46.1	$ —	$342.0

	Year Ended December 31,			
Per Long Sales Ton Information	2018	2017	Difference	Percent change
Realized product revenue rate[1]	$105.64	$88.03	$ 17.61	20.0 %
Cash cost of goods sold and operating expense rate[1,2]	62.95	59.43	3.52	5.9 %
Depreciation, depletion & amortization	3.32	3.56	(0.24)	(6.7)%
Total cost of goods sold and operating expense rate	66.27	62.99	3.28	5.2 %
Sales margin	$39.37	$25.04	$ 14.33	57.2 %
Sales tons[3] (In thousands)	20,563	18,683		
Production tons[3] (In thousands)				
Total	26,336	25,542		
Cliffs' share of total	20,329	18,776		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues and expenses also exclude venture partner cost reimbursements.

[2] Cash cost of goods sold and operating expense rate is a non-GAAP financial measure. Refer to "Non-GAAP Reconciliation" for reconciliation in dollars back to our consolidated financial statements.

[3] Tons are long tons.

Sales margin for the Mining and Pelletizing segment was $809.6 million for the year ended December 31, 2018, compared with $467.6 million for the year ended December 31, 2017. Sales margin per long ton increased 57.2% to $39.37 per long ton during the year ended December 31, 2018 compared to 2017.

Revenue increased by $527.8 million during the year ended December 31, 2018, compared to 2017, excluding the freight and reimbursements decrease of $61.4 million, predominantly due to:

- An increase in the average year-to-date realized product revenue rate of $17.61 per long ton or 20.0% during the year ended December 31, 2018, compared to 2017, which resulted in an increase of $364.3 million. This is predominantly due to:

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An increase in the average annual daily market price for hot-rolled coil steel, which positively affected the realized revenue rate by $10 per long ton or $215 million during 2018;
Higher pellet premiums, which positively affected the realized revenue rate by $7 per long ton or $141 million; and
Changes in customer and contract mix, which positively affected the realized revenue rate by $3 per long ton or $70 million.
These increases were offset partially by:
An increase in index freight rates, a component in most of our contract pricing formulas, which negatively affected the realized revenue rate by $3 per long ton or $53 million; and
Lower full-year Platts 62% Price, compared to the prior-year, which negatively affected the realized revenue rate by $1 per long ton or $30 million.

- Higher sales volumes of 1.9 million long tons, which resulted in increased revenues of $163.5 million, predominantly due to increased demand from two customers resulting in two additional contracts that started during the current year.

Cost of goods sold and operating expenses increased $185.8 million during the year ended December 31, 2018, compared to 2017, excluding the freight and reimbursements decrease of $61.4 million, predominantly as a result of:

- An increase in sales volume of 1.9 million long tons, which resulted in increased costs of $117 million period-over-period; and
- Unfavorable change in the full-year cost driven by higher employment-related and profit sharing costs of $35 million or $2 per long ton, increased royalties of $19 million or $1 per long ton and increased maintenance and fuel costs of $19 million or $1 per long ton.

Production

Our share of production increased by 8.3% during the year ended December 31, 2018 when compared to 2017. The increase in production volume primarily is attributable to incremental tonnage of 0.8 million long tons as a result of the increase in Tilden ownership to 100% in the third quarter of 2017, 0.4 million long tons at United Taconite as a result of increased operating time and productivity in 2018 compared to 2017 when the Mustang capital project was underway, and 0.3 million long tons at Northshore due to lower production during the prior-year comparable period as a result of longer scheduled annual maintenance shut-downs and an additional furnace idle to support the production of low silica pellets.

Other Operating Income (Expense)

The following is a summary of Other operating income (expense):

	(In Millions)		
	2018	2017	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	$(116.8)	$(102.9)	$ (13.9)
Miscellaneous - net	(19.6)	25.5	(45.1)
	$(136.4)	$(77.4)	$ (59.0)

Selling, general and administrative expenses during the year ended December 31, 2018 increased $13.9 million compared to 2017. The unfavorable variance for the year ended December 31, 2018 was primarily driven by an increase in employment-related costs, including approximately $6 million related to signing bonuses that were part of the new USW labor agreement signed in 2018 and higher incentive compensation compared to 2017.

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The following is a summary of Miscellaneous - net:

	(In Millions)		
	2018	2017	Variance Favorable/ (Unfavorable)
Empire idle costs	$(24.1)	$5.0	$ (29.1)
Foreign exchange remeasurement	(0.9)	13.9	(14.8)
Management and royalty fees	1.0	5.1	(4.1)
Impairment of long-lived assets	(1.1)	—	(1.1)
Other	5.5	1.5	4.0
	$(19.6)	$25.5	$ (45.1)

Miscellaneous - net during the year ended December 31, 2018 increased $45.1 million compared to 2017. There was a year over year unfavorable impact of $29.1 million in Empire mine idle costs primarily impacted by the reduction to the asset retirement obligation liability during 2017. During 2017, there was a decrease in the obligation of $26.2 million as a result of the refinement of the cash flows required for reclamation, remediation and structural removal. Refer to NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS for further information regarding changes in the asset retirement obligation.

For the year ended December 31, 2017, there was an incrementally favorable impact of $14.8 million driven by the change in foreign exchange remeasurement of short-term intercompany loans that were denominated in currency that was not the functional currency of the entity that holds the loans.

Other Expense

The following is a summary of Other expense:

	(In Millions)		
	2018	2017	Variance Favorable/ (Unfavorable)
Interest expense, net	$(118.9)	$(126.8)	$ 7.9
Loss on extinguishment of debt	(6.8)	(165.4)	158.6
Other non-operating income			
Net periodic benefit costs other than service cost component	14.0	7.0	7.0
Other	3.2	3.2	—
	$(108.5)	$(282.0)	$ 173.5

Interest expense, net for the year ended December 31, 2018, was $7.9 million lower than 2017, predominantly due to interest that was capitalized related to the HBI production plant and upgrades at the Northshore plant.

The loss on extinguishment of debt for the year ended December 31, 2018 of $6.8 million was related to the redemption in full of our outstanding 4.80% 2020 Senior Notes and 5.90% 2020 Senior Notes and the repurchase of certain of our other senior notes. This compares to a loss of $165.4 million for the year ended December 31, 2017, primarily related to the redemption in full of all of our outstanding First Lien Notes, 1.5 Lien Notes and Second Lien Notes and the repurchase of certain of our other senior notes.

Refer to NOTE 6 - DEBT AND CREDIT FACILITIES for further discussion.

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Income Taxes

Our tax rate is affected by permanent items, such as depletion and the relative amount of income we earn in various foreign jurisdictions with tax rates that differ from the U.S. statutory rate. It also is affected by discrete items that may occur in any given period, but are not consistent from period to period. The following represents a summary of our tax provision and corresponding effective rates:

	(In Millions)		
	2018	2017	Variance
Income tax benefit	$475.2	$252.4	$222.8
Effective tax rate	(84.1)%	(233.3)%	149.2 %

A reconciliation of our income tax attributable to continuing operations compared to the U.S. federal statutory rate is as follows:

	(In Millions)			
	2018		2017	
Tax at U.S. statutory rate	$118.6	21.0 %	$37.9	35.0 %
Increase (decrease) due to:				
Percentage depletion in excess of cost depletion	(54.6)	(9.7)	(61.6)	(56.9)
Impact of tax law change - remeasurement of deferred taxes	—	—	407.5	376.6
Dissolution of Luxembourg entities	161.7	28.6	—	—
Prior year adjustments in current year	(1.0)	(0.2)	(1.1)	(1.0)
Valuation allowance reversal				
Tax law change - remeasurement of deferred taxes	—	—	(407.5)	(376.6)
Current year activity	(80.6)	(14.3)	(466.3)	(431.0)
Release of U.S. valuation allowance	(460.5)	(81.5)	—	—
Repeal of AMT	—	—	(235.3)	(217.5)
Dissolution of Luxembourg entities	(161.7)	(28.6)	—	—
Prior year adjustments in current year	1.0	0.2	(3.5)	(3.2)
Tax uncertainties	(1.3)	(0.2)	(1.4)	(1.3)
Impact of foreign operations	0.1	—	477.9	441.7
Other items, net	3.1	0.6	1.0	0.9
Provision for income tax benefit and effective income tax rate including discrete items	$(475.2)	(84.1)%	$(252.4)	(233.3)%

Our tax provision for the year ended December 31, 2018 was a benefit of $475.2 million and an effective tax rate of negative 84.1% compared with a benefit of $252.4 million and an effective tax rate of negative 233.3% for the prior year. The increase in income tax benefit from the prior year is primarily due to release of the valuation allowance in the U.S. of $460.5 million in the fourth quarter of 2018. Additionally, during 2018, a legal entity reduction initiative was completed resulting in the dissolution of two Luxembourg entities, both of which held net operating loss deferred tax assets. This asset reduction resulted in an expense of $161.7 million which was fully offset by a decrease in valuation allowance. In December of 2017 a benefit of $235.3 million was recorded as a result of the repeal of AMT in the 2017 U.S. income tax reform legislation. Additionally, the Impact of tax law change - remeasurement of deferred taxes for the year ended December 31, 2017 primarily relates to the statutory rate reduction in the U.S. that decreased the deferred tax assets by $334.1 million and the Luxembourg rate reduction that decreased the deferred tax assets by $73.4 million. Both of these asset reductions were fully offset by a decrease in valuation allowance. The impact of foreign operations relates to income and losses in foreign jurisdictions where the statutory rates, ranging from 0% to 26.01%, differ from the U.S. statutory rate of 21% and 35% for the years ended December 31, 2018 and December 31, 2017, respectively.

See NOTE 10 - INCOME TAXES for further information.

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Income from discontinued operations, net of tax

During the year ended December 31, 2018, we recorded income of $88.2 million within Income from discontinued operations, net of tax. For the year ended December 31, 2018, net income attributable to Asia Pacific Iron Ore was $118.3 million. As a result of the liquidation of substantially all of the Australian subsidiaries' net assets, the historical changes in foreign currency translation recorded in Accumulated other comprehensive loss in the Statements of Consolidated Financial Position of $228.1 million was reclassified and recognized as a gain in Income from discontinued operations, net of tax, which was partially offset by operating losses and exit costs at Asia Pacific Iron Ore and the settlement of the CCAA proceedings. We recorded Income from discontinued operations, net of tax of $2.5 million for the year ended December 31, 2017. Refer to NOTE 13 - DISCONTINUED OPERATIONS for further information.

EBITDA and Adjusted EBITDA

We evaluate performance based on EBITDA and Adjusted EBITDA, which are non-GAAP measures. These measures allow management and investors to focus on our ability to service our debt as well as illustrate how the business is performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

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	(In Millions) 2018	2017
Net income	$1,128.1	$363.1
Less:		
Interest expense, net	(121.3)	(132.0)
Income tax benefit	460.3	252.4
Depreciation, depletion and amortization	(89.0)	(87.7)
Total EBITDA	$878.1	$330.4
Less:		
Loss on extinguishment of debt	$(6.8)	$(165.4)
Impact of discontinued operations	120.6	22.0
Foreign exchange remeasurement	(0.9)	13.9
Impairment of other long-lived assets	(1.1)	—
Total Adjusted EBITDA	$766.3	$459.9
EBITDA:		
Mining and Pelletizing	$852.9	$534.9
Metallics	(3.3)	(0.4)
Other (including discontinued operations)	28.5	(204.1)
Total EBITDA	$878.1	$330.4
Adjusted EBITDA:		
Mining and Pelletizing	$875.3	$559.4
Metallics	(3.3)	(0.4)
Other	(105.7)	(99.1)
Total Adjusted EBITDA	$766.3	$459.9

EBITDA for the year ended December 31, 2018 increased by $547.7 million on a consolidated basis from 2017. The favorable variance in EBITDA for the year ended December 31, 2018 was primarily due to an increase in sales margin of $342.0 million and a favorable impact from discontinued operations of $98.6 million compared to the prior-year period. The favorable impact from discontinued operations is primarily due to the historical changes in foreign currency translation that were previously recorded in Accumulated other comprehensive loss totaling $228.1 million, which were reclassified and recognized in Income from discontinued operations, net of tax. The favorable impact from reclassification of historical foreign currency translation changes was partially offset by operating losses and exit costs at Asia Pacific Iron Ore and the settlement of the CCAA proceedings. Refer to NOTE 13 - DISCONTINUED OPERATIONS for further information.

Adjusted EBITDA increased by $306.4 million for the year ended December 31, 2018 from the comparable period in 2017. The increase primarily was attributable to higher consolidated sales margin of $342.0 million for the year ended December 31, 2018, compared to the prior year.

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2017 Compared to 2016

Results of Operations

The following is a summary of the Mining and Pelletizing segment results:

	(In Millions)						
			Change due to				
	Year Ended December 31,		Revenue and cost rate	Sales volume	Idle cost/production volume variance	Freight and reimburse-ment	Total change
	2017	2016					
Revenues from product sales and services	$1,866.0	$1,554.5	$228.2	$36.7	$ —	$ 46.6	$311.5
Cost of goods sold and operating expenses	(1,398.4)	(1,274.4)	(113.7)	(18.4)	54.7	(46.6)	(124.0)
Sales margin	$467.6	$280.1	$114.5	$18.3	$ 54.7	$ —	$187.5

	Year Ended December 31,			
Per Long Sales Ton Information	2017	2016	Difference	Percent change
Realized product revenue rate[1]	$88.03	$75.71	$ 12.32	16.3 %
Cash cost of goods sold and operating expense rate[1,2]	59.43	55.73	3.70	6.6 %
Depreciation, depletion & amortization	3.56	4.61	(1.05)	(22.8)%
Total cost of goods sold and operating expenses rate	62.99	60.34	2.65	4.4 %
Sales margin	$25.04	$15.37	$ 9.67	62.9 %
Sales tons[3] (In thousands)	18,683	18,224		
Production tons[3] (In thousands)				
Total	25,542	23,416		
Cliffs' share of total	18,776	15,982		

[1] Excludes revenues and expenses related to domestic freight, which are offsetting and have no impact on sales margin. Revenues and expenses also exclude venture partner cost reimbursements.

[2] Cash cost of goods sold and operating expense rate is a non-GAAP financial measure. See "Non-GAAP Reconciliation" for reconciliation in dollars back to our consolidated financial statements.

[3] Tons are long tons (2,240 pounds).

Sales margin for the Mining and Pelletizing segment was $467.6 million for the year ended December 31, 2017, compared with $280.1 million for the year ended December 31, 2016. Sales margin increased 62.9% to $25.04 per long ton during the year ended December 31, 2017 compared to 2016.

Revenue increased by $264.9 million during the year ended December 31, 2017, compared to 2016, excluding the freight and reimbursements increase of $46.6 million, predominantly due to:

- An increase in the average year-to-date realized product revenue rate of $12.32 per long ton or 16.3% during the year ended December 31, 2017, compared to 2016, which resulted in an increase of $228.2 million. This is predominantly due to:
  - An increase in Platts 62% Price, which positively affected the realized revenue rate by $9 per long ton or $176 million;
  - An increase in the average annual daily market price and customer pricing for hot-rolled coil steel, which positively affected the realized revenue rate by $5 per long ton or $100 million; and
  - Higher pellet premiums, which positively affected the realized revenue rate by $5 per long ton or $94 million.

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These increases were offset partially by changes in customer and contract mix and carryover pricing impacts, which negatively affected the realized revenue rate by $5 per long ton or $84 million; and

Higher index freight rates, a component in some of our contract pricing formulas, which negatively affected the realized revenue rate by $3 per long ton or $63 million.

- Higher sales volumes of 0.5 million long tons during the year ended December 31, 2017, which resulted in increased revenues of $36.7 million due to:

Increased demand from a customer, providing additional sales volume of 1.8 million long tons, compared to the prior year when the customer had sufficient inventory due to the idle of one of its facilities and additional suppliers;

Increased demand from a customer, providing additional sales volume of 1.3 million long tons, resulting from the fourth quarter 2015 termination of its contract causing a nine-month gap in sales to that customer; and

An increase in exports to Asia in order to offset a fourth quarter reduction in domestic nomination from a major customer and fewer domestic spot contracts, providing additional sales volume of 0.9 million long tons compared to 2016.

These increases were offset partially by 2.8 million long tons that were sold in 2016 on separate spot contracts with two customers and were not renewed; and

Decreased sales to a customer due to timing of payments and a lower 2017 nomination, resulting in a decrease in sales volume of 0.8 million long tons.

Cost of goods sold and operating expenses increased $77.4 million during the year ended December 31, 2017 compared to 2016, excluding the freight and reimbursements increase of $46.6 million, predominantly as a result of:

- Higher spending on repairs and maintenance of $44 million or $2 per long ton, higher profit sharing and benefit costs of $35 million or $2 per long ton, and higher energy rates for natural gas, diesel and electricity of $23 million or $1 per long ton; and
- Increased sales volumes as discussed above which resulted in increased costs of $18 million period-over-period.
- These increases were offset partially by decreased idle costs of $55 million or $3 per long ton due to the idle of the United Taconite and Northshore mines during the prior year.

Production

Our share of production in our Mining and Pelletizing segment increased by 17.5% during the year ended December 31, 2017 when compared to 2016. The increase in production volume primarily is attributable to all active mining facilities fully operating in 2017 compared to the various idled operations during 2016. United Taconite was fully operating during the year ended December 31, 2017, adding an incremental 3.3 million long tons of production, compared to the previous year's production levels as a result of being idled for the first seven months of 2016. Secondly, Northshore added incremental tonnage of 2.1 million long tons during the year ended December 31, 2017, when it was substantially at full production, compared to its previous year's production tonnage when it was fully idled for the first four months of 2016. These production gains were offset partially by the indefinite idle of the Empire mine in August 2016, lowering production by 2.8 million long tons, compared to the prior year when the mine was operating.

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Other Operating Income (Expense)

The following is a summary of Other operating income (expense):

	(In Millions)		
	2017	2016	Variance Favorable/ (Unfavorable)
Selling, general and administrative expenses	$(102.9)	$(115.8)	$ 12.9
Miscellaneous - net	25.5	(33.6)	59.1
	$(77.4)	$(149.4)	$ 72.0

Selling, general and administrative expenses during the year ended December 31, 2017 decreased $12.9 million over 2016. The favorable variance for the year ended December 31, 2017 was driven by a $3.3 million decrease in incentive compensation and $3.5 million of union signing bonuses in 2016, that were not repeated in 2017. In addition, external services costs, excluding costs for early stage HBI project spending, decreased by $5.4 million for the year ended December 31, 2017 compared to the prior year. These favorable variances were offset partially by early-stage HBI project spending of $2.3 million.

The following is a summary of Miscellaneous - net:

	(In Millions)		
	2017	2016	Variance Favorable/ (Unfavorable)
Foreign exchange remeasurement	$13.9	$(17.8)	$ 31.7
Michigan Electricity Matters accrual	1.3	(12.4)	13.7
Management and royalty fees	5.1	9.0	(3.9)
Empire idle costs	5.0	(8.2)	13.2
Gain (loss) on disposal of assets	0.9	(4.9)	5.8
Other	(0.7)	0.7	(1.4)
	$25.5	$(33.6)	$ 59.1

For the year ended December 31, 2017, there was an incrementally favorable impact of $31.7 million driven by the change in foreign exchange remeasurement of short-term intercompany loans that are denominated in currency that is not the functional currency of the entity that holds the loans. There was an incrementally favorable impact of $13.7 million related to the FERC ruling on the proceedings regarding cost allocations for continued operation of the Presque Isle power plant in Michigan (referred to above as the Michigan Electricity Matters) that was recorded in the third quarter of 2016 and adjusted in the fourth quarter of 2017. In addition, there was an incrementally favorable impact of $13.2 million in Empire mine idle costs driven primarily by an asset retirement obligation adjustment.

Other Income (Expense)

The following is a summary of Other expense:

	(In Millions)		
	2017	2016	Variance Favorable/ (Unfavorable)
Interest expense, net	$(126.8)	$(193.9)	$ 67.1
Gain (loss) on extinguishment/restructuring of debt	(165.4)	166.3	(331.7)
Other non-operating income	10.2	7.3	2.9
	$(282.0)	$(20.3)	$ (261.7)

The loss on extinguishment/restructuring of debt for the year ended December 31, 2017 of $165.4 million was related to the repurchase of certain of our unsecured senior notes and the redemption in full of our then-outstanding

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secured notes. This compares to a gain of $166.3 million for the year ended December 31, 2016, primarily related to the issuance of our 8.00% 2020 1.5 Lien Notes through an exchange offer on March 2, 2016.

Interest expense, net for the year ended December 31, 2017 had a favorable variance of $67.1 million versus the prior year, predominantly as a result of the debt restructuring activities that occurred throughout 2017. These debt restructurings resulted in a reduction of our effective interest rate to 5.8% and extended our debt maturities. Refer to NOTE 6 - DEBT AND CREDIT FACILITIES for further discussion.

Income Taxes

Our tax rate is affected by permanent items, such as depletion and the relative amount of income we earn in various foreign jurisdictions with tax rates that differ from the U.S. statutory rate. It also is affected by discrete items that may occur in any given period, but are not consistent from period to period. The following represents a summary of our tax provision and corresponding effective rates:

	(In Millions)		
	2017	2016	Variance
Income tax benefit	$252.4	$12.2	$240.2
Effective tax rate	(233.3)%	(11.1)%	(222.2)%

A reconciliation of our income tax attributable to continuing operations computed at the U.S. federal statutory rate is as follows:

	(In Millions)			
	2017		2016	
Tax at U.S. statutory rate	$37.9	35.0 %	$38.6	35.0 %
Increase (decrease) due to:				
Impact of tax law change - remeasurement of deferred taxes	407.5	376.6	149.1	135.1
Prior year adjustments in current year	(1.1)	(1.0)	(11.8)	(10.7)
Valuation allowance build (reversal):				
Tax law change - remeasurement of deferred taxes	(407.5)	(376.6)	(149.1)	(135.1)
Current year activity	(466.3)	(431.0)	122.9	111.3
Repeal of AMT	(235.3)	(217.5)	—	—
Prior year adjustments in current year	(3.5)	(3.2)	9.3	8.4
Tax uncertainties	(1.4)	(1.3)	(11.3)	(10.2)
Worthless stock deduction	—	—	(73.4)	(66.5)
Impact of foreign operations	477.9	441.7	(40.6)	(36.8)
Percentage depletion in excess of cost depletion	(61.6)	(56.9)	(36.1)	(32.7)
Other items, net	1.0	0.9	(9.8)	(8.9)
Provision for income tax benefit and effective income tax rate including discrete items	$(252.4)	(233.3)%	$(12.2)	(11.1)%

Our tax provision for the year ended December 31, 2017 was a benefit of $252.4 million and a negative 233.3% effective tax rate compared with a benefit of $12.2 million and an effective tax rate of negative 11.1% for the prior year. The increase in income tax benefit from the prior year is primarily due to the repeal of AMT through U.S. income tax reform legislation. The impact of tax law change due to remeasurement of deferred taxes primarily relates to the statutory rate reduction in the U.S. that decreased the deferred tax assets by $334.1 million and the Luxembourg rate reduction that decreased the deferred tax assets by $73.4 million. Both of these asset reductions were fully offset by a decrease in valuation allowance. The impact of foreign operations relates to income and losses in foreign jurisdictions where the statutory rates, ranging from 0% to 30%, differ from the U.S. statutory rate of 35%.

See NOTE 10 - INCOME TAXES for further information.

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Income from discontinued operations, net of tax

For the year ended December 31, 2017, we recorded Income from discontinued operations, net of tax of $2.5 million. During 2017, the Wabush Scully Mine was sold as part of the ongoing CCAA proceedings for the Wabush Group, which resulted in a net gain of $31.4 million. The gain was offset by an estimated liability of $55.6 million, which was established based on the probable assertion of a preference claim against the Company and was classified as Contingent claims in the Statements of Consolidated Financial Position. Additionally, for the year ended December 31, 2017, we recorded income of $21.2 million within Income from discontinued operations, net of tax relating to our Asia Pacific Iron Ore operations.

For the year ended December 31, 2016 we recorded a gain from discontinued operations of $76.7 million, which was attributable to income generated by our Asia Pacific Iron Ore operations of $96.6 million, offset partially by a loss related to our North American Coal and Eastern Canadian Iron Ore operations.

Refer to NOTE 13 - DISCONTINUED OPERATIONS for further information.

Noncontrolling Interest

During 2017, our ownership interest in Empire increased to 100% as we reached an agreement to distribute the noncontrolling interest net assets of $132.7 million to ArcelorMittal, in exchange for its interest in Empire. The agreement had no direct impact on the Loss (income) attributable to noncontrolling interest in the Statements of Consolidated Operations. However, for the year ended December 31, 2017, the Empire mine was indefinitely idled resulting in a loss attributable to the noncontrolling interest of $3.9 million. In comparison, during the year ended December 31, 2016, the Empire mine was operating and had income of $25.2 million attributable to the noncontrolling interest.

EBITDA and Adjusted EBITDA

We evaluate performance based on EBITDA and Adjusted EBITDA, which are non-GAAP measures. These measures allow management and investors to focus on our ability to service our debt as well as illustrate how the business is performing. Additionally, EBITDA and Adjusted EBITDA assist management and investors in their analysis and forecasting as these measures approximate the cash flows associated with operational earnings.

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	(In Millions)	
	2017	2016
Net income	$363.1	$199.3
Less:		
Interest expense, net	(132.0)	(200.5)
Income tax benefit	252.4	12.2
Depreciation, depletion and amortization	(87.7)	(115.4)
EBITDA	$330.4	$503.0
Less:		
Gain (loss) on extinguishment/restructuring of debt	$(165.4)	$166.3
Impact of discontinued operations	22.0	108.4
Foreign exchange remeasurement	13.9	(17.8)
Total Adjusted EBITDA	$459.9	$246.1
EBITDA:		
Mining and Pelletizing	$534.9	$342.4
Metallics	(0.4)	—
Corporate and Other (including discontinued operations)	(204.1)	160.6
Total EBITDA	$330.4	$503.0
Adjusted EBITDA:		
Mining and Pelletizing	$559.4	$359.6
Metallics	(0.4)	—
Corporate and Other	(99.1)	(113.5)
Total Adjusted EBITDA	$459.9	$246.1

EBITDA for the year ended December 31, 2017 decreased by $172.6 million on a consolidated basis from 2016. The unfavorable variance in EBITDA for the year ended December 31, 2017 was driven primarily by an incrementally negative impact of $331.7 million related to debt extinguishment/restructuring activities compared to the prior year partially offset by an increase in sales margin of $187.5 million compared to the prior year.

Adjusted EBITDA increased by $213.8 million for the year ended December 31, 2017 from the comparable period in 2016. The increase primarily was attributable to higher consolidated sales margin of $187.5 million for the year ended December 17, 2017, compared to the prior year.

Liquidity, Cash Flows and Capital Resources

Our primary sources of liquidity are Cash and cash equivalents and cash generated from our operating and financing activities. Our capital allocation decision-making process is focused on returning capital to shareholders while maintaining the strength of our balance sheet and creating financial flexibility to manage through the inherent cyclical demand for our products and volatility in commodity prices. We are focused on maximizing the cash generation of our operations as well as reducing operating costs, aligning capital investments with our strategic priorities and the requirements of our business plan, including regulatory and permission-to-operate related projects.

During 2018, we took action consistent with our capital allocation priorities of returning capital to shareholders, maintaining the strength of our balance sheet, improving our financial flexibility and executing on opportunities that will allow us to increase our long-term profitability. We have remained focused on protecting our business based on our actions to allocate capital to both sustaining our existing operations and our two major capital projects: the HBI plant in Toledo, Ohio and the upgrade to the Northshore plant to replace up to 3.5 million long tons of blast furnace pellet production with DR-grade pellet production. Additionally, we executed a strategy to mitigate our costs as we exited the Asia Pacific Iron Ore operations, including the sale of all remaining assets of the operations, and took additional steps to reduce our long-term debt and extend our maturities by extinguishing $227.4 million of our existing debt.

Based on our outlook for the next 12 months, which is subject to continued changing demand from steelmakers that utilize our products and volatility in iron ore and domestic steel prices, we expect to generate cash from operations sufficient to meet the needs of our existing operations, service our debt obligations and fund our dividends.
Refer to "Outlook" for additional guidance regarding expected future results, including projections on pricing, sales volume and production.
The following discussion summarizes the significant activities that impacted our cash flows during 2018 and comparative years as well as those expected to impact our future cash flows over the next 12 months. Refer to the Statements of Consolidated Cash Flows for additional information.

Operating Activities

Net cash provided by operating activities was $478.5 million and $338.1 million for the years ended December 31, 2018 and 2017, respectively. The incremental increase in cash provided by operating activities during 2018 was primarily due to the improved operating results previously discussed related to our Mining and Pelletizing operating segment, offset partially by year-over-year changes in cash used by our discontinued operations.
Net cash provided by operating activities increased to $338.1 million for the year ended December 31, 2017, compared to net cash provided by operating activities of $303.0 million for 2016. The increase in cash provided by operating activities during 2017 was primarily due to the improved operating results previously discussed related to our Mining and Pelletizing operating segment offset partially by cash outflows for working capital. The working capital change in 2017 versus 2016 was primarily driven by the repeal of corporate AMT as a result of tax reform, which impacted our taxes receivable, and the timing of inventory and accounts receivable movements.
Driving the increase in our taxes receivable is Public Law 115–97, commonly known as the "Tax Cuts and Jobs Act", which among other things, repealed the corporate AMT and reduced the federal corporate tax rate to 21% for tax years beginning January 1, 2018. Along with the repeal of AMT, Public Law 115–97 provides that existing AMT credit carryovers are refundable beginning with the filing of the calendar year 2018 tax return. As of December 31, 2018, we have AMT credit carryovers of $117.3 million in Income tax receivable, current and $117.3 million in Income tax receivable, non-current, which are expected to be fully refunded between the years 2019 and 2022.
Our U.S. cash and cash equivalents balance at December 31, 2018 was $821.6 million, or 99.8% of our consolidated total cash and cash equivalents balance of $823.2 million. Additionally, we had a cash balance at December 31, 2018 of $12.4 million classified as part of Current assets of discontinued operations in the Statements of Consolidated Financial Position, which will be utilized to support our exit from Australia.

Investing Activities

Net cash used by investing activities was $273.1 million for the year ended December 31, 2018, compared to $156.0 million for the year ended December 31, 2017. We had capital expenditures of approximately $296 million and $152 million for the years ended December 31, 2018 and 2017, respectively. The 2018 capital expenditures include the continued development of our HBI project, sustaining capital spend and the upgrades at Northshore Mine.
Net cash used in investing activities was $156.0 million for the year ended December 31, 2017 compared to $57.9 million for 2016. We had capital expenditures of approximately $152 million and $69 million for the years ended December 31, 2017 and 2016, respectively. The 2017 capital expenditures include sustaining capital spend, early-stage work on our HBI project and the acquisition of certain real estate interests located in Itasca County west of Nashwauk, Minnesota.
We spent approximately $69 million, $91 million and $69 million globally on expenditures related to sustaining capital during 2018, 2017 and 2016, respectively. Sustaining capital spend includes infrastructure, mobile equipment, environmental, safety and health, fixed equipment and product quality. Additionally, during the year ended December 31, 2018, we had cash outflows, including deposits, of approximately $180 million on the development of the HBI production plant in Toledo, Ohio and approximately $50 million on the upgrades at Northshore Mine.
We anticipate total cash used for capital expenditures, excluding amounts attributable to construction-related contingencies and capitalized interest, during the next twelve months to be approximately $535 million. Included within this estimate is approximately $70 million for sustaining capital, $425 million related to the HBI production plant in Toledo, Ohio and approximately $40 million for upgrades at the Northshore plant to enable it to produce significantly increased levels of DR-grade pellets that could be sold commercially or used as feedstock for the HBI

production plant. We expect to spend approximately $830 million on the HBI production plant and $90 million on the Northshore upgrades, exclusive of construction-related contingencies and capitalized interest, through 2020.

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Financing Activities

Net cash used by financing activities was $375.2 million for the year ended December 31, 2018, compared with net cash provided by financing activities of $498.9 million for 2017. Uses of cash from financing activities during 2018 included the redemption of various tranches of unsecured debt. We redeemed in full all of our outstanding $400 million 5.90% 2020 Senior Notes and $500 million 4.80% 2020 Senior Notes and purchased certain other outstanding senior notes. The total aggregate principal amount of debt redeemed and purchased, including premiums, during 2018 was $234.5 million.

Additionally, on November 26, 2018, we announced that our Board of Directors authorized a program to repurchase outstanding common shares in the open market or in privately negotiated transactions, up to a maximum of $200 million. We are not obligated to make any purchase and the program may be suspended or discontinued at any time. During 2018, we repurchased 5.4 million common shares at a cost of approximately $47.5 million in aggregate, including commissions and fees, or an average price of approximately $8.78 per share. As of December 31, 2018, there was approximately $152.7 million remaining under the authorization. The share repurchase program is active until December 31, 2019.

Other uses of cash for financing activities during 2018 included cash payments of $44.2 million for the second of three installments related to an agreement to distribute the net assets of the noncontrolling interest in Empire in exchange for the remaining interest in Empire and $44.0 million for repayment of lease liabilities.

Net cash provided by financing activities was $498.9 million for the year ended December 31, 2017, compared with net cash used by financing activities of $206.4 million for 2016. Sources of cash from financing activities during 2017 included a common share offering, generating net proceeds of $661.3 million, and the issuance of $1.075 billion 5.75% 2025 Senior Notes, which provided further net proceeds of $1.046 billion. We also had an issuance of $400.0 million 4.875% 2024 Senior Secured Notes and an issuance of $316.25 million 1.5% 2025 Convertible Senior Notes, generating net proceeds of $697.5 million.

Uses of cash from financing activities during 2017 included the redemption of various tranches of secured and unsecured debt. We redeemed in full all of our outstanding $540 million 8.25% 2020 First Lien Notes, $218.5 million 8.00% 2020 1.5 Lien Notes and $544.2 million 7.75% 2020 Second Lien Notes and purchased certain other outstanding senior notes through tender offers and redemptions. The total aggregate principal amount of debt redeemed and purchased, including premiums, during 2017 was $1.721 billion. Additionally, we finalized an agreement to distribute the net assets of the noncontrolling interest in Empire to ArcelorMittal in exchange for its interest in Empire and made the first distribution of $44.2 million, as previously discussed. We also acquired the remaining 15% equity interest in Tilden owned by U.S. Steel for $105.0 million.

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The following represents our future cash commitments and contractual obligations as of December 31, 2018:

	Payments Due by Period (In Millions)				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Long-term debt	$2,212.0	$—	$124.0	$—	$2,088.0
Interest on debt[1]	964.6	110.6	218.3	209.2	426.5
Operating lease obligations	19.6	4.0	5.8	3.8	6.0
Capital lease obligations	18.5	4.2	7.8	5.4	1.1
Partnership distribution payable	44.2	44.2	—	—	—
Purchase obligations:					
Open purchase orders	89.5	89.5	—	—	—
HBI production plant[2]	650.0	425.0	225.0	—	—
Minimum "take or pay" purchase commitments[3]	711.8	85.8	152.7	108.4	364.9
Total purchase obligations	1,451.3	600.3	377.7	108.4	364.9
Other long-term liabilities:					
Pension funding minimums	365.1	15.9	79.2	118.8	151.2
OPEB claim payments	93.3	3.5	6.8	6.6	76.4
Environmental and mine closure obligations	174.9	2.9	46.9	4.3	120.8
Total other long-term liabilities	633.3	22.3	132.9	129.7	348.4
Total	$5,343.5	$785.6	$866.5	$456.5	$3,234.9

[1] Refer to NOTE 6 - DEBT AND CREDIT FACILITIES for additional information regarding our debt and related interest rates.
[2] Includes purchase obligations and contracted amounts of approximately $400 million.
[3] Includes minimum railroad transportation obligations, minimum electric power demand charges, minimum coal, diesel and natural gas obligations and minimum port facility obligations.

The above table does not reflect $4.2 million of unrecognized tax benefits, which we have recorded for uncertain tax positions, as we are unable to determine a reasonable and reliable estimate of the timing of future payments.
Refer to NOTE 19 - COMMITMENTS AND CONTINGENCIES for additional information regarding our future commitments and obligations.

Capital Resources

We expect to fund our business obligations from available cash, current and future operations and existing borrowing arrangements. We also may pursue other funding strategies in the capital markets to strengthen our liquidity, extend debt maturities and/or fund strategic initiatives. The following represents a summary of key liquidity measures:

	(In Millions)	
	December 31, 2018	December 31, 2017
Cash and cash equivalents	$823.2	$ 978.3
Available borrowing base on ABL Facility[1]	$323.7	$ 273.2
ABL Facility loans drawn	—	—
Letter of credit obligations and other commitments	(55.0)	(46.5)
Borrowing capacity available	$268.7	$ 226.7

[1] The ABL Facility has a maximum borrowing base of $450 million, determined by applying customary advance rates to eligible accounts receivable, inventory and certain mobile equipment.

Our primary sources of funding are cash and cash equivalents, which totaled $823.2 million as of December 31, 2018, cash generated by our business, availability under the ABL Facility and other financing activities. Cash and cash equivalents include cash on hand and on deposit as well as all short-term securities held for the primary purpose of general liquidity. The combination of cash and availability under the ABL Facility gives us $1,091.9 million in liquidity entering the first quarter of 2019, which is expected to be adequate to fund operations, letter of credit obligations, sustaining and expansion capital expenditures and other cash commitments for at least the next 12 months.

As of December 31, 2018, we were in compliance with the ABL Facility liquidity requirements and, therefore, the springing financial covenant requiring a minimum Fixed Charge Coverage Ratio of 1.0 to 1.0 was not applicable. We believe that the cash on hand and the ABL Facility provide us sufficient liquidity to support our operating, investing and financing activities. We have the capability to issue additional unsecured notes and, subject to the limitations set forth in our existing debt indentures, additional secured indebtedness, if we elect to access the debt capital markets. However, available capacity of these notes could be limited by market conditions.

Consistent with our stated strategy, we intend from time to time to seek to retire or purchase our outstanding senior notes with cash on hand, borrowings from existing credit sources or new debt financings and/or exchanges for debt or equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain arrangements that are not reflected on our Statements of Consolidated Financial Position. These arrangements include minimum "take or pay" purchase commitments, such as minimum electric power demand charges, minimum coal, diesel and natural gas purchase commitments, minimum railroad transportation commitments and minimum port facility usage commitments; financial instruments with off-balance sheet risk, such as bank letters of credit and bank guarantees; and operating leases, which primarily relate to equipment and office space.

Market Risks

We are subject to a variety of risks, including those caused by changes in commodity prices, foreign currency exchange rates and interest rates. We have established policies and procedures to manage such risks; however, certain risks are beyond our control.

Pricing Risks

Commodity Price Risk

Our consolidated revenues include the sale of a single product, iron ore pellets, in the North American market. Our financial results can vary significantly as a result of fluctuations in the market prices of iron ore, hot-rolled coil steel and iron ore pellet premiums. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. The world market price that is most commonly utilized in our iron ore sales contracts is the Platts 62% Price, which can fluctuate widely due to numerous factors, such as global economic growth or contraction, change in demand for steel or changes in availability of supply.

Customer Supply Agreement

A supply agreement with one customer provides for supplemental revenue or refunds based on the average annual daily market price for hot-rolled coil steel at the time the iron ore product is consumed in the customer's blast furnaces. At December 31, 2018, we had derivative assets of $89.3 million, representing the fair value of the pricing factors, based upon the amount of unconsumed long tons and an estimated average hot-rolled coil steel price for the period in which the iron ore is expected to be consumed in the customer's blast furnaces, subject to final pricing at a future date. We estimate that a $75 positive or negative change in the average daily market price for hot-rolled coil steel realized from the December 31, 2018 estimated price recorded would cause the fair value of the derivative instrument to increase or decrease by approximately $27 million, respectively, thereby impacting our consolidated revenues by the same amount. We have not entered into any hedging programs to mitigate the risk of adverse price fluctuations.

Volatile Energy and Fuel Costs

The volatile cost of energy is an important factor affecting the production costs at our iron ore operations. Our consolidated Mining and Pelletizing segment operations consumed 15 million MMBtu of natural gas at an average delivered price of $3.77 per MMBtu, excluding the natural gas hedge impact, or $3.65 per MMBtu net of the natural gas hedge impact during 2018. Additionally, our consolidated Mining and Pelletizing segment operations consumed 17 million gallons of diesel fuel at an average delivered price of $2.37 per gallon during 2018.

Our strategy to address volatile natural gas and diesel rates includes improving efficiency in energy usage, identifying alternative providers and utilizing the lowest cost alternative fuels. A full-year hedging program was implemented during the fourth quarter of 2017 in order to manage the price risk of natural gas at our Mining and Pelletizing segment mines. Additionally, during the third quarter of 2018, we began entering into forward hedge contracts to manage our 2019 price of diesel fuel at our Mining and Pelletizing segment mines. We will continue to monitor relevant energy markets for risk mitigation opportunities and may make additional forward purchases or employ other hedging instruments in the future as warranted and deemed appropriate by management. In the near term, a 10% change from our 2018 average natural gas and diesel fuel prices would result in a change of approximately $11 million in our annual fuel and energy cost based on expected consumption for 2019.

In the ordinary course of business, there may also be increases in prices relative to electricity costs at our mine sites. Specifically, Tilden has entered into large curtailable special contracts with Wisconsin Electric Power Company. Charges under those special contracts are subject to a power supply cost recovery mechanism that is based on variations in the utility's actual fuel and purchase power expenses.

Valuation of Other Long-Lived Assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that would indicate that the carrying value of the assets may not be recoverable. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in market pricing; a significant adverse change in legal or environmental factors or in the business climate; changes in estimates of our recoverable reserves; unanticipated competition; and slower growth or production rates. Any adverse change in these factors could have a significant impact on the recoverability of our long-lived assets and could have a material impact on our consolidated statements of operations and statement of financial position.

A comparison of each asset group's carrying value to the estimated undiscounted net future cash flows expected to result from the use of the assets, including cost of disposition, is used to determine if an asset is recoverable. Projected future cash flows reflect management's best estimates of economic and market conditions over the projected period, including growth rates in revenues and costs, estimates of future expected changes in operating margins and capital expenditures. If the carrying value of the asset group is higher than its undiscounted net future cash flows, the asset group is measured at fair value and the difference is recorded as a reduction to the long-lived assets. We estimate fair value using a market approach, an income approach or a cost approach. As of December 31, 2018, no impairment factors were present that would indicate that the carrying value of our asset groups may not be recoverable; as a result, no impairment assessment was required.

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Interest Rate Risk

Interest payable on our senior notes is at fixed rates. Interest payable under our ABL Facility is at a variable rate based upon the base rate plus the base rate margin depending on the excess availability. As of December 31, 2018, we had no amounts drawn on the ABL Facility.

Supply Concentration Risks

Many of our mines are dependent on one source each of electric power and natural gas. A significant interruption or change in service or rates from our energy suppliers could impact materially our production costs, margins and profitability.

Outlook

2019 Outlook Summary

Per Long Ton Information	Mining and Pelletizing
Cost of goods sold and operating expense rate	$73 - $78
Less:	
Freight expense rate[1]	$7
Depreciation, depletion & amortization rate	$4
Cash cost of goods sold and operating expense rate	$62 - $67
Sales volume (million long tons)	20.0
Production volume (million	20.0

long
tons)

[1] 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 iron ore prices of $76 per metric ton, steel prices of $694 per short ton, and pellet premiums of $67.50 per metric ton will average for the remainder of 2019 their respective January averages, we would realize Mining and Pelletizing revenue rates in the range of $102 to $107 per long ton. Performing the same analysis using spot prices as of February 7, 2019, namely an iron ore price of $90.50 per metric ton, a steel price of $683 per short ton, and a pellet premium of $67.50 per metric ton, we would expect to realize Mining and Pelletizing revenue rates in the range of $111 to $116 per long ton for the full-year 2019.

For 2019, we expect full-year sales and production volumes of our productive capacity of approximately 20 million long tons. Our full-year 2019 Mining and Pelletizing cash cost of goods sold and operating expense expectation is $62 to $67 per long ton.

SG&A Expenses and Other Expectations

Full-year 2019 SG&A expenses are expected to be approximately $120 million. We note that of the $120 million expectation, approximately $20 million is considered non-cash.

Our full-year 2019 interest expense is expected to be approximately $100 million, compared to $119 million recorded in 2018. We expect approximately $20 million in cash interest related to the HBI project to be capitalized, compared to $6 million that was capitalized in 2018.

Our 2019 effective tax rate is expected to be approximately 10%. However, due to our net operating loss position, our cash tax payments are expected to be zero.

Additionally, we also expect to receive approximately $117 million in cash tax refunds during the third quarter of 2019.

Consolidated full-year 2019 depreciation, depletion and amortization is expected to be approximately $85 million, incurred ratably throughout the year.

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Capital Expenditures

Our 2019 capital spending expectations are:

- Approximately $425 million toward the HBI project in Toledo, OH;
- Approximately $70 million in sustaining capital;
- Approximately $40 million toward the completion of the upgrade at the Northshore mine; and
- Approximately $20 million in capitalized interest.

Based on current market analysis, greater-than-expected customer demand and expansion opportunities explored during the HBI construction process, we are increasing the productive capacity of our Toledo HBI facility from 1.6 million metric tons to 1.9 million metric tons per year.

Recently Issued Accounting Pronouncements

Refer to NOTE 2 - NEW ACCOUNTING STANDARDS of the consolidated financial statements for a description of recent accounting pronouncements, including the respective dates of adoption and effects on results of operations and financial condition.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. Preparation of financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and the related disclosures of contingencies. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are fairly presented in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Management believes that the following critical accounting estimates and judgments have a significant impact on our financial statements.

Revenue Recognition

Customer Supply Agreement

A supply agreement with one customer provides for supplemental revenue or refunds to the customer based on the average annual daily steel market price for hot-rolled coil steel in the year the iron ore product is consumed in the customer’s blast furnace. The supplemental pricing is characterized as a freestanding derivative and is required to be accounted for separately once control transfers to the customer. The derivative instrument, which is finalized based on a future price, is adjusted to fair value as a revenue adjustment each reporting period until the pellets are consumed and the amounts are settled.

The fair value of the instrument is determined using a market approach based on an estimate of the average annual daily market price for hot-rolled coil steel, and takes into consideration current market conditions and nonperformance risk. At December 31, 2018, we had a derivative asset of $89.3 million, representing the fair value of the pricing factors, based upon the amount of unconsumed long tons and an estimated average annual daily hot-rolled coil steel price related to the period in which the iron ore is expected to be consumed in the customer's blast furnace at each respective steelmaking facility, subject to final pricing at a future date. We recognized net derivative revenue of $425.8 million in Product revenues in the Statements of Consolidated Operations for the year ended December 31, 2018

The accuracy of our estimates typically increases as the year progresses based on additional information in the market becoming available. Our estimates for supplemental revenue adjustments have been materially correct related to the Mining and Pelletizing segment's product revenues for the year ended December 31, 2018 and 2017.

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Mineral Reserves

We regularly evaluate our mineral reserves and update them as required in accordance with SEC Industry Guide 7. The estimated mineral reserves could be affected by future industry conditions, geological conditions and ongoing mine planning. Additional capital and development expenditures may be required to maintain effective production capacity. Generally, as mining operations progress, haul distances increase. Alternatively, changes in economic conditions or the expected quality of mineral reserves could decrease capacity of mineral reserves. Technological progress could alleviate such factors or increase capacity of mineral reserves.

We use our mineral reserve estimates, combined with our estimated annual production levels, to determine the mine closure dates utilized in recording the fair value liability for asset retirement obligations for our active operating mines. Refer to NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information. Since the liability represents the present value of the expected future obligation, a significant change in mineral reserves or mine lives could have a substantial effect on the recorded obligation. We also utilize mineral reserves for evaluating potential impairments of mine asset groups and in determining maximum useful lives utilized to calculate depreciation and amortization of long-lived mine assets. Increases or decreases in mineral reserves or mine lives could significantly affect these items.

Valuation of Long-Lived Assets

In assessing the recoverability of our long-lived asset groups, significant assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets must be made, as well as the related estimated useful lives. If these estimates or their related assumptions change in the future as a result of changes in strategy or market conditions, we may be required to record impairment charges for these assets in the period such determination was made.

We monitor conditions that indicate that the carrying value of an asset or asset group may be impaired. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable, independent cash flows are available. An impairment loss exists when projected undiscounted net cash flows are less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The impairment analysis and fair value determination can result in substantially different outcomes based on changes in critical assumptions and estimates, including the quantity and quality of remaining mineral reserves, future iron ore prices and production costs.

During 2018, 2017 and 2016 there were no impairment indicators present at our continuing operations; as a result, no impairment assessments were required.

Refer to NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES for further information regarding our policy on asset impairment.

Asset Retirement Obligations and Environmental Remediation Costs

The accrued mine closure obligations for our active mining operations provide for contractual and legal obligations associated with the eventual closure of the mining operations. We perform an in-depth evaluation of the liability every three years in addition to our routine annual assessments. In 2017, we employed a third-party specialist to assist in the evaluation. Our obligations are determined based on detailed estimates adjusted for factors that a market participant would consider (e.g., inflation, overhead and profit), which are escalated at an assumed rate of inflation to the estimated closure dates, and then discounted using the current credit-adjusted risk-free interest rate. The estimate also incorporates incremental increases in the closure cost estimates and changes in estimates of mine lives. The closure date for each location is determined based on the exhaustion date of the remaining iron ore reserves, which is dependent on our estimate of mineral reserves. The estimated obligations are particularly sensitive to the impact of changes in mine lives given the difference between the inflation and discount rates. Changes in the base estimates of legal and contractual closure costs due to changes in legal or contractual requirements, available technology, inflation, overhead or profit rates also could have a significant impact on the recorded obligations.

We have a formal policy for environmental protection and remediation. Our obligations for known environmental matters at active and closed mining operations and other sites have been recognized based on estimates of the cost of investigation and remediation at each site. If the obligation can only be estimated as a range of possible amounts, with no specific amount being more likely, the minimum of the range is accrued. Management reviews its environmental remediation sites quarterly to determine if additional cost adjustments or disclosures are required. The characteristics of environmental remediation obligations, where information concerning the nature and extent of clean-up activities is not immediately available and which are subject to changes in regulatory requirements, result in a significant risk of increase to the obligations as they mature. Expected future expenditures are not discounted to present value unless the amount and timing of the cash disbursements can be reasonably estimated. Potential insurance recoveries are not recognized until realized. Refer to NOTE 11 - ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS, for further information.

Income Taxes

Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in the U.S. and various foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

At December 31, 2018 and 2017, we had a total valuation allowance of $1,287.3 million and $1,983.1 million, respectively, against our deferred tax assets. Of this amount, $44.1 million and $593.8 million relate to the U.S. deferred tax assets at December 31, 2018 and 2017, respectively and $1,243.2 million and $1,389.3 million relate to foreign deferred tax assets, respectively.

As of December 31, 2018, our U.S. operations emerged from a three-year cumulative loss position. As the significant negative evidence of cumulative losses has been eliminated, we undertook an evaluation of the continuing need for a valuation allowance on the U.S. deferred tax assets, the majority of which relates to the U.S. tax net operating losses. In completing our evaluation of whether a valuation allowance was still needed, we considered all available positive and negative evidence. Positive evidence considered included the emergence from the three-year cumulative loss position, our long-term customer contracts with minimum tonnage requirements, the global scarcity of iron ore pellets, near term forecasts of strong profitability and the recently revised IRC Section 163(j) interest deduction limitation. Negative evidence included the overall size of the deferred tax asset with limited carryforward and no carryback opportunity, the finite nature of the iron ore resources we mine, the uncertainty of steel tariffs that positively impacted our revenue rates in 2018 and the various market signs that the U.S. economy may be nearing the end of the current expansion.

We also considered that future realization of the deferred tax assets depends on the existence of sufficient taxable income of the appropriate character during the carryforward period. In considering sources of taxable income, we identified that a portion of the deferred tax assets would be utilized by existing taxable temporary differences reversing in the same periods as existing deductible temporary differences. In addition, we determined that carryback opportunities and tax planning strategies do not exist as potential sources of future taxable income. Lastly, forecasting future taxable income was considered, but is challenging in a cyclical industry such as ours as it relies heavily on the accuracy of key assumptions, particularly about key pricing benchmarks.

Because historical information is verifiable and more objective than forecast information and due to the cyclicality of the industry, we developed an estimate of future income based on our historical earnings through the most recent industry cycle. We adjusted historical earnings for certain non-recurring items as well as to be reflective of the current corporate structure by eliminating the impact of discontinued operations and extinguished debt (“core earnings”). Additionally, we adjusted core earnings to reflect the impact of the recently revised IRC Section 163(j) interest deduction limitation as well as permanent tax adjustments. The IRC Section 163(j) limitation will limit our interest deduction, particularly in down years in the industry cycle, resulting in higher taxable income.

Based on the core earnings analysis, the Company's average annual book taxable income through the business cycle is in excess of the estimated $109.0 million average annual taxable income required to fully utilize the deferred

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tax assets within the 19 year carryforward period. We ascribed significant weight in our assessment to the core earnings analysis and the resulting projection of taxable income through the industry cycle. Based on the weight of this positive evidence, and after considering the other available positive and negative evidence, we determined that it was appropriate to release all of the valuation allowance related to U.S. federal deferred tax assets at December 31, 2018 as it is more likely than not that the entire deferred tax asset will be realized before the end of the carryforward period. We also released the state valuation allowance except for the valuation allowance recorded on deferred tax assets related to state net operating losses in jurisdictions where we no longer operate and the losses will not be utilized. The valuation allowance related to foreign tax credits will be retained as the credits will expire prior to utilization.

Our losses in Luxembourg in recent periods represent sufficient negative evidence to require a full valuation allowance against the deferred tax assets in that jurisdiction. We intend to maintain a valuation allowance against the deferred tax assets related to these operating losses, until sufficient positive evidence exists to support the realization of such assets.

Changes in tax laws and rates also could affect recorded deferred tax assets and liabilities in the future. In 2017, both the U.S. and Luxembourg reduced the statutory rate; this decreased the deferred tax assets and related valuation allowance by $407.5 million. The U.S. tax legislation also repealed the corporate AMT which resulted in a reversal of the valuation allowance related to the AMT credits and an income tax benefit of $234.6 million for the year ended December 31, 2017. At December 31, 2018, we have recorded an Income tax receivable, current of $117.3 million and an Income tax receivable, non-current of $117.3 million, which represents the AMT credits to be refunded in 2019 through 2022. These receivables represent the full amount of refundable AMT credits as the IRS has confirmed they will not be subject to sequestration. We had recorded a $15 million reserve against the AMT credit receivable during the first quarter of 2018, based on preliminary guidance from the IRS. Near year-end, the IRS issued final guidance that AMT credit refunds would not be subject to sequestration and we reversed the previously recorded reserve. There was no net impact on the full year 2018.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various jurisdictions across our global operations. The ultimate impact of the U.S. income tax reform legislation may differ from our current estimates due to changes in the interpretations and assumptions made as well as additional regulatory guidance that may be issued.

Accounting for uncertainty in income taxes recognized in the financial statements requires that a tax benefit from an uncertain tax position be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits.

We recognize tax liabilities in accordance with ASC 740, Income Taxes, and we adjust these liabilities when our judgment changes because of evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined. Refer to NOTE 10 - INCOME TAXES, for further information.

Employee Retirement Benefit Obligations

We offer defined benefit pension plans, defined contribution pension plans and other postretirement benefit plans, primarily consisting of retiree healthcare benefits, to most employees in North America as part of a total compensation and benefits program. The defined benefit pension plans largely are noncontributory and benefits generally are based on employees' years of service and average earnings for a defined period prior to retirement, or a minimum formula.

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Following is a summary of our U.S. defined benefit pension and OPEB funding and expense:

	Pension		OPEB	
	Funding	Expense	Funding	Expense (Benefit)
2016	$1.2	$ 16.5	$1.1	$ (4.0)
2017	$24.4	$ 18.0	$2.1	$ (6.1)
2018	$27.6	$ 12.7	$3.8	$ (5.9)
2019 (Estimated)	$15.9	$ 21.5	$3.5	$ (2.8)

Assumptions used in determining the benefit obligations and the value of plan assets for defined benefit pension plans and postretirement benefit plans (primarily retiree healthcare benefits) that we offer are evaluated periodically by management. Critical assumptions, such as the discount rate used to measure the benefit obligations, the expected long-term rate of return on plan assets, the medical care cost trend, and the rate of compensation increase are reviewed annually.

As of December 31, 2018 and 2017, we used the following assumptions:

	Pension and Other Benefits	
	2018	2017
Plan discount rates:		
Iron Hourly Pension Plan	4.31 %	3.60 %
Salaried Pension Plan	4.21	3.52
Ore Mining Pension Plan	4.33	3.61
SERP	4.22	3.50
Hourly OPEB Plan	4.29	3.60
Salaried OPEB Plan	4.27	3.57
Rate of compensation increase - Salaried	3.00	3.00
Rate of compensation increase - Hourly	2.00	2.00
Pension plan expected return on plan assets	8.25	8.25
OPEB plan expected return on plan assets	7.00	7.00
Health care cost trend rate assumed for next year	6.75	7.00
Ultimate health care cost trend rate	5.00	5.00
Year that the ultimate rate is reached	2026	2026

The increase in the discount rates in 2018 was driven by the change in corporate bond yields, which were up approximately 70 basis points compared to the prior year.

Additionally, on December 31, 2018, the assumed mortality improvement projection was changed from generational scale MP-2017 to generational scale MP-2018. The healthy mortality assumption remains the RP-2014 mortality tables with blue collar and white collar adjustments made for certain hourly and salaried groups to determine the expected life of our plan participants.

Following are sensitivities of potential further changes in these key assumptions on the estimated 2019 pension and OPEB expense and the pension and OPEB benefit obligations as of December 31, 2018:

	Increase in Expense		Increase in Benefit Obligation	
	(In Millions)		(In Millions)	
	Pension	OPEB	Pension	OPEB
Decrease discount rate 0.25%	$1.6	$ 0.2	$25.0	$ 6.6
Decrease return on assets 1.00%	$6.6	$ 2.4	N/A	N/A

Changes in actuarial assumptions, including discount rates, employee retirement rates, mortality, compensation levels, plan asset investment performance and healthcare costs, are determined based on analyses of actual and expected factors. Changes in actuarial assumptions and/or investment performance of plan assets may have a significant impact on our financial condition due to the magnitude of our retirement obligations. Refer to NOTE 8 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS, for further information.

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 Cliffs’ 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 Cliffs’ 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;

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- 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;
- availability of capital and our ability to maintain adequate liquidity;
- 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 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 I – Item 1A. Risk Factors. You are urged to carefully consider these risk factors.

Non-GAAP Reconciliation

We present cash cost of goods sold and operating expense rate per long ton, which is a non-GAAP financial measure that management uses in evaluating operating performance. We believe our presentation of non-GAAP cash cost of goods sold and operating expenses is useful to investors because it excludes depreciation, depletion and amortization, which are non-cash, and freight and joint venture partners' cost reimbursements, which have 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 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 our consolidated financial statements.

	(In Millions)		
	Year Ended December 31,		
	2018	2017	2016
Cost of goods sold and operating expenses	$(1,522.8)	$(1,398.4)	$(1,274.4)
Less:			
Freight and reimbursements	(160.1)	(221.4)	(174.8)
Depreciation, depletion & amortization	(68.2)	(66.6)	(84.0)
Cash cost of goods sold and operating expenses	$(1,294.5)	$(1,110.4)	$(1,015.6)

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information regarding our Market Risk is presented under the caption Market Risks, which is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and is incorporated by reference and made a part hereof.

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Item 8. Financial Statements and Supplementary Data
Statements of Consolidated Financial Position
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions)	
	December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$823.2	$978.3
Accounts receivable, net	226.7	106.7
Inventories	87.9	138.4
Supplies and other inventories	93.2	88.8
Derivative assets	91.5	37.9
Income tax receivable, current	117.3	13.3
Loans to and accounts receivables from the Canadian Entities	—	51.6
Current assets of discontinued operations	12.4	118.5
Other current assets	27.4	11.1
TOTAL CURRENT ASSETS	1,479.6	1,544.6
PROPERTY, PLANT AND EQUIPMENT, NET	1,286.0	1,033.8
OTHER ASSETS		
Deposits for property, plant and equipment	83.0	17.8
Income tax receivable, non-current	121.3	235.3
Deferred income taxes	464.8	—
Non-current assets of discontinued operations	—	20.3
Other non-current assets	94.9	101.6
TOTAL OTHER ASSETS	764.0	375.0
TOTAL ASSETS	$3,529.6	$2,953.4

(continued)

The accompanying notes are an integral part of these consolidated financial statements.

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Statements of Consolidated Financial Position
Cleveland-Cliffs Inc. and Subsidiaries - (Continued)

	(In Millions) December 31, 2018	2017
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$186.8	$99.5
Accrued employment costs	74.0	52.7
State and local taxes payable	35.5	30.2
Accrued interest	38.4	31.4
Contingent claims	—	55.6
Partnership distribution payable	43.5	44.2
Current liabilities of discontinued operations	6.7	75.0
Other current liabilities	83.3	63.6
TOTAL CURRENT LIABILITIES	468.2	452.2
POSTEMPLOYMENT BENEFIT LIABILITIES		
Pensions	218.4	222.8
Other postretirement benefits	30.3	34.9
TOTAL POSTEMPLOYMENT BENEFIT LIABILITIES	248.7	257.7
ENVIRONMENTAL AND MINE CLOSURE OBLIGATIONS	172.0	167.7
LONG-TERM DEBT	2,092.9	2,304.2
NON-CURRENT LIABILITIES OF DISCONTINUED OPERATIONS	8.3	52.2
OTHER LIABILITIES	115.3	163.5
TOTAL LIABILITIES	3,105.4	3,397.5
COMMITMENTS AND CONTINGENCIES (SEE NOTE 19)		
EQUITY		
CLIFFS SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred Stock - no par value		
Class A - 3,000,000 shares authorized		
Class B - 4,000,000 shares authorized		
Common Shares - par value $0.125 per share		
Authorized - 600,000,000 shares (2017 - 600,000,000 shares);		
Issued - 301,886,794 shares (2017 - 301,886,794 shares);		
Outstanding - 292,611,569 shares (2017 - 297,400,968 shares)	37.7	37.7
Capital in excess of par value of shares	3,916.7	3,933.9
Retained deficit	(3,060.2)	(4,207.3)
Cost of 9,275,225 common shares in treasury (2017 - 4,485,826 shares)	(186.1)	(169.6)
Accumulated other comprehensive loss	(283.9)	(39.0)
TOTAL CLIFFS SHAREHOLDERS' EQUITY (DEFICIT)	424.2	(444.3)
NONCONTROLLING INTEREST	—	0.2
TOTAL EQUITY (DEFICIT)	424.2	(444.1)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$3,529.6	$2,953.4

The accompanying notes are an integral part of these consolidated financial statements.

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Statements of Consolidated Operations
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions, Except Per Share Amounts)		
	Year Ended December 31,		
	2018	2017	2016
REVENUES FROM PRODUCT SALES AND SERVICES			
Product	$2,172.3	$1,644.6	$1,379.7
Freight and venture partners' cost reimbursements	160.1	221.4	174.8
	2,332.4	1,866.0	1,554.5
COST OF GOODS SOLD AND OPERATING EXPENSES	(1,522.8)	(1,398.4)	(1,274.4)
SALES MARGIN	809.6	467.6	280.1
OTHER OPERATING INCOME (EXPENSE)			
Selling, general and administrative expenses	(116.8)	(102.9)	(115.8)
Miscellaneous - net	(19.6)	25.5	(33.6)
	(136.4)	(77.4)	(149.4)
OPERATING INCOME	673.2	390.2	130.7
OTHER INCOME (EXPENSE)			
Interest expense, net	(118.9)	(126.8)	(193.9)
Gain (loss) on extinguishment/restructuring of debt	(6.8)	(165.4)	166.3
Other non-operating income	17.2	10.2	7.3
	(108.5)	(282.0)	(20.3)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	564.7	108.2	110.4
INCOME TAX BENEFIT	475.2	252.4	12.2
INCOME FROM CONTINUING OPERATIONS	1,039.9	360.6	122.6
INCOME FROM DISCONTINUED OPERATIONS, net of tax	88.2	2.5	76.7
NET INCOME	1,128.1	363.1	199.3
LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	3.9	(25.2)
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$1,128.1	$367.0	$174.1
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - BASIC			
Continuing operations	$3.50	$1.27	$0.49
Discontinued operations	0.30	0.01	0.39
	$3.80	$1.28	$0.88
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CLIFFS SHAREHOLDERS - DILUTED			
Continuing operations	$3.42	$1.25	$0.49
Discontinued operations	0.29	0.01	0.38
	$3.71	$1.26	$0.87
AVERAGE NUMBER OF SHARES (IN THOUSANDS)			
Basic	297,176	288,435	197,659
Diluted	304,141	292,961	200,145

The accompanying notes are an integral part of these consolidated financial statements.

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Statements of Consolidated Comprehensive Income
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions) Year Ended December 31,		
	2018	2017	2016
NET INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$1,128.1	$367.0	$174.1
OTHER COMPREHENSIVE INCOME (LOSS)			
Changes in pension and other post-retirement benefits, net of tax	(17.2)	11.5	(19.8)
Changes in foreign currency translation	(225.4)	(13.9)	18.6
Changes in derivative financial instruments, net of tax	(2.3)	(0.5)	(2.6)
OTHER COMPREHENSIVE LOSS	(244.9)	(2.9)	(3.8)
OTHER COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO THE NONCONTROLLING INTEREST	—	(1.1)	0.5
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO CLIFFS SHAREHOLDERS	$883.2	$363.0	$170.8

The accompanying notes are an integral part of these consolidated financial statements.

Statements of Consolidated Cash Flows
Cleveland-Cliffs Inc. and Subsidiaries

	(In Millions) Year Ended December 31,		
	2018	2017	2016
OPERATING ACTIVITIES			
Net income	$1,128.1	$363.1	$199.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	89.0	87.7	115.4
Deferred income taxes	(460.5)	—	—
Loss (gain) on extinguishment of debt	6.8	165.4	(166.3)
Loss on deconsolidation	—	20.2	17.5
Gain on derivatives	(110.2)	(4.1)	(30.1)
Gain on foreign currency translation	(228.1)	—	—
Other	20.7	25.3	40.1
Changes in operating assets and liabilities:			
Receivables and other assets	52.3	(248.7)	43.2
Inventories	42.9	(1.8)	157.8
Payables, accrued expenses and other liabilities	(62.5)	(69.0)	(73.9)
Net cash provided by operating activities	478.5	338.1	303.0
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(208.6)	(134.9)	(61.7)
Deposits for property, plant and equipment	(87.5)	(16.8)	(7.4)
Other investing activities	23.0	(4.3)	11.2
Net cash used by investing activities	(273.1)	(156.0)	(57.9)
FINANCING ACTIVITIES			
Net proceeds from issuance of common shares	—	661.3	287.4
Repurchase of common shares	(47.5)	—	—
Proceeds from issuance of debt	—	1,771.5	—
Debt issuance costs	(1.5)	(28.6)	(5.2)
Borrowings under credit facilities	—	—	105.0
Repayment under credit facilities	—	—	(105.0)
Repayments of equipment loans	—	—	(95.6)
Repurchase of debt	(234.5)	(1,720.7)	(305.4)
Acquisition of noncontrolling interest	—	(105.0)	—
Distributions of partnership equity	(44.2)	(52.9)	(59.9)
Other financing activities	(47.5)	(26.7)	(27.7)
Net cash provided (used) by financing activities	(375.2)		